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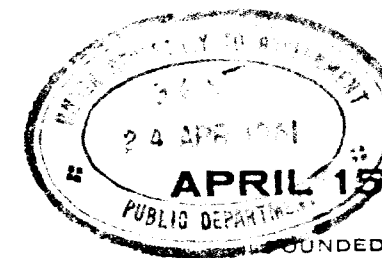
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# The Economist



AIR EDITION

APRIL 15, 1961

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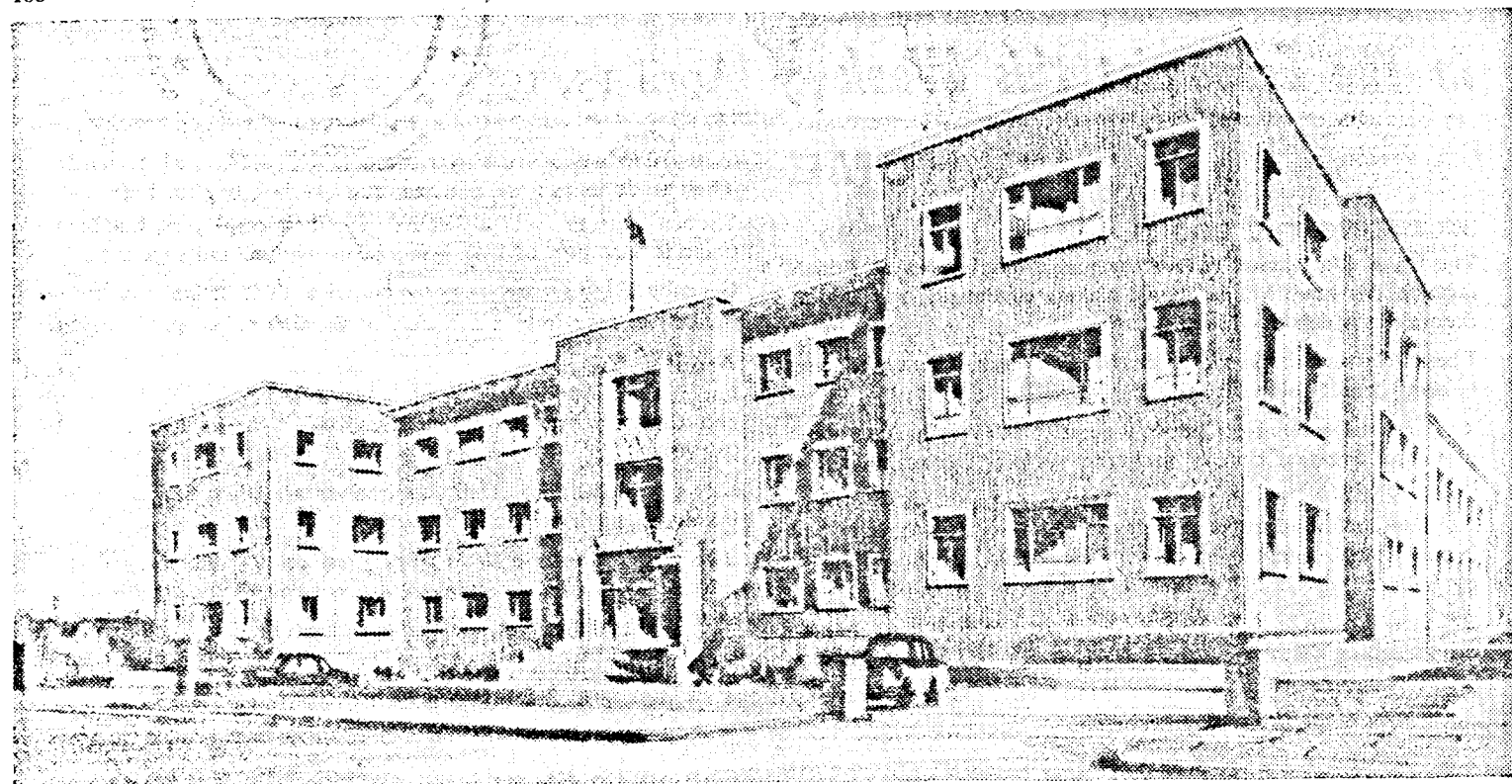
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Western Allies

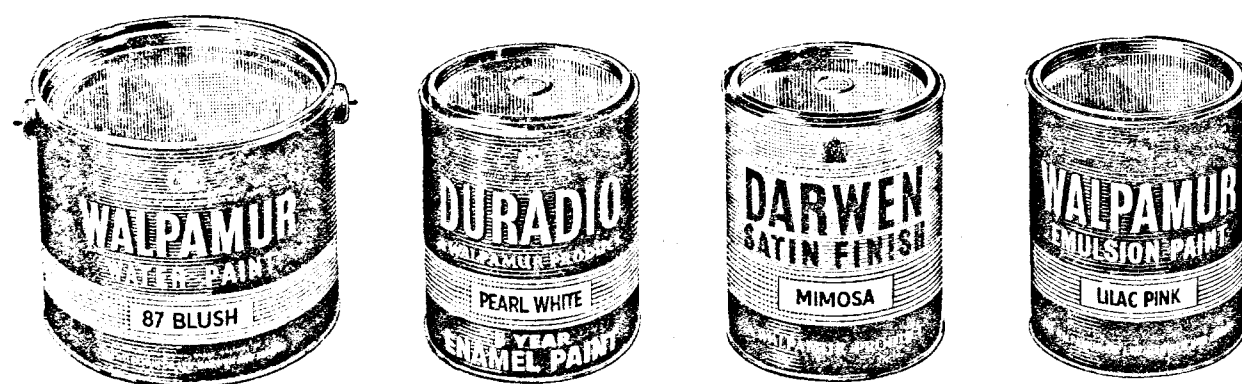
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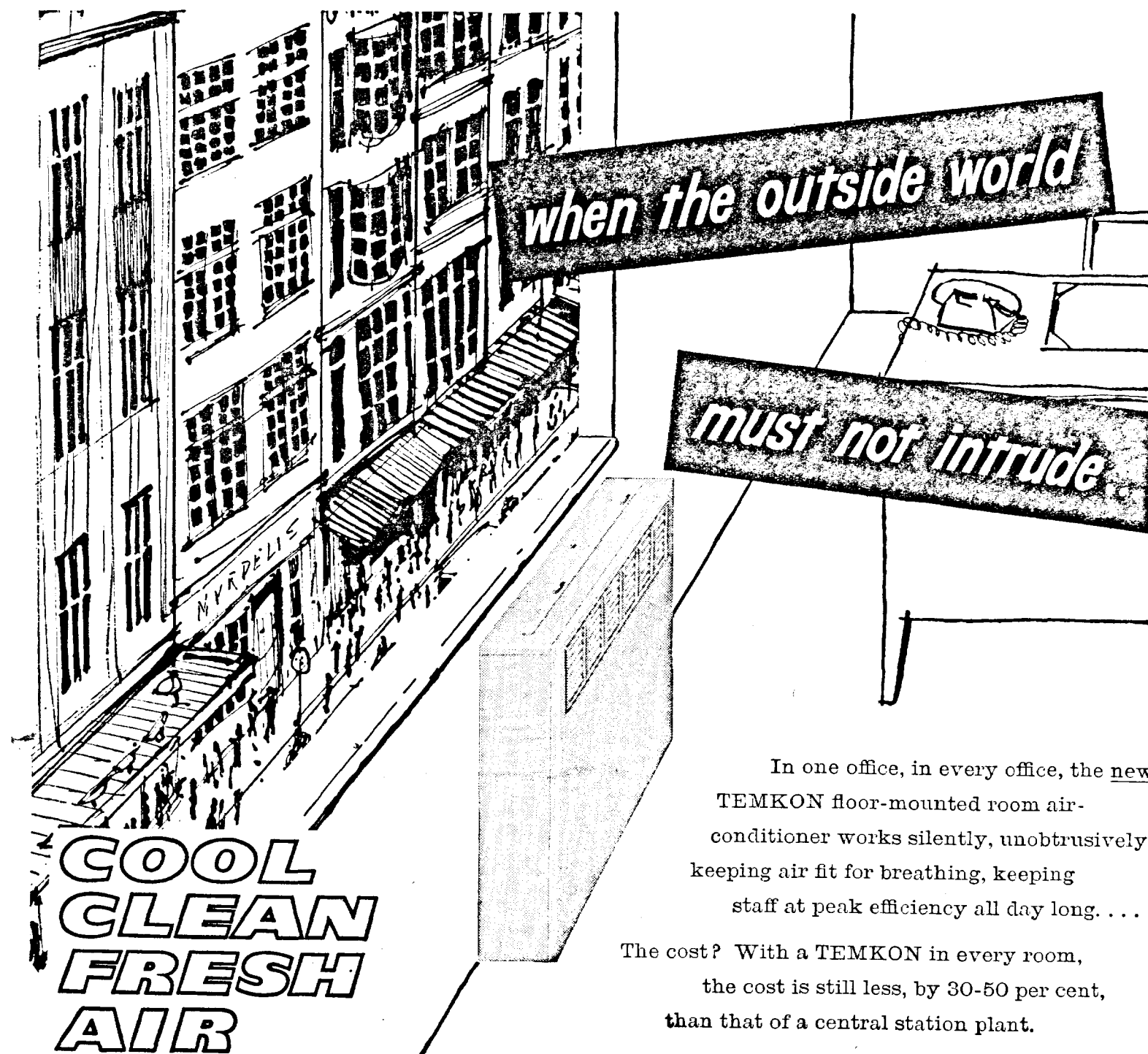
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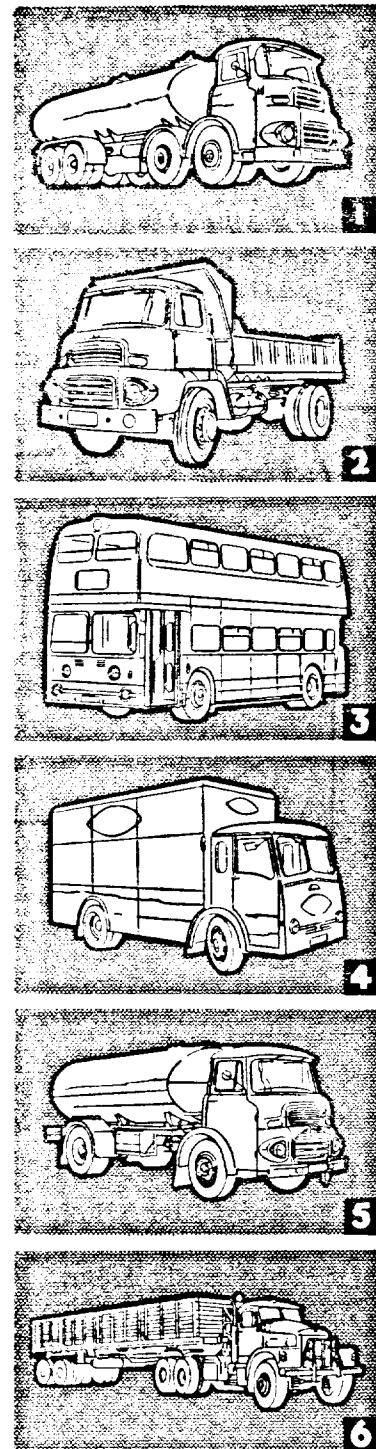
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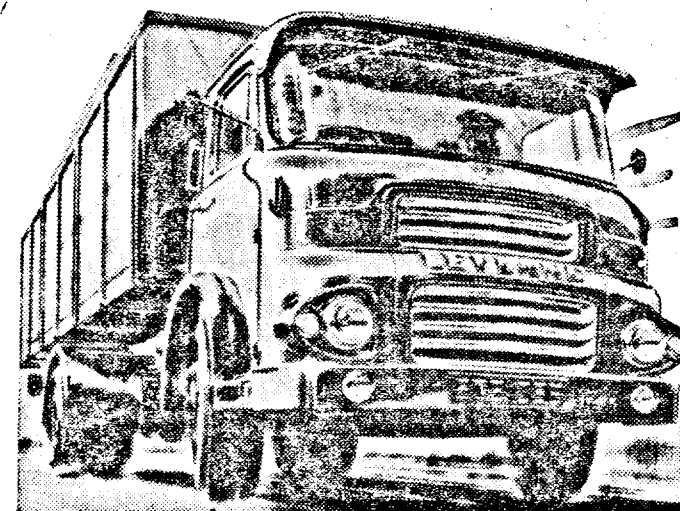
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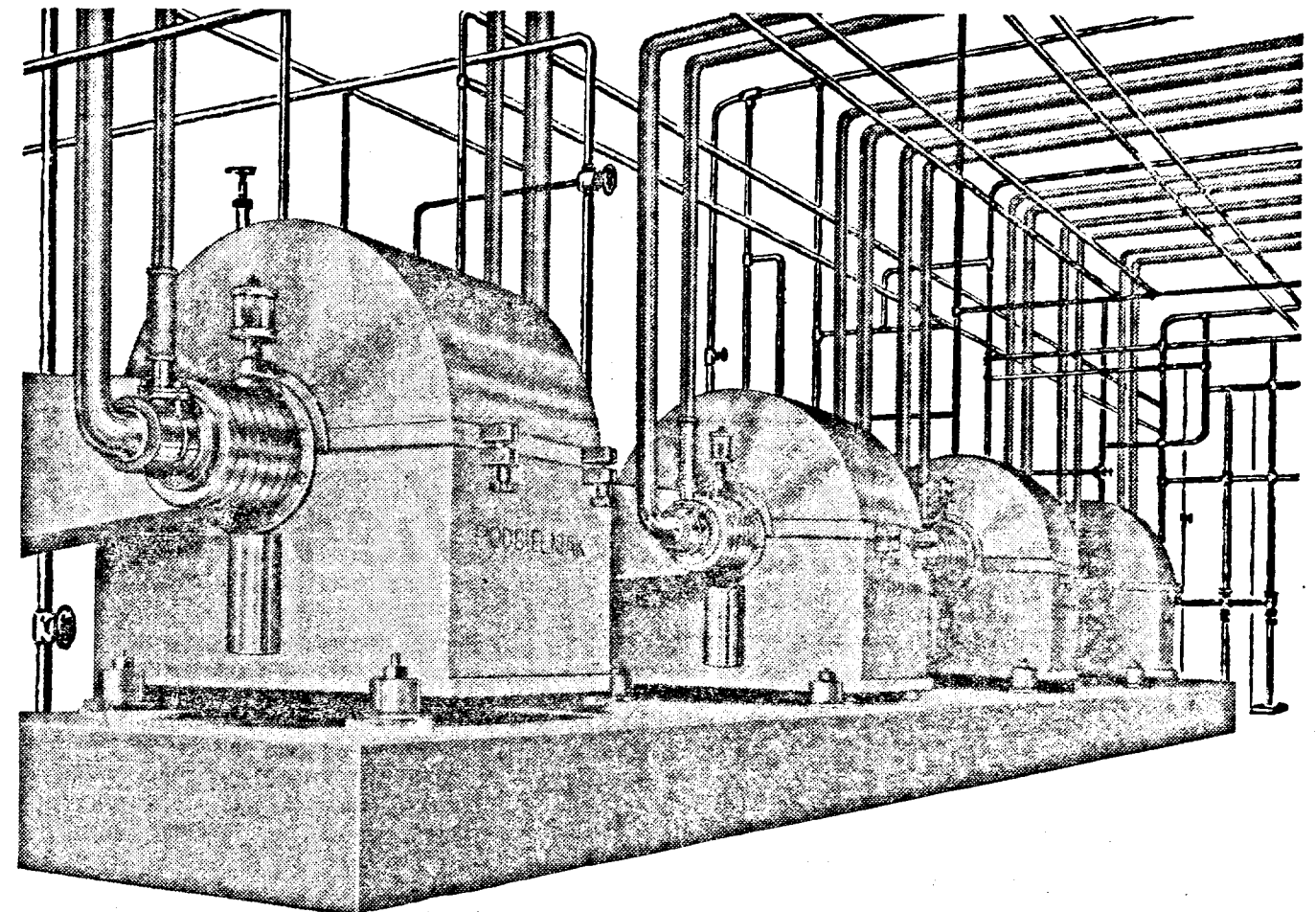
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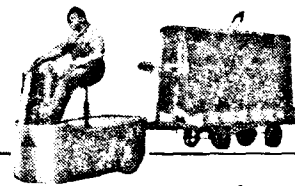
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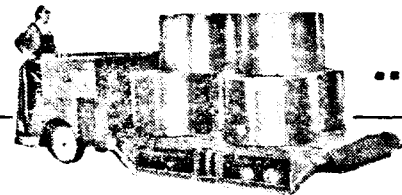




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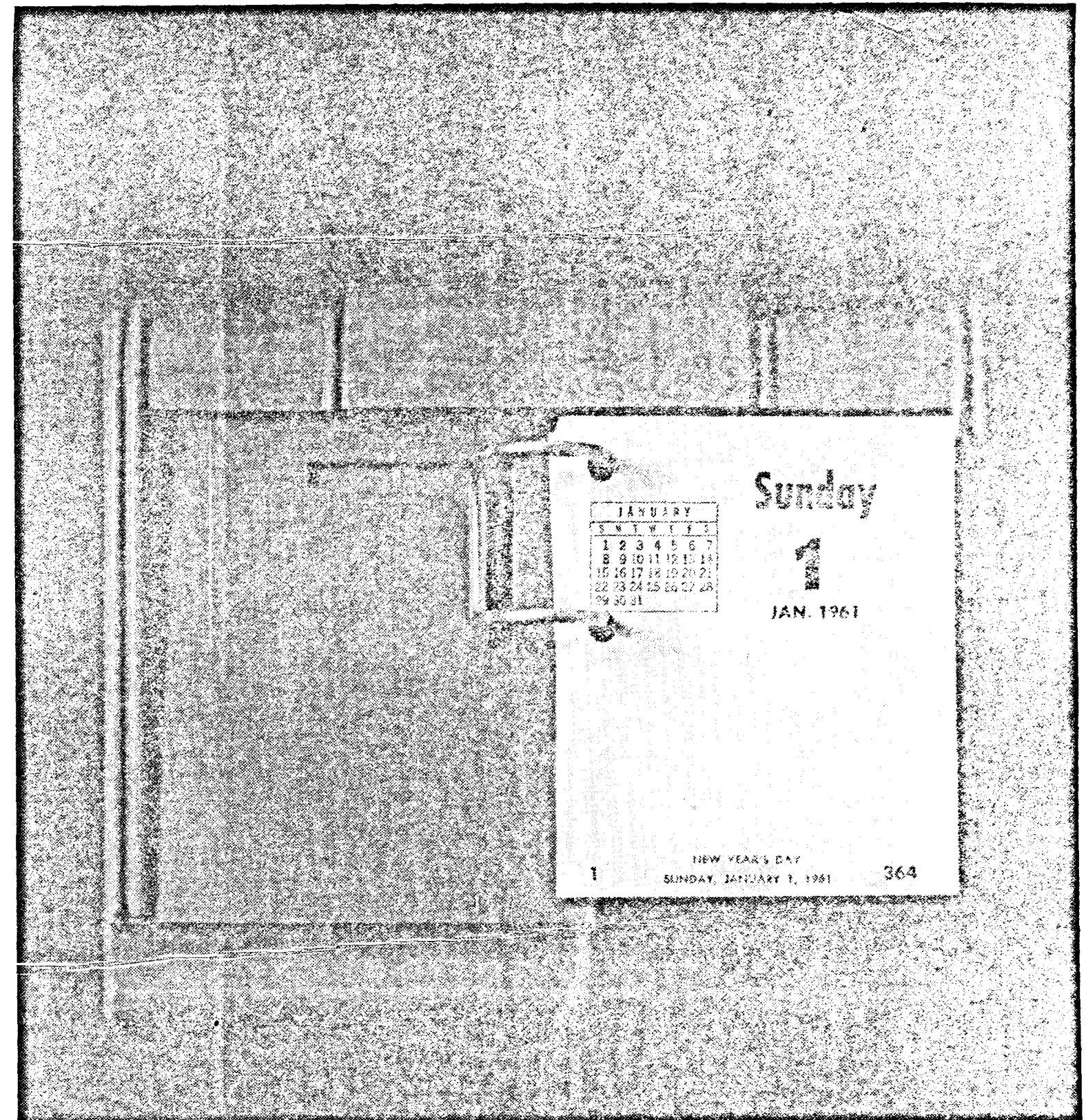
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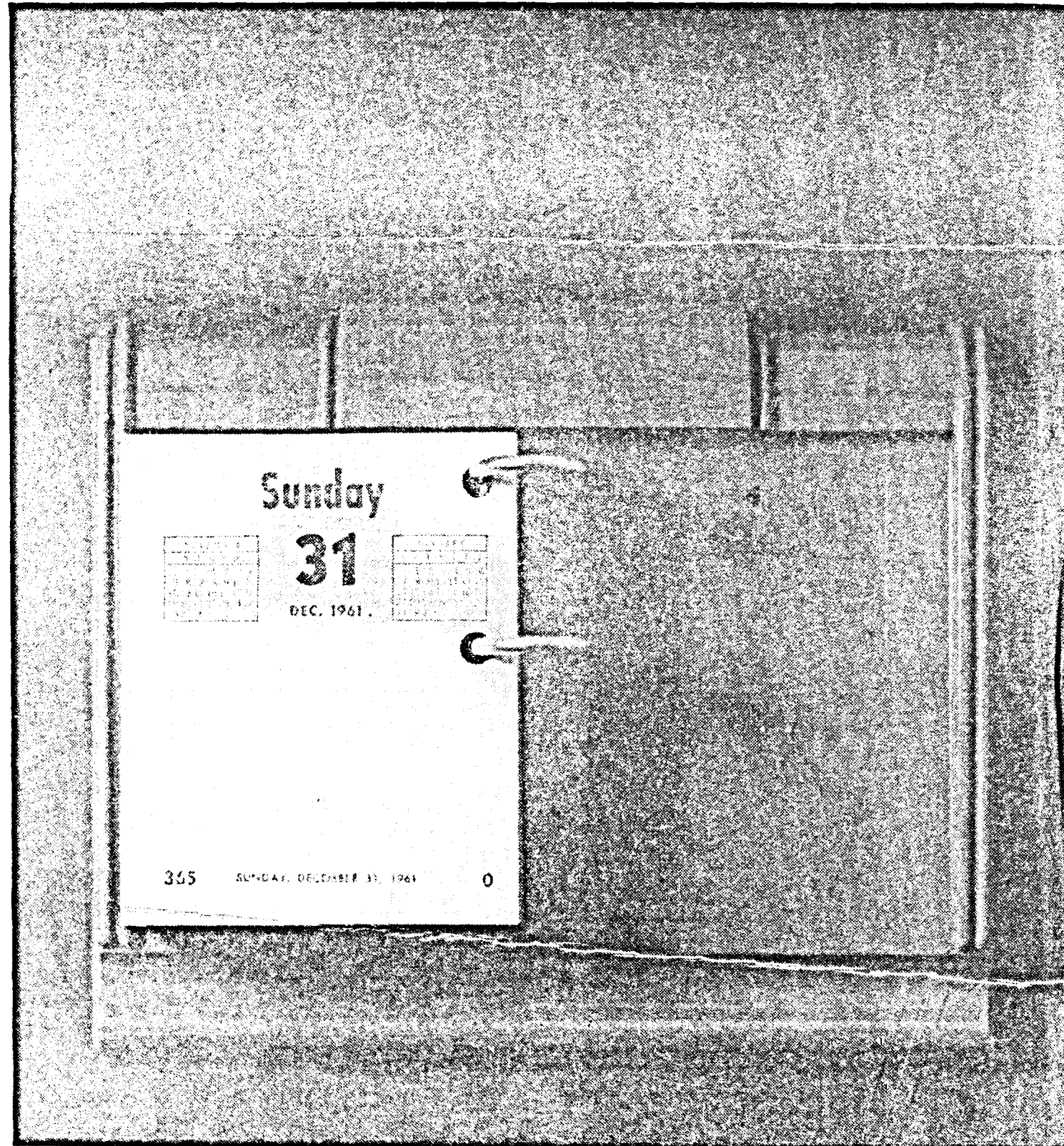


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### Assets

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| Cash and due from banks . . . . .                 | \$ 671,597,774         |
| U. S. Government obligations . . . . .            | 432,064,873            |
| State, municipal, and public securities . . . . . | 266,793,467            |
| Other securities . . . . .                        | 11,672,594             |
| Loans . . . . .                                   | 2,285,574,071          |
| Customers' acceptance liability . . . . .         | 146,163,815            |
| Stock of Federal Reserve Bank . . . . .           | 12,750,000             |
| Investment in subsidiary companies . . . . .      | 7,520,495              |
| Bank premises . . . . .                           | 32,967,499             |
| Other assets . . . . .                            | 123,582,744            |
|                                                   | <u>\$3,990,687,332</u> |

### Liabilities

|                                           |                        |
|-------------------------------------------|------------------------|
| Deposits . . . . .                        | \$3,125,674,195        |
| Reserve for expenses and taxes . . . . .  | 43,025,016             |
| Liability on acceptances . . . . .        | 148,376,364            |
| Dividend payable April 14, 1961 . . . . . | 7,540,000              |
| Other liabilities . . . . .               | 109,999,464            |
| Capital - 7,540,000 shares                |                        |
| - \$25 par . . . . .                      | \$188,500,000          |
| Surplus . . . . .                         | 236,500,000            |
| Undivided profits . . . . .               | 131,072,293            |
| Total capital funds . . . . .             | <u>556,072,293</u>     |
|                                           | <u>\$3,990,687,332</u> |

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# The Economist

APRIL 15, 1961

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VOLUME CXCIX - NUMBER 6138

# A Year for Tax Reform

WHEN the Chancellor presents his budget estimates next Monday, he can expect for the first time to be drawing in over £6,000 million a year of taxes. Most sober judges of the country's affairs agree that the threat of inflation will make it unsound for him to remit any of this monstrous sum, but the economy's lack of drive makes it essential that he should reshuffle it.

The extent of the reshuffle will be determined by his degree of political courage and administrative drive, not by any shortage of relevant ideas. The first principle for Mr Lloyd should be to increase taxes on the ways in which the British people spend their money, but to reduce taxes on their efforts to earn it. Unfortunately, it seems increasingly unlikely that he will dare to introduce one of the two wide-ranging taxes which some other countries have, and which can yield much more revenue from consumer spending—in a much more sensible manner—than Britain's present system of purchase tax: we are unlikely to see the imposition on Monday of either a flat rate turnover tax or else a flat rate sales tax on all retail sales (including services). But at any rate it must be assumed that, in some form or another, indirect taxes this year ought to go up.

One of the most obvious candidates here, even in a budget that is only cautiously reformatory, is a betting tax. At present the Exchequer draws only £40 million a year from betting duties—wholly from football pools, greyhound totes, and bookmakers' licences on greyhound tracks. All forms of off-the-course betting have remained untaxed because so much of it has taken place illegally on street corners, where even the police—let alone the inland revenue—had no real hope of tracing it. Now, however, cash betting is to take place in licensed, controlled and listed shops; a new source of potential revenue has been served up for the Chancellor on a platter. A second favourite for higher imposts must be cigarettes. Consumption of them is booming, but, because of the switch to tipped cigarettes, tax revenue from them is not. There is a strong case for recouping the revenue that the Treasury has lost from all those pieces of discarded cork-ends—perhaps henceforth for taxing cigarettes by number instead of by tobacco weight.

The next candidate for an increase—much though many people will hate this—must be purchase tax. The best way of increasing the yield from this would be to bring in some goods which are at present not taxed at all; say soft drinks, sweets, ice cream, other manufactured foods—and perhaps to start taxing some services such as laundries, dry cleaning and restaurant meals (particularly now that nearly all restaurants are soon to benefit from the grant of a drink licence). This would be the small beginning of a move towards a general sales tax. But if the Chancellor runs away from this, then he will seriously have to consider raising present purchase tax rates, perhaps particularly those in the 5, 12½ and 25 per cent ranges. The Economic Survey suggested that the present excess of consumers' purchasing power makes some price rises very likely, and expressed concern about the effect that this could have on export prices. A moderate rise in purchase tax rates now might merely siphon into the Exchequer money that would otherwise bid up domestic prices anyway, and it would have the great advantage that this rise would not apply to goods destined for export.

It will be disappointing if the Chancellor cannot raise more than £100 million of new indirect taxes in this way. If he were then to make the two concessions to



the upper income groups that have been most eagerly pressed upon him—to exempt earned incomes below £5,000 a year from surtax (cost about £55 million a year), and to say that working wives' incomes below £2,000 a year should not be added to their husband's incomes for surtax purposes (cost about £5 million)—he would be granting reliefs costing about £60 million in a full year; they would cost considerably less than this in 1961-62 itself, because surtax payments are generally made a year in arrears. A budget in which personal tax changes were confined to these rises and these reductions would therefore have a significant net deflationary effect for 1961-62, which may be what he needs.

### A Reshaped Income Tax?

**B**UT it would also be a budget of only miniscule tax reform. The fiscally historic decision that one would really like Mr Lloyd to take in 1961 would be to prepare to merge income tax and surtax together, with a big reduction in the latter. It is unlikely that in the year ahead there can be many reliefs in income tax itself; if the Chancellor—by raising indirect taxation—did provide himself with the £50 million a year needed to reduce the “standard” 7s. 9d. to 7s. 6d., one would prefer him to concentrate on improving allowances rather than on making this straight 3d. cut in rates. The allowances that might have the best case for improvement this year are the allowance for older children; possibly the wives' earned income allowance (a substantial rise in this at all levels might be an alternative to freeing husbands from paying surtax on their wives' earnings); and, finally, of course, the ordinary earned income allowance itself. The trouble is that any improvement in this last, as it is at present calculated, is very expensive. When Mr Butler raised the earned income allowance to its present level of 2/9ths in 1952, he said that he hoped to push it up to one quarter as soon as possible; but no Chancellor has ever felt able to do this because it would now cost well over £100 million a year.

The best way in which the Chancellor could mitigate this problem, and also proceed to solve his surtax poser, would surely be by replacing the whole system of “income tax rates plus earned income allowance” by the much more logical concept of a separate “earned income tax rate.” At present a man whose marginal rate of tax is the so-called standard rate of 7s. 9d. in the £ pays that rate only on unearned income; if his income is earned (as most people's is), he pays the absurd rate of 6s. 0½d. in the £. It would be easy, even if also not very dramatic, to reduce this to 6s. this year—and simultaneously to knock the odd fraction off the so-called reduced rates (at present nominally 1s. 9d., 4s. 3d. and 6s. 3d. in the £; but really, for earned income, 1s. 5½d., 3s. 3½d., and 4s. 10½d.). One advantage of this change would be that some people might at last begin to be able to work out what the rate of tax on their marginal income really is.

Another and massive advantage is that the Chancellor would then have his way eased to surtax reform. The system of separate assessments to surtax could be abolished, but as people's earned taxable incomes rose above, say, £4,000, the earned income tax rate of 6s. in the £ could go up—so that surtax could be PAYED (i.e., collected at once); this quicker collection would provide the revenue with some compensation for the fact that the top effective marginal rate should certainly no longer rise so steeply and so exorbitantly to 17s. 9d. in the £

(i.e., 89 per cent) on earned incomes above £15,000 a year, as it does now. There would admittedly be considerable transitional problems in thus suddenly turning surtax on earned income from a tax that is collected a year in arrears, by a separate branch of the inland revenue, into an ordinary branch of the income tax; the administrators would certainly need at least a year's grace to make the change (and would probably say that they need much more). But this need not be a disadvantage in the circumstances of this year.

Suppose, as a deliberately over-simplified example, that the Chancellor announced that surtax on future earnings should be exactly cut in half. Surtax receipts this year, at the old rate on last year's earnings, would be unaffected. Even in 1962-63 the Exchequer need not lose much, because although people would start paying surtax at only half rates on 1961-62 earnings, some of them would also start having the equivalent of surtax (the new graduated income tax) directly PAYED—also at half present rates—from their 1962-63 earnings. The effect on the revenue would therefore not be felt until 1963-64. In order to give higher paid executives greater incentives to mobility and risk-taking, Mr Lloyd should be urged to be really bold about this; the sweeping target one would like to set him would be to reduce surtax yield by about three-quarters (i.e., by £150 million or so a year) by 1963-64.

### Capital Gains

**I**F Mr Lloyd did this, it would be right to consider seeking compensation by levying other forms of taxation on the rich, which should also be of a sort that would start yielding revenue mainly after 1961-62. Here one plunges at once into a problem where reasoned economic examination all too often becomes overlaid by emotional political argument. The first important point to make about a possible capital gains tax is that only a stagnationist should think that capital gains, whether they accrue to Mr Clore or anybody else, are a bad thing. They are a good thing, a reflection of increasing national wealth, but there is a logical case for arguing that like the other good things of life they ought to be taxed. The second, and related, point concerns the sort of gains on which tax should be levied. There has been some argument recently that it should be levied only on short-term gains, in order to attack “speculation” in land and stock exchange securities. If this implies that the tax on all forms of speculation should be at a penal rate, it is economic nonsense; it would be unfortunate if anybody who held a piece of land undeveloped for two years found that he paid much less tax than somebody who resells it for productive use within six months.

On land sales, the right incentive to provide would be to try to make people sell empty sites quickly. On stock exchange gains, by contrast, there is a stronger case for discriminating in favour of the long-term investor; it is said that the Scandinavians do this better than the Americans. Other forms of capital gain provide even knottier problems. When owner-occupiers sell their own houses in order to buy houses in other districts (also at today's inflated price levels), it would be absurd to impose a penal tax that would become an impediment to mobility; but the fact that almost all homeowners have made a capital gain in recent years provides one more argument against abolishing or reducing the Schedule A property tax. A simpler system for making claims for repair charges would be a different matter.

The yield on a capital gains tax in any year would be practically impossible to calculate in advance. Last year, for example, there were slightly more capital losses than capital gains on the London stock exchange; the total value of quoted securities existing at the beginning of the year had fallen by some 4.8 per cent before the end of it. In general, the commonsense attitude is not to exaggerate the advantages that could accrue to the revenue from this necessarily complicated tax; but also not to exaggerate its difficulties and not to deny that the tax would be worthwhile if it is the necessary political price of enabling really large reliefs in surtax to be made. One minor argument in favour of the tax is that it is probably the only way in which the Exchequer can finally win its perennial battle against dividend stripping and the like; unless there is a capital gains tax there may well have to be another instalment of—possibly retrospective—action against newly discovered methods of income tax avoidance next Monday.

### Company Tax Reform

**S**o much for personal taxation, which—on the proposals above—would actually be increased slightly in 1961-62, but with the promise of reductions in future years. In the field of company taxation there is need for a similarly major reform in tax collecting methods, but once again without giving anything net away in 1961-62. There has been much talk recently about the desirability of replacing profits tax and company income tax (which is paid at the standard 7s. 9d. rate) by a single corporation tax, on the ground that the occasions when it is right to reduce personal income tax are not always those when it is right to reduce companies' income tax; as politicians are always eager to do the former, but not the latter, this is not an argument with great intrinsic appeal. But if the earned income tax rate was henceforth made an entity of its own, so that the present “standard rate” was applied only to unearned income, the case for a single corporation tax would become stronger; and it would become stronger still if it were made part of a major system of company tax reform. The objects of any new system should be to penalise old-fashioned methods of production and wasteful use of labour, and to give greater incentives to domestic investment and to exports.

The best method might be to impose a payroll tax (i.e., a surcharge on employers' national insurance contributions, which would have the advantage of adding to revenue immediately), but to compensate for the effect that this would have in increasing industrial costs by increasing investment allowances (or else speeding up depreciation allowances), and by levying a new corporation income tax in place of—but at a lower rate than—the present company income-tax and profits tax combined. It would be a good thing if Mr Lloyd could then adopt Lord Amory's recent suggestion and “look again” at the question of a possible variation of this corporation tax “related to the turnover of export business.” There are ways of giving some tax advantages to exporters without running foul of Gatt, especially if Mr Lloyd's tariff policy then proceeded to put Britain in Gatt's good books.

### Down with Tariffs

**T**HERE is a strong case for cutting Britain's protective tariffs on imported goods some time this year. The fiscal loss from cutting these in half would not be great (the yield

from tariffs under the Import Duties Act was £136 million in 1959-60); the nonsense figure of £1,375 million from all customs duties, which has been quoted in the popular press in this context, includes more than £1,200 million a year from tobacco tax, petrol tax and tax on imported liquors). So long as Britain remains a high tariff country, a large part of our industrial effort is bound to be concentrated on making goods which foreigners are producing more cheaply than ourselves; we are cut off from the stimulus of new foreign methods and ideas; and it has become increasingly obvious that this is a main reason for our relative lack of competitiveness and growth. There are signs that the Government has at last been converted to this view—witness Mr Macmillan's call in Boston last week for “Free Trade for the Free World”—but the Treasury is still likely to want to reduce tariffs only after international bargaining for foreign concessions in Gatt, rather than directly and unilaterally through the budget.

It is not so certain that the Treasury should seek to advance so swiftly to free investment in the free world too. The Federation of British Industries has been pressing for a liberalisation of the overseas trade corporation system, so that “income arising overseas in the form of dividends, as in the form of trading profit, could, to the greatest extent possible, be excluded from the scope of United Kingdom taxation and left free for investment overseas.” Some changes in the overseas trade corporation system are needed, but they should not be in a form that encourages Britain to lend abroad still more of a balance of payments surplus which—on all present calculations—it has not got.

**T**HERE, then, is a suggested recipe for Mr Lloyd. It will be said that some of these changes would be politically difficult; but so are any changes nowadays, because it can always be shown with mock indignation that the biggest reliefs quite naturally go to those who pay the biggest tax. Another loud objection to the sort of changes discussed here will be that they would be administratively difficult; the inland revenue is certain to complain that it cannot possibly have vast new burdens laid upon it because, as it indignantly explains, it is already at least 300 men short on its senior establishment. But it would be absurd to hold up the march of tax reform because of the shortage of 300 men; if need be, the Government should even investigate the possibility of mitigating some of the transitional problems by the temporary employment, on a full-time basis, of private firms of accountants. There should be no stuffiness over such an expedient.

There are several other minor reforms to which the Chancellor may well want to set his hand—for example in reshaping what goes above and below the line in the budget accounts, and in adding one or even two new junior ministers to the Treasury's staff. Some of these changes could be positively undesirable, and none would be of major usefulness without simultaneous tax reform. The imperative of tax reform this year is not that Mr Lloyd should be in a generous mood on Monday; if the net effect of his first budget is to add slightly to Britain's tax burdens for 1961-62, this will not be a cause for criticism—indeed it will, on balance, be one for praise. But if he achieves this net effect without very largely reshuffling the way in which his revenue is garnered, then Parliament should stand ready to smite him—fore and aft.



# Leaning on the Shovel

Everyone—and first of all the British—will have to make sacrifices if western unity is to be restored

THE irresistible force of the new President has now met that imperturbable object, the Prime Minister, and there has been no audible sound of collision. Unless the two men found themselves in agreement on almost everything they talked about, which is highly unlikely, the only explanation is that they refrained from pushing the most difficult problems facing them to the point of decision. It is now admitted on all sides that the western alliance is in a state of disarray, which is a polite way of saying that it is unable to decide on the best way of defending itself against military attack, unwilling to stop itself drifting into economic particularism, and even uncertain what the chief purpose of the alliance is.

Equally, it is understood ("all too well," says last Saturday's communique from Washington, with wry honesty but deplorable English) that everyone concerned will have to make sacrifices if unity is to be restored. In particular, there is a widespread feeling that dear old fuddy-duddy Britain must make up its mind what sacrifices it is going to make—a feeling illustrated in the recent television survey of Britain by the Columbia Broadcasting System, appropriately brought before British viewers by the chance of a television studio strike. Like tired treasure-hunters who have located the spot *x* on the map, the members of the alliance now wait each for the other to make the first move with the shovel.

It is tempting to think of the confusion in the North Atlantic alliance in terms of a jigsaw puzzle, and to hope that President Kennedy is a master puzzle-solver who can turn the bits into a tidy picture by carefully matching each country's claim with another's concession, each need with an appropriate sacrifice. Political life is not like that; there will always be unsolved corners and pieces stuck in at random. But certain parts of the puzzle might be improved immeasurably if somebody would make the first move. There is a strong case for this somebody to be the British, and it is a pity that Mr Macmillan's speech at the Massachusetts Institute of Technology last Friday left a marked impression of indecision. What the British—and the other allies—must now do is to look in turn at the two or three main problems involved in what is loosely called the "search for unity"; consider in each case what the long-term interests of the alliance as a whole (as distinct from the particular interests of members) require; and then, having worked out the possible courses of action, act.

Clearly the first problem, in chronological urgency at least, is the economic division of Europe. Here the long-term requirement of the alliance is plain. It is to prevent the breaking-up of the western community into three separate feudal leagues, peering suspiciously over their tariff walls and slitting the throats of each other's traders. Unfortunately, Mr Macmillan's remark last Friday about the need for "bringing together the Six and the Seven" suggests that he thinks it is still an open question which group will come to join the other. But it is not; the possibility that the common market will enter into the looser kind of association Britain wants has long since vanished, and the only real question is whether Britain and its associates are willing to weld

themselves on to the political linkages of the common market.

For the British to submit to this welding operation is no doubt a plunge, if not a sacrifice—the word favoured by Mr Macmillan and Mr Kennedy. But the British can comfort themselves with the thought that others, too, will have to make sacrifices if the common market is widened. The Americans face the prospect that, in the short run at least, their relative export position is going to suffer more and that, in the longer run, it is difficult to see how the spread of unification is going to be stopped from crossing the Atlantic. The French face the prospect that, with Britain in the common market, they will have a powerful rival to their claims of leadership in the group. The point is that economic unity is the necessary foundation of political solidarity, and political solidarity is the basis of military cohesion. Mr Macmillan must prepare himself to start the sacrificial round; unless, that is, he is willing to accept the political and military consequences of letting Europe's economy stay divided.

NEXT comes the question how the West is going to share its nuclear weapons. Here the requirements of the alliance are more complicated. It is necessary to assure the European members of effective protection against nuclear blackmail by the Russians; but, in choosing among the various ways of doing this, care must be taken not to endanger the chances of negotiating a disarmament treaty with the communists by letting the spread of nuclear weapons get out of hand. The worst solution, clearly, is to have more and more countries in Europe build private atomic forces of their own, neither effective as deterrents nor conducive to disarmament.

Nor is it wholly plausible to expect the Europeans indefinitely to depend on the Americans' missiles; their feeling will doubtless grow that the Americans might not choose to blow the world up for Europe's sake. If the talks on disarmament were to show signs of progress within a measurable period of their resumption in the autumn, it would be entirely sensible, and desirable, to extend reliance on the Americans' coverage as long as possible. If the talks get stuck, however, some kind of European-owned deterrent will begin to look inevitable in the next few years. The aim should be to restrict the ownership of this as narrowly as possible in the hope that the disarmament negotiations can be revived later on. Perhaps the best solution—if it could be sold to General de Gaulle as part of a package deal—would be a pooling of Britain's and France's nuclear weapons. Together, the two might provide a credible deterrent; the scheme would not extend the list of nuclear powers beyond four; and it would give the minimum offence to the sensibilities of French sovereignty.

This leads to the third obstacle in the way of western unity—the problem of reconciling the misty concept of "interdependence" with the equally misty British and French claims to have a "special relationship" with the United States. It

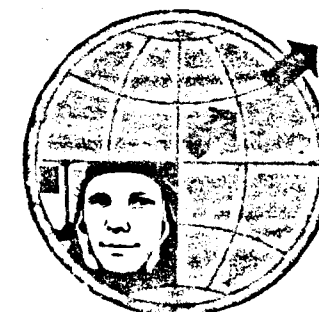
would be an enormous help if the British would drop the habit of talking as if history, and the sharing of a common language, had bequeathed to them some mystic link with the Americans. Obviously Britain's relationship to the United States is not quite the same as anyone else's, in the sense that this country's military and political obligations in different parts of the world give it specific jobs within the alliance. Fortunately, there are still many personal links which make the relationship easier. But these characteristics of the Anglo-American relationship are more effective the less they are talked about. To harp on it, to glorify a relationship that is merely distinctive into one that is "special," in the sense of better, merely infuriates the French, the Germans, and everyone else.

PERHAPS ways can be found of satisfying General de Gaulle's desire to speak to the Americans on equal terms with the British. It might help him to feel that his views were being taken into account if Mr Kennedy made a point of consulting with him at fairly regular intervals, and if the Nato Council became a clearing-house for all the allies' ideas about world problems. But in making such arrangements for "interdependence" it is necessary to recall the chief purpose of the alliance. This is to protect the Atlantic community



## Man into Space

Major Yuri Gagarin's brave venture on Wednesday established a date that will certainly appear in the history books of the future



Orbital bomber?

WITH the Wright brothers, man got himself off the ground; now, the Soviet team that shot Major Gagarin round the world in 90 minutes, at a height varying between 100 and 200 miles, has virtually got him out of the atmosphere, the element within which the human destiny had formerly seemed to be confined. Vast though the distances of space are, the escape from the atmosphere, even by a relatively negligible margin, is an achievement full of significance. Is it altogether fanciful to compare this moment to that far earlier one when the first fishy creatures heaved themselves, gasping, a few inches on to dry land?

Man being, at least in some respects, more sophisticated than most fish, this second breakthrough by terrestrial creatures into a new element evokes more complex reactions. While we cannot perceive the ultimate consequences, we can foresee that they will be, in every sense of the world, far-reaching. But, at the same moment as the imagination soars, the intellect applies—to use the jargon of the rocketeers' trade—the brakes. There is plenty of real, as well as official jubilation now in Moscow. If it has a strong chauvinistic tinge, that is a regrettably normal circumstance, familiar not only from the time of the launching of the first sputnik but also

from those of, say, the ascent of Everest, the crossing of Antarctica, and the Olympics of recent years. But, for several reasons, the impact of the new feat on world opinion as a whole is unlikely to prove as dramatic as that of the first sputnik.

Although, like other achievements in the general field of rocketry, this one has come sooner than was thought possible only a few years ago, there has been much lively anticipation in recent months. It is almost a year since the Russians got a vehicle of similar weight (4½ tons) into orbit, eight months since they achieved a successful re-entry of one. They have kept their lead over the Americans, but not over popular expectations. The world will rightly applaud Major Gagarin's courage and the skill of the men who made his venture possible; but it will not be astonished.

Psychologically, and therefore politically, the first man in space ought to be a notable coup. But the successive marvels of the space age are already tending to yield diminishing moral returns. Even in the under-developed countries, now once more urged to acknowledge the superiority of the Soviet system, growing sophistication is bringing with it a suspicion that the lavishing of such resources on rocketry may indicate

a failure to adjust priorities to mankind's real needs.

The Soviet government's statement immediately after Wednesday's triumph emphasised the military aspect by linking disarmament with this new evidence of Russia's lead in rocketry. It might seem that the adequacy of Soviet rockets for the straightforward firing of nuclear missiles at any worthwhile target area on the earth had already been well enough established. If Major Gagarin's whizz round the world has a military importance, however, it lies in the direction of what is termed the "orbital bomber." Manned vehicles that circled the globe several times, apparently at random, before serving as launching platforms for nuclear missiles, might

well prove a more effective instrument for a surprise attack than simple intercontinental missiles whose purpose would be clear as soon as radar detected their trajectories.

There will be time enough, however, for glum speculation of that kind if and when more is revealed about the new Soviet feat. The Russians, who persistently maintained that their nuclear research programme was devoted to peaceful purposes right up to the moment when it produced weapons, have only themselves to blame if others now fix their eyes first on the military potentialities of their latest feats. This moment itself is one to record a new date in the calendar of human achievement.

## Turkey Looks Both Ways

**The soldiers who hold power in Turkey do not want their new regime to end as a tyranny.**

**Our special correspondent lately there looks at the pitfalls in their way**

THE new parliament building, which for many years the Turks have been building in Ankara close by Atatürk's mausoleum, is now being used for the first time by the Constituent Assembly that is drawing up a new constitution and electoral law. These air-conditioned marble halls are a politician's dream come true; there are spacious and well-appointed rooms for party and committee meetings as well as the vast main national assembly hall. Will they fulfil their purpose, or turn out to be a white elephant?

One thing is certain: most of the soldiers who overthrew the Menderes regime last May and who now rule Turkey do wish to work towards the restoration of parliamentary government. They may be divided about the best way, but there is no doubting the sincerity of their resolve not to be corrupted by power. Turkey is still under martial law, but the main trend of General Gürsel's government is back towards normality. The key posts in the administration are still in military hands, but those lesser posts that were taken over by the army in May are being, or have been, handed back to civilians. The press is still not free from the threat of sudden closure, but its situation is very much better than it was under the Menderes regime and its attitude towards the present government is by no means sycophantic. The civilian cabinet is still ultimately subordinate to its military masters in the National Unity Committee, but the degree of its subordination is believed to have diminished considerably. The government is firmly committed to holding a referendum on the new constitution and general elections before October 29th—although no definite date for either has yet been fixed. Normal party political activity is being reintroduced by stages. The registration of new political parties was allowed in January; some dozen had registered by the time the prescribed period ran out some weeks ago. The second step towards party politics was taken on April 1st, when it became legal for the parties to organise themselves and to hold indoor congresses. But public political meetings remain banned.

General Gürsel's cautious approach to the problem of divesting his government of power is a sign of realism rather than reluctance. He and most of his associates are not content

to make do with some counterfeir "popular" or "basic" democracy along communist or Nasserist lines; they want to restore the real thing, to give the Turkish people a genuine right to choose the men who will go to Ankara to rule them. But they are also—naturally enough—determined not to let the country slip back into the bad old ways of the Menderes regime. At his press conference on March 25th General Gürsel made it quite plain that his government would closely watch the development of party political activities in order to make sure that those joining the new parties were "honest and clean persons." In other words, those former Democrats who still actively seek a restoration of the Menderes regime will be excluded. In the circumstances, this line may be the only expedient one to take; but clearly it complicates the task of restoring parliamentary government and it could dangerously undermine the government's good intentions.

It is not clear exactly how real is the threat from former ex-Democrat believers in direct action. But in Ankara one gets the impression that the government is taking it very seriously. There have been a number of arrests of former Democrats in Izmir, Istanbul and elsewhere, and at his press conference General Gürsel spoke of the discovery of a plot by Democrat extremists to sabotage Istanbul power station with the ultimate object of rescuing the prisoners on Yassıada. Obviously any attempt to restore the Menderes regime by force is doomed to failure so long as the armed forces remain loyal to the May revolution. And in the political field the capacity of the former Democrats to make trouble must largely depend on the amount of popular support they still command in the country. This is perhaps the most vexed and controversial question in Turkey today.

EARLY every morning when the court on Yassıada is sitting a crowded boatload of Turkish citizens goes out to the island and fills to capacity the generous accommodation provided for the public in the courtroom. Every evening between 9 and 10 the Turkish radio broadcasts recorded excerpts of that day's proceedings at Yassıada; and listening to the "Yassıada hour" has become a national pastime. But what effect this melancholy show has on those who watch it or listen to it is anybody's guess. Is Mr Menderes's pitifully undignified bearing (in marked contrast to that of ex-president Bayar) irrevocably destroying his reputation in the country? How much will the main constitutional charges, shortly to

come before the court, weigh in the peasant's mind against the material benefits—the new mosque, the new road, the freedom from taxes—that the Menderes regime brought him?

It is understandable that many educated people in Turkey today should repudiate angrily any suggestion that the Menderes regime still enjoys considerable popular support. But a number of impartial outside observers tend to believe, on the basis of their own—admittedly limited—experience, that it does. Some of the officers who carried out the coup will admit that many peasants did well out of the Menderes regime, but they pin their faith on the good sense of the ordinary Turk. Their attitude could prove naïve. Perhaps Mr Menderes's greatest and most abiding disservice to Turkey is not any of the specific misdeeds for which he is now being tried on Yassıada. It is rather that in order to consolidate his own power he taught the Turkish peasant, to a far greater extent than was either necessary or inevitable in the circumstances, that a democratic government was one that gave the voter everything and asked nothing in return.

GENERAL GÜRSEL and his associates hope that the politicians to whom they intend to hand over power will make a more far-sighted and intelligent use of the country's resources than the Democrats did, that they will eschew corrupt practices and resist the temptation to curry popular favour by appealing to the most retrograde and reactionary instincts of their people. The soldiers are said to have divided views about which party is most likely to fill this bill. Some of them favour the Republican People's party, led by Mr İnönü. As the original party of Atatürk and the principal opponent of the Democrats during their ten years in power, the RPP would seem the natural heir to the Gürsel regime. It is, moreover, now well represented in the general's cabinet and has, naturally, a more extensive and experienced party organisation than any of the new parties. But the Republicans are not

united, and they have tended to become identified with the more unpopular acts of the present regime—like the purge of the university professors or the heavy taxation—and this may tell against them at the polls. Their victory is probable but it may not be so overwhelming as many people expect.

The relative strength of the dozen new parties is still obscure. No strong rival to the Republicans has yet emerged. At present the likeliest contenders are the Justice party and the New Turkey party; the latter claims to have considerable support in the National Unity Committee. Many of the smaller parties may not manage to set up a sufficiently extensive national organisation to qualify to run in the elections; but amalgamations among them—if allowed—could yet produce a strong rival to the RPP. Naturally all these parties are angling for the support of the 4 to 5 million electors who at the last elections in 1957 voted for the Democrats. Obviously it is very important that these voters, many of whom would never vote Republican, should be offered some acceptable new political home. On their present form, however, the parties seem tempted—unfortunately but perhaps inevitably—to offer them political refuges decked out with too many of the spurious attractions that the Democrats provided.

Among those who carried out or supported the overthrow of the Menderes regime there is a feeling of euphoria about the task begun in May, and of confidence in their ability to complete it successfully. But the mission that General Gürsel and his associates have set themselves is essentially a political repair job; it is not inspired by any new ideology with wide popular appeal, or by any wide-ranging projects of social reform. Its attraction, therefore, is limited to those Turks who are sufficiently educated to want their country to be governed by the most advanced western standards and its economic resources developed for the general good. The soldiers may succeed. One hopes so. But the path to success may be longer and more arduous than they yet realise.

## NOTES OF THE WEEK



CUBA

### Across the Water

FOR the first time, there seem to be grounds for Dr Castro's repeated assertions that Cuba is about to be invaded by counter-revolutionary forces supported by the United States. The pamphlet which the State Department published last week denouncing the Cuban government bell, book and candle was followed at the weekend by a call to arms from the newly united Cuban exiles in New York, saying that they intended to "expel the tyrant from our soil"

and declaring that "duty calls us to the war."

The exiles have long been saying that they were about to land in Cuba at any moment. But their armed forces are now reported to be in training at camps in the southern United States as well as in Guatemala, which means that their activities have the knowledge—and perhaps the material support—of the United States government. The exiles' leaders, who have been in con-

sultation with American officials, are also reported to have dropped their original intention to launch a single, big attack in favour of a more workable plan for a series of landings by guerrilla groups. There has recently been an increase in the number of acts of sabotage in Cuba; and on Tuesday President Kennedy added to the tension by saying that Dr Castro would grow more dangerous unless action were taken against him now.

If Mr Kennedy has decided to encourage an attack by the exiles, the United States is entering an extremely dangerous period in its relations with Latin America. The exiles enjoy only an unconvincing unity. The "revolutionary council" set up on March 22nd, which says it will turn itself into a "provisional government" when it holds part of Cuba, consists of the Revolutionary Movement of the People, which is willing to

accept the nationalisation of part of the Cuban economy, and the Democratic Revolutionary Front, which stands further to the right. There is also a third faction, not in the united front, which wants the counter-revolution to be led by a non-party figurehead. It is not at all certain that a movement so divided can find enough support in Cuba to beat Dr Castro's very large and well-armed forces. If the exiles cannot do the job themselves (with such clandestine help as the Central Intelligence Agency can give them) Mr Kennedy will have to decide whether to give them more overt assistance. His assertion at his press conference on Wednesday that American troops would not intervene does not preclude other kinds of help. If such help is given, and the invasion still fails, it will be a major disaster for the reputation of the United States. Even if it succeeds, the Americans' support of the rebels, whether it remains unofficial or comes further into the open, will arouse angry controversy. Is this really the way to win friends and influence people in Latin America?

#### CONSERVATIVES

#### Not Sparing the Rod

SIXTY-NINE Tory MPs defied the Whip in order to demonstrate in favour of the birch during the debate on the Criminal Justice Bill this week. It was not surprising that any of these 69—many of them members of what might be called the Tories' anti-intellectual lobby—should have felt personally in favour of Sir Thomas Moore's unsuccessful amendment (which called for restoration of the cane or birch as a means of punishment for second or subsequent

#### NOTES OF THE WEEK

teenage offences of violence). But six months ago less than half of them would have been likely to have gone into the division lobbies against the Government, particularly after a debate which some Tory speakers turned into a personal assault on Mr Butler. Following so soon upon Mr Turton's famous motion about Northern Rhodesia, this vote does signify a new attitude among mildly revolting Tories. It is not so much that the party is moving to the right, as that the right is back in its traditional mid-Parliament mood of assuming that "having a go" against the Government is no bad thing. And Tory MPs of the centre do not see any great reason to exacerbate their relations with the right by rushing eagerly to the Government's support.

In the last Parliament this mood of muttered complaint caught fire much earlier, and took the form of a whispering campaign against Sir Anthony Eden at the end of 1955; at the height of it Sir Anthony even felt obliged to issue an extraordinary public announcement that there was no truth in a Sunday newspaper report that he might be forced to resign as Prime Minister. Some commentators, albeit probably exaggeratedly, have ascribed Sir Anthony's later mistakes in 1956, culminating in the Suez debacle, quite largely to his desire to fend off this petty "party revolt." This time the campaign has not been mounted against the Prime Minister, but is lapping round such subsidiary targets as Mr Butler and Mr Macleod. For the sake of his team's morale, it is important that the Prime Minister should go out of his way in the next few weeks to invite the critics to lay more of their criticisms on to his own broad shoulders; this should be his aim not only in public speeches but also during private appearances in the smoking rooms. Un-

#### THE ECONOMIST APRIL 15, 1961

fortunately, Mr Macmillan is not always very good at this sort of thing.

The need for this initiative by the Prime Minister is particularly great because nobody can tell exactly which ministerial dog the backbench tail will try to wag next. A major question here is whether the undercurrent of backbench criticism may soon spread to economic policy. Not all Tory MPs have yet woken up to the fact that taxes seem rather more likely to go up than down on Monday. A minor Tory revolt against the principle of a relatively tough budget would not necessarily come from the anti-Butler and anti-Macleod wing of the party; on the other hand, any revolt against budget measures designed to make the economy more competitive, and pressure not to be beastly to a few particularly hard-pressed industries, probably would do. How would Mr Selwyn Lloyd react then?

#### THE CENSUS

#### Ten Yearly Count

OVER the next week, every household in Great Britain should receive a form from one of the 80,000 enumerators recruited especially for the taking of the sixteenth census on April 23rd. Nine out of ten households will receive a shorter form than for many years; the tenth, randomly selected, will have to cope with additional questions about jobs, full-time education, change of address and—presumably at the request of the Minister of Science—scientific qualifications.

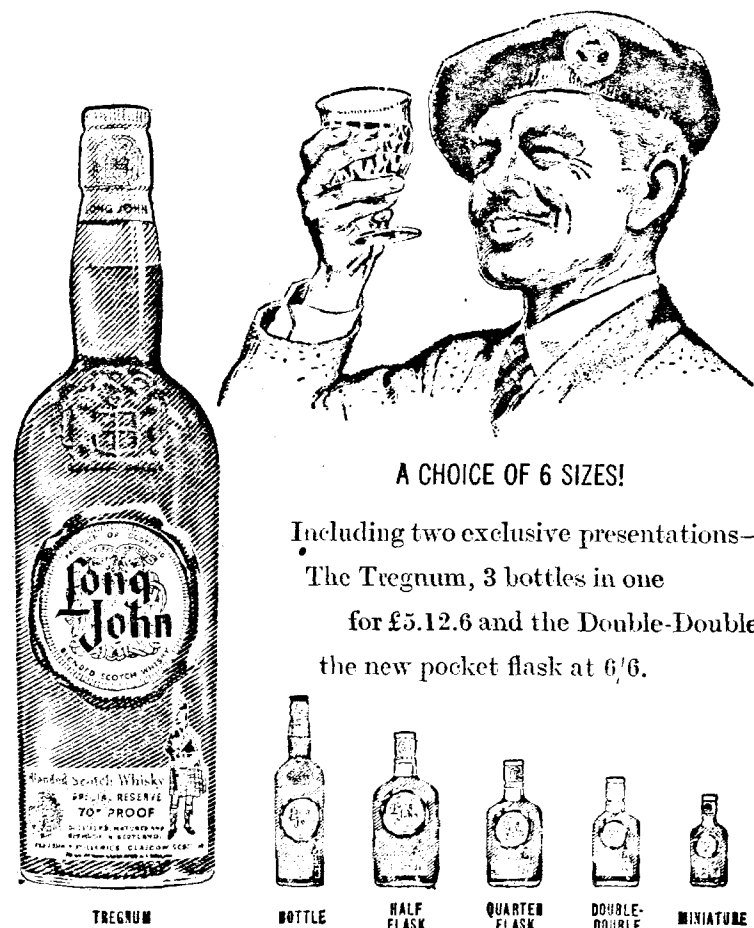
Cost apart, the British system of relying on the individual to complete the form may have as much to recommend it as the American one of taking down verbal answers, or even more. But, with all the good will in the world, accuracy is hinged to understanding of the questions. The households who recorded a "shared use of a piped water supply" in 1951 were so many as to make it obvious that the question had been misunderstood: this time it is rephrased as a shared use of a water tap. The completed forms are to be checked later with the individuals concerned in a small sample of households and any apparent bias assessed. Nevertheless the census results will not be altered in the light of this small-scale check, and to be wise after the event seems a poor substitute for a little prior care. Before drawing up the form, surely it would have been sensible to have made a small pilot survey to ascertain how different wordings of a question are understood? At the same time a sounding could have been taken of the public's reaction to being questioned about household incomes: it is government policy to exclude any money matters from the census on the grounds that these would be resented. But is there any basis for such a belief?

This time there is to be no repeat of the 1951 innovation of bringing out an analysis of one per cent of the records well in advance of the full reports. But the full-

#### THE ECONOMIST APRIL 15, 1961

# SAY Long John

THE SCOTCH  
THEY DRINK IN  
SCOTLAND



DISTILLED, MATURED, BLENDED AND BOTTLED IN SCOTLAND

## The Economist

APRIL 13, 1861

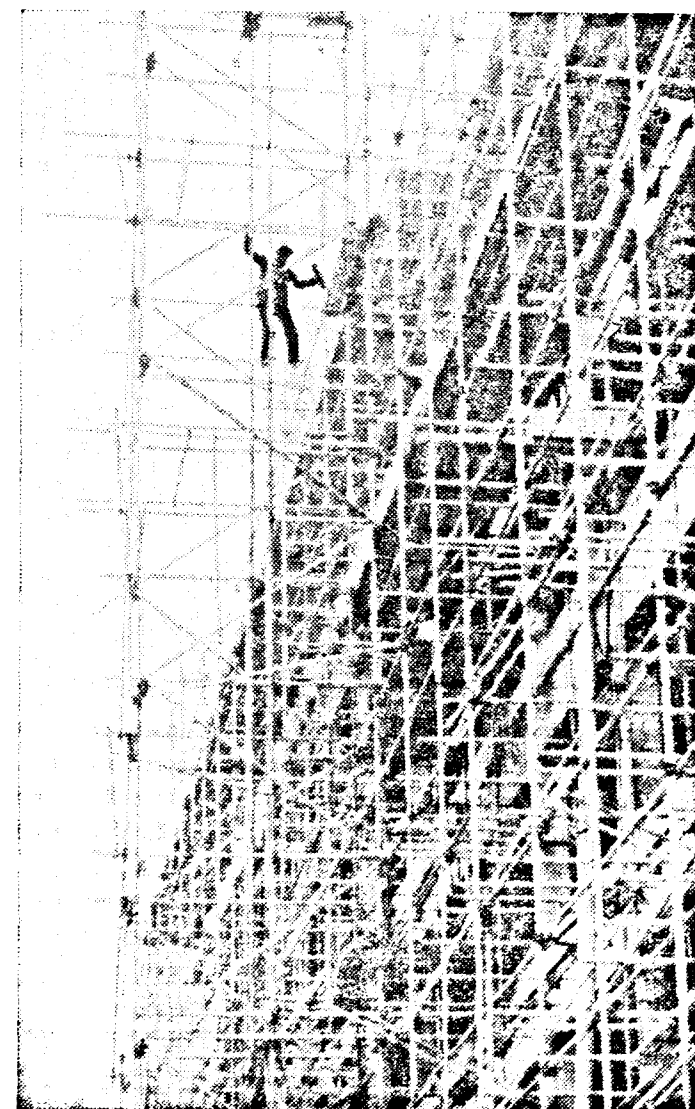
#### THE COMING BUDGET

IN spite of many adverse prognostications, we venture somewhat confidently to say that there are the materials for a not unpleasant Budget. Some writers have endeavoured to frighten the public by computing the deficit for the year which has just ended. They say that in this year the difference upon the wrong side, between our income and our expenditure,—and some part of the public has not unnaturally been alarmed at the idea,—will be considerable. But we must not overlook two facts:—first, Mr Gladstone calculated in his later estimates, after the outbreak of the Chinese war became certain, and after the deficiency of the harvest became apparent, upon such a deficit. He did not pretend to make the revenue equal to the expenditure. . . . Secondly, we are to observe that the most material consideration is, what is the expenditure of the next year, and what will be its income. The Chinese hostilities have stopped. The bills probably are not all paid, but the operations are now at an end, and the cause of bills has ceased. . . . Mr Gladstone can point with pride

to the state of the Customs revenue, notwithstanding all his alterations—he can show fair, if not stupendous, results from the French treaty—he will have an easy triumph over those rash writers who accused him of having ruined our indirect revenue, of having made a balance of national means and national expenditure henceforth impossible. On the other hand, his opponents will be able to ask how he would have stood if the Chinese war had been still in progress, and whether the funds derived from the Excise duty on paper have not been exceedingly useful to him. . . . But even in answer to these opponents, the great orator—the great master of argumentative finance—will doubtless show us how much there is to be said. How the materials of a good Budget will be used it is not for us to say; but we are sure that, without an oppressive addition to the burdens of the country, without any operation which the money market would ever hear of, it will be easy for a far less accomplished financier than Mr Gladstone to make both ends meet for the year which is coming.

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**BANK WITH THE National Provincial AS SO MANY BUSINESSES DO**

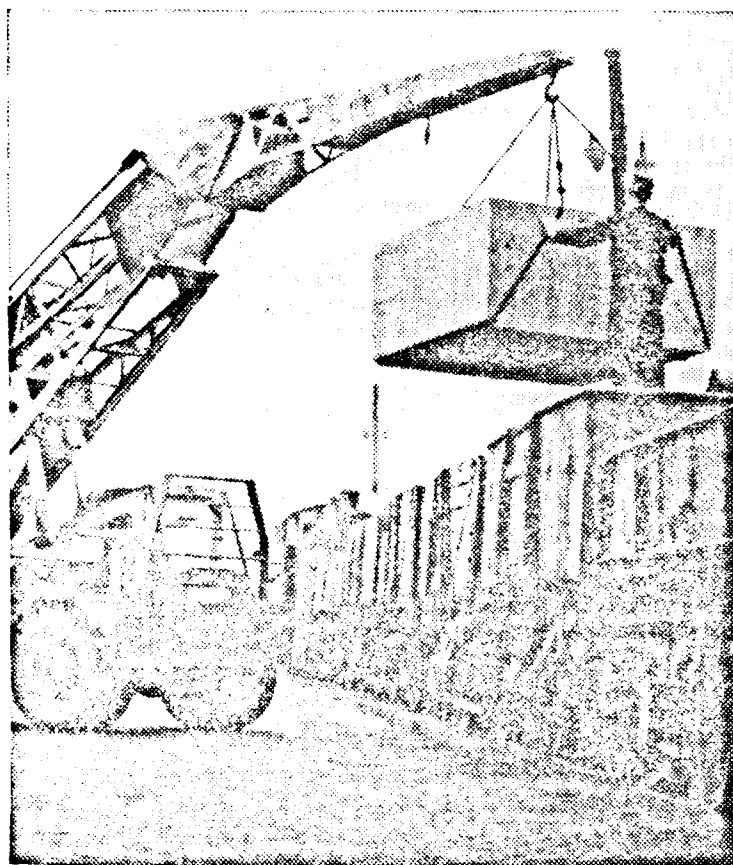


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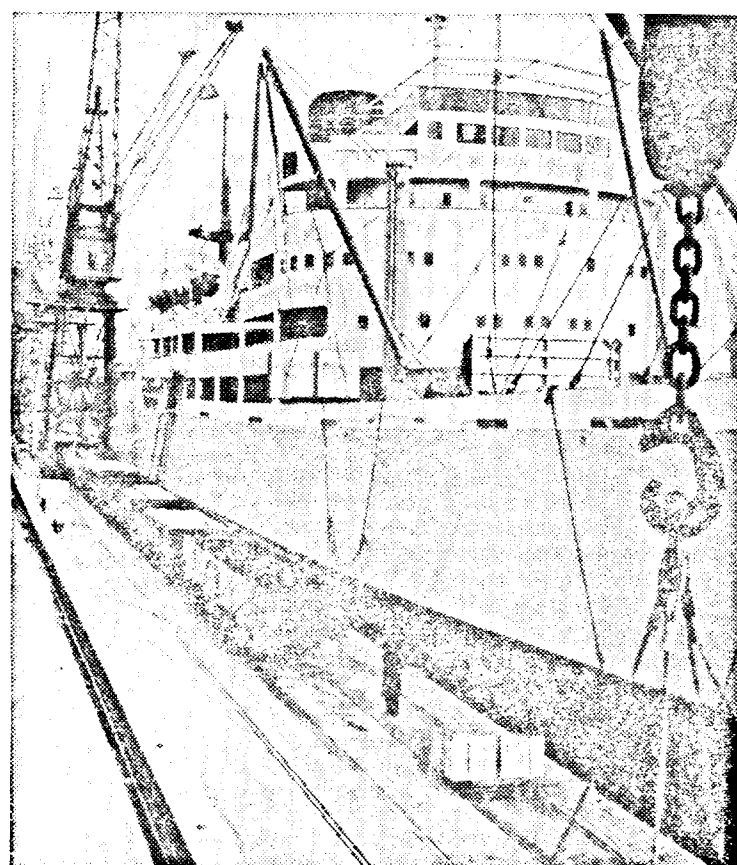
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EXPORT EXPRESS- PART OF THE NEW LOOK OF TODAY'S

# LONDON MIDLAND

scale analysis is to be speeded up with the aid of an electronic computer, used in these tabulations for the first time. The final report on the 1951 census was not published until December, 1958, a pathetic performance. This time it is hoped to clear everything within three years, starting with preliminary figures of total and district populations within two months. This should not be too ambitious a time-schedule provided the census office has enough "programmers" on the job—contrary to popular belief, an electronic computer does not run itself but needs experts to look after it.

Speedy analysis would make the census a helpful tool for both official and commercial users. Moreover, electronic computation offers facilities for extra analysis to suit particular needs. The Government might consider getting back some of the £3 million cost of the census by making charges which, while producing a profit, would still be cheaper than making their own surveys to firms such as market research organisations. In the past the census was officially looked on as a piece of historical research rather than a basis for policy. The new information it now elicits will be useless if the Government will not back up the processing of it by the necessary funds and drive.

### INDOCHINA

#### *Dangerous Delay*

It is beginning to look almost as difficult to bring the powers together for a conference on Laos as to bring the French and Algerians together at Evian. The Russians and Americans are now accusing each other of using the delay to improve the military situation of their clients in Laos. As the Americans put it, the Russians are increasing their deliveries of military equipment to the communist-led Pathet Lao forces and their "neutralist" allies under Captain Kong Le; as the Russians see it, General Phoumi, the strong man of the right-wing regime at Vientiane, has used newly delivered American helicopters to drop his men behind the communist lines.

To put things in such perspective is to draw attention to the dangers of the present bidding and counterbidding. The blame, however, can no longer be evenly distributed. President Kennedy has made his act of renunciation by declaring himself in favour of a neutral Laos; it is up to Mr Khrushchev to make his by agreeing to stop the flow of arms to Laos and to urge a cease-fire on the combatants.

On the political front, it is welcome news that Prince Souvanna Phouma, the neutralist leader, is to visit Washington. It would be premature to regard the American invitation as proof that the prince is now acceptable to the Americans as head of a government of reconciliation. At least, however, guest and hosts will now be able to size each other up. It will be useful if, as a result, the prince is fully persuaded that there has indeed been a change of

spirit in Washington, and if the Americans, on their side, are persuaded that the prince could unite the Laotian factions without allowing the communists to take over.

Prince Souvanna Phouma holds, briefly, that some Laotian communists are less communist than others; that a cabinet including Pathet Lao representatives will not necessarily come under communist control; and that, in any case, it is now impossible to keep the Pathet Lao out if the fighting is to end. He will not find it easy to convert the State Department to these views. But the Americans will not easily find another candidate for the premiership who would also be acceptable in Moscow, Peking and Hanoi.

### FRANCE

#### *President Canute*

If General de Gaulle were a man given to putting himself in the shoes of others, he might feel less than satisfied with his performance at the press conference on Tuesday. Mr Khrushchev may be pleased to find that someone else can indulge in a wilful refusal to try and make the United Nations work, and can surpass him in ignoring the new forces at work in the world which have made the General Assembly the focus of its hopes and aspirations. Nobody will be pleased by the general's pinning of the flag to his own nuclear weapons project. His allies will be alarmed by his vague strictures on the Nato system. On all these questions he displays a sublime faith in the sanctities of national sovereignty as the nineteenth century understood it which is even less realistic than his calculations of the Algerian future.

What these are is now clear. Disappointed and vexed by the provisional government's refusal to come to the conference table at the time appointed, he professes to attribute their hesitations to inexperience and the influence of "all sorts of other imperialisms." However, he is evidently well aware that the real cause of the delay is the Algerians' distrust of his intentions, and their consequent insistence on recognition as the representatives of Algeria before the talks start. This the general, concerned to preserve the appearance of freedom of action, refuses to do; but, desperately anxious for an agreed settlement in Algeria, he has tried to intimidate the rebels into making the journey to Evian by describing the awful consequences of alienating France. An independent and recalcitrant Algeria would have to do without all French aid; its citizens working in France would be expelled; it would "without doubt" fall into misery, chaos and communism; he added a suggestion that there might be some measure of partition. A negotiated independence, on the other hand, would be met with continuing French benevolence.

It is highly doubtful if the rebels will respond to this sort of thing. They have not fought the French for six and a half

years to give in to threats now. The French president may well find that the only consequences of his conference will be a fresh burst of frenzy from a Right made desperate by his frank willingness to kiss Algeria goodbye; and the renewed alienation of the Moroccans and Tunisians, who have tried for so long to foster an understanding between France and the rebels.

### FISHERMEN'S STRIKE

#### *Grimsby Hangs On*

THE strike of the Hull trawler officers' guild against landings of Icelandic fish swiftly and sensibly melted away last weekend, but the Grimsby officers have remained frozen in petulant immobility. On Tuesday the Grimsby guild issued a set of seven grievances, broadening the dispute and very largely leaving the Icelandic issue on one side. (It was covered simply by the stipulation that all foreign landings should in future be governed by the port regulations landing committee—something less than a total boycott.) The new demands proved to be a curious job-lot. They included an application for voluntary arbitration on a 10 per cent pay claim for skippers (most of them already high in the surtax bracket), mates and engineers; the abolition of food charges for skippers and mates; and demands for a closed shop (not always popular in such an individualistic trade) and for the introduction of restrictive practices. Finally, the unions insisted on being consulted before contract sales to processing firms are negotiated. Contract sales happen to be one of the ways in which the industry is beginning to avoid the lengthy and wasteful exposure of fish in the quayside market.

These demands were not wholly unexpected; the officers began to hint at these "other grievances" soon after the strike against the Icelanders got under way. On Thursday the bulk of the 3,000 crew members threw off their union's restraint and put in a basic pay claim of their own. Grimsby is in a fighting mood, but if the strikers hang on indefinitely it can do them very little good at a time when the fishing industry is facing contraction, and when the capital needed for the redevelopment of the fleet to meet new conditions has to come (if it is to come from anywhere) out of the taxpayers' pocket. It should not have escaped the trawlermen's attention that it is now not only the Icelanders who are diverting their catches to Grimsby, but the Germans, Faroese and Belgians as well. This could all too easily become the pattern for the future.

### SEAMEN'S UNION

#### *Trouble Aboard*

THE National Union of Seamen has a new general secretary, but the old problems remain to plague Mr Jim Scott as they

did his predecessor, Sir Thomas Yates. Last summer the vague discontent with seafaring life felt by many seamen was channelled into an unofficial strike run by a "seamen's reform movement" within the union. This was partly financed by the Canadian district of the Seamen's International Union of America, whose members have priced themselves out of work and have a personal interest in seeing British seamen's wages soar—because they object to the Red Ensign being used as a sort of flag of convenience in the Canadian coastal trade. The election which led to Mr Scott's victory was already under way during last summer's strike, and he was at that time the union's treasurer, so he is no favourite of the would-be reformers. His aim now is to reconcile protestations of loyalty to his former chief with proof of sufficient militancy to take the wind out of the sails of the malcontents, and he is stumping the ports to try to convince his members that he is the man they need. His first meeting in Liverpool was not a great success, for only some 400 seamen, most of them dissidents, turned up; at one time it seemed that the platform would have to be physically defended by the chairman and well-known pugilist, Mrs Bessie Braddock, MP. The union has put a demand for higher wages and improved conditions before the employers, and is defending itself from accusations that it is not asking for enough by refusing to disclose just what it has asked for.

The union's leaders cannot expect to get any great wage increase, in view of the large rise given by the shipowners last year: but improvements in overtime pay, a relaxation of the work demanded while a ship is in port, and possibly the abolition of the penal provisions of the Merchant Shipping Act (under which men were jailed for striking

## NOTES OF THE WEEK

last year) would reduce the seamen's basic discontents and give the "reformers" less fertile ground for agitation. But some of the reformers' demands—for wages at Canadian levels, or for shop stewards on all British ships—are dismissed by the union itself as ridiculous.

The real problem is that, if the employers do not concede enough to make the union leaders look successful, the union may be forced by internal pressure to take some strong action (although a strike is almost out of the question, since it requires a ballot of the union's scattered membership, and seamen cannot legally break their articles of employment). Present wages and conditions are already inadequate to attract enough British labour to man British ships. It may ultimately prove necessary to employ cheaper foreign labour on board (as has traditionally been done on ships plying to the Far East). This would harm nobody except the seamen's union itself.

## GERMANY AND AMERICA

## Another Special Relation

DR ADENAUER went to Washington this week with a purpose similar in many ways to Mr Macmillan's the week before. The Chancellor hopes to restore the close partnership with Washington which has been the basis of his policies—and which has, together with prosperity, done much to give west Germany the confidence to survive the postwar years. The Chancellor had many worries to set at rest. Ever since the American election campaign there have been fears in Bonn that President Kennedy would prove readier than his predecessor to do a deal with the Russians at Germany's expense. Some of the fears may have been allayed by the new Administration's expressions of firmness about Berlin. But the west Germans are still sensitive to foreign criticism of their poor aid effort, and they are aware that their public image is going through a difficult period because of the Eichmann trial.

The Chancellor made it clear in Bonn that he hoped to avoid the subject of the American balance of payments. "I do not understand these matters," he told a press conference on April 10th. But he plainly hopes to use his reputation in America to counter any damaging effects of the Eichmann trial. He will no doubt remind the Americans, as he has reminded the west Germans on television, that west Germany has been paying handsome reparations to Israel and has put the Nazi past behind it. Our Bonn correspondent reports on German reactions to the trial on page 233.

In his anxiety to strengthen the military side of the alliance and Germany's contribution to it, Dr Adenauer also took to Washington a more precise ambition—to press Mr Kennedy to back General Norstad's plan for a Nato nuclear force. The Chancellor put this view to Mr Acheson, Mr Kennedy's special adviser on

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Nato questions, in Bonn last Sunday. One German motive in this matter—the desire for a more effective joint political control over existing atomic weapons—deserves sympathy. The Germans, like the French, are understandably concerned that their fate should be entirely in other people's hands. But the plan for a Nato nuclear force also carries a second and much more disturbing implication—that more strategic weapons be stationed in Europe and Germany. At a time when Mr Kennedy is feeling his way towards serious exchanges with Mr Khrushchev, his decision to hold back the spread of nuclear weapons in Europe as much as possible seems right.

## LIQUIDITY

## Sniffing at Triffin

A DAZZLING array of American talent will be in Paris on April 18th and 19th for the second episode in President Kennedy's drive to make the new Organisation for Economic Co-operation and Development an effective instrument of Atlantic economic unity. The drive for an effective joint aid effort to help the undeveloped countries was set going at the meeting of the Development Assistance Group in London on March 27th. The economic policy committee of OEEC (soon to become OECD) which meets next week will have a second task—to co-ordinate the members' economic policies to permit sustained economic growth in the developed industrial countries themselves. The American delegation will include such high-powered figures as Mr Heller, chairman of the Council of Economic Advisers, and Mr William McChesney Martin, chairman of the Federal Reserve Board.

The meeting will have no fixed agenda, so discussion may range wide—over subjects like the co-ordination of interest rates and German domestic policies. But the crux could be a discussion of radical solutions to the problems raised by the shortage of, and unbalance in, international reserves. Mr Heller is expected to bring as a consultant Professor Robert Triffin, perhaps the most interesting name of all. His presence rubs home the fact that a strong school of thought in Washington is coming round to his view that the problem of international liquidity should be solved by a pooling of reserves in the International Monetary Fund or some Atlantic monetary institution.

The one strange feature of next week's meeting is that the British, of all people, still appear to be sniffing suspiciously at the most radical features of this idea, instead of seizing on them with delight. In his speech at Boston on April 7th Mr Macmillan did remark, encouragingly, that ideally there should be a central banking system for all the countries of the free world. But his thoughts do not yet seem to have been translated into practical policy in the Treasury and Bank of England. It will be no surprise next week if the

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Swiss or the Germans resist such radical ideas as Mr Triffin's and insist on orthodoxy in international finance. But it would be odd indeed for Britain, whose economic growth has been hamstrung throughout the postwar years by difficulties in its balance of payments, to line up with them against the Triffin ideas.

## TEACHERS

## Slipping the Reins

TO the great delight of many school children, the teachers have continued in high ferment during their Easter holiday conferences. The National Association of Schoolmasters agreed at Blackpool to plan a series of one-day strikes at selected (but carefully unnamed) individual schools to secure satisfaction on its two main claims. These are representation on the Burnham Committee and higher pay for schoolmasters (specifically distinct from schoolmistresses): the association has called for a basic male salary scale of £800-£1,500, compared with the National Union of Teachers' claim for £700-£1,300. The NAS decision was not unexpected, and the local authorities in London and other big cities where the association is relatively strong are eagerly trying to scout out which the selected schools may be. Exactly what good strikes would do the NAS remains to be seen. They may help local recruitment, but as long as the association sports its militantly anti-feminist mask and growls against equal pay the other organisations will fight against it being invited to the staid Burnham table.

Not to be outdone, the NUT delegates threw off their executive's reins at Brighton and planned a (distant) strike of their own. The NUT now wants further training for all graduates entering the service by 1968: this is primarily, although not entirely, a matter of professional status and was, in fact, promised in 1951. It might be thought, however, that doing everything possible to attract graduates (many of whom are reluctant to continue their studies at teacher training colleges, in intellectual surroundings that are often inferior to those they have just left) would be the best way to raise the profession's status—as well as helping to end the teacher shortage. In fact the NUT, again kicking over the traces, had earlier come out in vociferous support for the Scots—who are threatening to strike if non-graduate (but professionally trained) male teachers are introduced into their schools. The logic of the NUT delegates this year has been unusually hard to follow.

Meanwhile the employers—the local education authorities—have begun to publicise their side of the case. Sir William Alexander, secretary of the Association of Education Committees, has pointed out that nearly a third of teachers in primary schools, and just over a half in secondary schools, already earn more than the basic scale. There is a strong case for arguing

## NOTES OF THE WEEK

that a major feature of the next Burnham award should be a big increase in these differentials above the basic scale—especially to assistant masters and departmental heads who carry special responsibilities. It is a serious criticism of the teachers' public debates that, because of the usual union pressure to spread all benefits among everybody, so little attention is paid to differentials in the salary dispute.

## COUNTY ELECTIONS

## First Straws

BY Wednesday midnight voting had taken place in 18 of the 62 county council elections in England and Wales. The opening pattern seemed to be to swing back to the same sort of results as characterised the county elections in 1955, which took place a few weeks before the general election of that year. Here and there, the Tories advanced beyond their 1955 watermark including a near squeak for Labour in Nottinghamshire; this council, which had been labour-controlled ever since the war, showed a dead heat between Labour and non-Labour forces on Tuesday, but after the aldermanic elections Labour will probably retain it. As expected, Conservatives or Conservative-minded Independents held on to all 13 of these 18 early-voting counties which they had controlled after the last county elections in 1958. Apart from Notts, Labour held on to three of its four. Its one clear loss of control in these first three days was Lancashire, which it had won in 1952 and 1958, but which now returned to almost exactly the same Tory majority as in 1955. By contrast, Labour held on to Carmarthen, which it had won in 1958 but not in 1955; because of the pattern of candidacies here, however, the Independents had almost been resigned to this.

On this pattern one would expect the Conservatives to regain control of Middlesex and Staffordshire (which were two of the 22 counties polling on Thursday, as we went to press) and of Essex and the West Riding of Yorkshire (which will poll on Saturday). All of these four were anti-Labour in 1955, but had switched either to Labour control or (in the case of Staffordshire and the West Riding) to a dead-heat in 1958. Northumberland—which was also polling on Thursday, and which was fairly marginally Labour in both 1955 and 1958—would seem a rather harder nut for the anti-Labour forces to crack. But the main news of Thursday's elections, which will be in the newspapers before *The Economist* appears in most readers' hands, will concern the London County Council. Labour had an elected majority here of 76 in 1958, compared with a majority of 22 in 1955 and a presumptive majority of 18 if each London constituency voted now in exactly the same way as it did in the 1959 general election. The bogey score for Labour in London must therefore be to see that its majority is maintained at somewhere around the 20 mark.

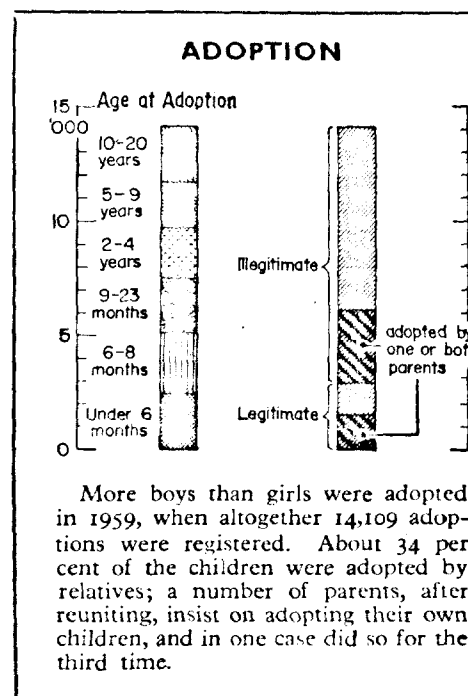
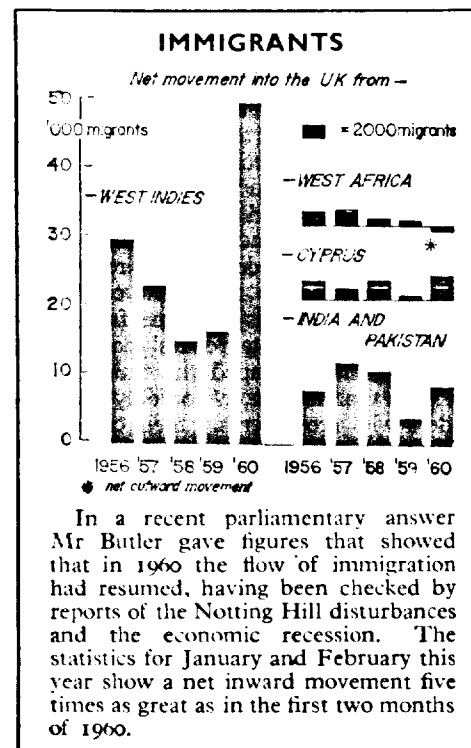
## RUSSIA AND CHINA

## Hard Bargaining?

MUCH was made of Chinese-Soviet friendship when delegates of the two countries signed a trade protocol for 1961 in Moscow last week. It is difficult not to suspect, however, that the discussions, which included "certain other (economic) questions" as well, may have strained rather than strengthened the fraternal unity of the two countries.

The communiqué issued after the signing ceremony did not divulge the volume of trade proposed between Russia and China this year. It did reveal that the serious natural disasters suffered by Chinese agriculture last year gave China a trade deficit with Russia; this means that the Chinese will have to default still further, on the repayment of their Soviet loans. The Russians have agreed that this 1960 deficit should be repaid in instalments and without interest over the next five years. They have also undertaken to let the Chinese have 500,000 tons of sugar by the end of August; this the Chinese will gradually repay, without interest, between 1964 and 1967.

This can hardly be called a munificent contribution towards alleviating the difficulties of the Chinese, particularly as the Russians failed to make any helpful gesture at the end of last year when the Chinese first revealed their plight and started to buy large quantities of Canadian and Australian grain. It must, however, be remembered that the Russians themselves had plenty of agricultural difficulties last year. Moreover, they have already paid out large sums in loans to the Chinese (the latest agreement in 1959 was for 5,000 million roubles), and they may be feeling worried about repayment. To what extent politics came into





the negotiations is anybody's guess; it certainly seems rather odd that the talks should have been so protracted—they began early in February in Peking and after about a month were continued at a higher level in Moscow. But if the Russians did try to wring some political or ideological concessions out of the Chinese, it does not look as if they had any spectacular success.

## KENYA

*Facing the Mountain*

JOMO KENYATTA's press conference on Tuesday showed once again that he is the most gifted and magnetic Kenyan of the century. It did nothing to solve the problem of what part he will play, or can be allowed to play, in Kenya's advance to self-government. Mr Kenyatta's virtuoso performance at Maralal was truly Gaullist in its serene ambiguity. Just the same, the mountain could not be observed to budge. He said he had always denounced Mau Mau, and dismissed the Corfield report as a "pack of lies." He neither condemned nor approved the Africans' refusal to join the Governor's government. He believed in a democratic and constitutional advance towards independence; but the Lancaster

## INDIA

*Hot Potato*

EVEN the awesome presence of Mr Suslov as fraternal delegate from Russia has not brought India's troubled Communist party to a settlement of its internal differences. The full congress of the party held in Andhra has failed to agree on a new programme, and the task is being remitted to the newly elected hundred-member national council, which in turn will have to negotiate its draft with the local committee in each of India's states.

The outgoing council had managed to produce, before the Andhra congress, an ostensibly agreed resolution on the Chinese border question, the hottest potato now in the party's smarting hands. This resolution, while calling for negotiations with China about its claims to 50,000 square miles of border territory, upheld the "McMahon line" and India's traditional frontier as being the true frontier. In effect, the party was simultaneously supporting the Indian government's firm stand on its rights, and urging it to seek a compromise with China. It is hardly surprising that this tortuous formulation, which has not satisfied Indian opinion in circles that are normally tolerant of much that the party says and does, has not satisfied the party workers themselves.

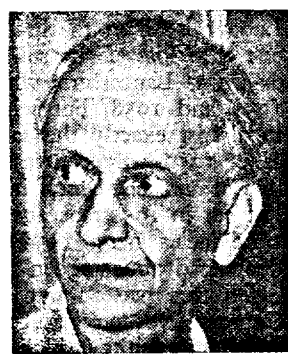
## NOTES OF THE WEEK

House constitution of 1960 was out of date already—all this with great good humour and superb Grandoldmanship.

The Kenyan Africans' veneration for this leader's age and position at present overrides the fears of the non-Kikuyu about an early Kikuyu domination of the country. This is why Messrs Gichuru, Mboya and Ngala still refuse to co-operate with his jailers. What was said at Maralal will not change the opinion of the secretariat in Nairobi, the district commissioners, and nine-tenths of the Europeans of Kenya that Jomo Kenyatta is anti-Christian, anti-European and anti-Commonwealth. It cannot be said to have given Mr Macleod a convenient cue. Does this mean that the irresistible force has encountered the immovable object? It depends on who has most to lose if, come May, there is no government to pass the budget and the Governor has to resort to rule by decree. For the present it is unthinkable that the Governor should retreat from his March policy statement. It is still conceivable that the African leaders, doubtless only with Mr Kenyatta's approval, might decide to help to govern now, if the Governor promised his release at the end of the legislative council's first session. Yet even if the Kenyatta security risk could be taken at once, the Government could not accept the immediate jettisoning of the 1961 Consti-



Ghosh: Critic of China



Dange: Support for Nehru?

The strongly pro-Chinese group led by Mr Ranadive had already been angered by the sharp criticism of China's occupation of Indian soil that Mr Ajoy Ghosh and other party leaders had made at the Moscow international communist conference last November. Nor are the consequent strained relations with Peking the Indian party's only trouble. Events in the Congo have also bedevilled the efforts of Mr Ghosh and Mr Dange, despite Mr Ranadive's indignation, to maintain a position of "critical support" of Mr Nehru's government. India is fast becoming the mainstay of the United Nations operation over which presides Mr Hammarskjöld, Russia's current *bête noire*. If the Indian communists campaign loudly for the withdrawal of Indian troops from the Congo, they align themselves not only with Mr Suslov but with Messrs Kasavubu and Tshombe too. The dilemma is embarrassing enough to evoke sympathy.

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tution. Before a liberated Kenyatta presses the independence accelerator, the British must try to secure African recognition of some constitutional timetable. But the worst way to secure this recognition would be for the Kenya authorities to push themselves to the point where they may have to incarcerate Mr Mboya and his colleagues—as the price for keeping Mr Kenyatta under permanent lock and key.

## THE DRUGS BILL

*The Doctors' "Which"*

ONE of the recommendations of the Hinchliffe Committee on the Cost of Prescribing was that an independent publication should be started to give doctors up-to-date and disinterested information about drugs. Nearly two years after the committee reported, the first issue of the *Prescribers' Journal* has appeared. How independent is it?

It has a committee of management consisting of a professor of medicine as chairman, two professorial vice-chairmen, four general practitioners, a pharmacist, and professional advisers from the health departments. There is also an advisory panel of experts—ten professors and one consultant physician. But the editorial offices are in one of the Ministry of Health buildings; unlike *Which?*, the magazine of the Consumers' Association, it is not financed from consumers—that is, prescribers—subscriptions, but is apparently to be paid for out of taxes, although no figure for the cost can be found in the health estimates. There might therefore be grounds for suspicion that the journal would be biased towards economy in prescribing at the expense of effective prescribing, but this is specifically denied in the introduction to the first number. The journal is short (a great advantage), will appear six times a year and will be distributed free to health service doctors.

The journal also states, in respect of the three groups of drugs dealt with in the first number, in what category the proprietary brands are placed by the Cohen Committee on the classification of proprietary preparations. Most proprietary drugs are placed in category S and are identical in their therapeutic constituents with "standard" (that is, officially described) preparations, or are modifications of them. They are sometimes, but not always, more expensive than the unbranded preparation. The Cohen Committee, in its latest report (HMSO, 6d.), expresses the view that normally doctors need not prescribe outside the "standard" preparations (for which an unbranded form may not always exist), except for new drugs, of proved or probable value, that are not yet "standard." Although this report is unanimous, it was presented to the Ministers with a comment on this view from the committee's two pharmacist members. They point out that if most of the branded drugs for which there is a standard, unbranded, equivalent cease to be

# Many motorists today are confused by recent developments in motor oil and the claims of rival manufacturers

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NEW KINDS OF MOTOR OILS. New claims for reduced engine wear. More engine power. Cleaner engines. In recent years there seem to have been so many new claims for motor oils that even the knowledgeable motorist is in danger of being confused. But choice of motor oil has such an important bearing on how well an engine runs and how long it lasts that most motorists will want to know the facts. Here they are.

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## A WIDER RANGE OF PROTECTION

BP 'Visco-static' offers you a single oil that is never too thick and never too thin. For morning starting, BP 'Visco-static' acts like a free flowing winter grade oil. As your engine warms up, it acts as a medium grade oil would at that temperature. And if, in summer, you make your engine run very hard, as on the motorway, BP 'Visco-static' becomes like a heavy grade oil which has ample body even at the hottest part of the engine.

## LOWEST ENGINE WEAR EVER

Because it has the correct viscosity to give perfect lubrication always, BP 'Visco-static' makes a big reduction in engine wear. The danger time for engine wear has always been the first few minutes after a cold start. In fact, this normally accounts for most wear in the life of an engine. But BP 'Visco-static' has put an end to this heavy wear completely. The result is a substantial reduction in total wear, so that your engine does many thousands of extra miles before overhaul.

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Another big advantage with BP 'Visco-static' is that you do not need to change your oil when the season changes. BP 'Visco-static' is right for every season the whole year through. You will, however, need to make regular oil changes as recommended in your car handbook.

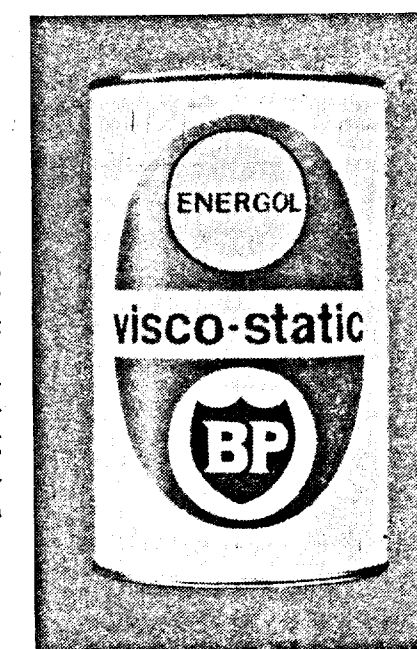
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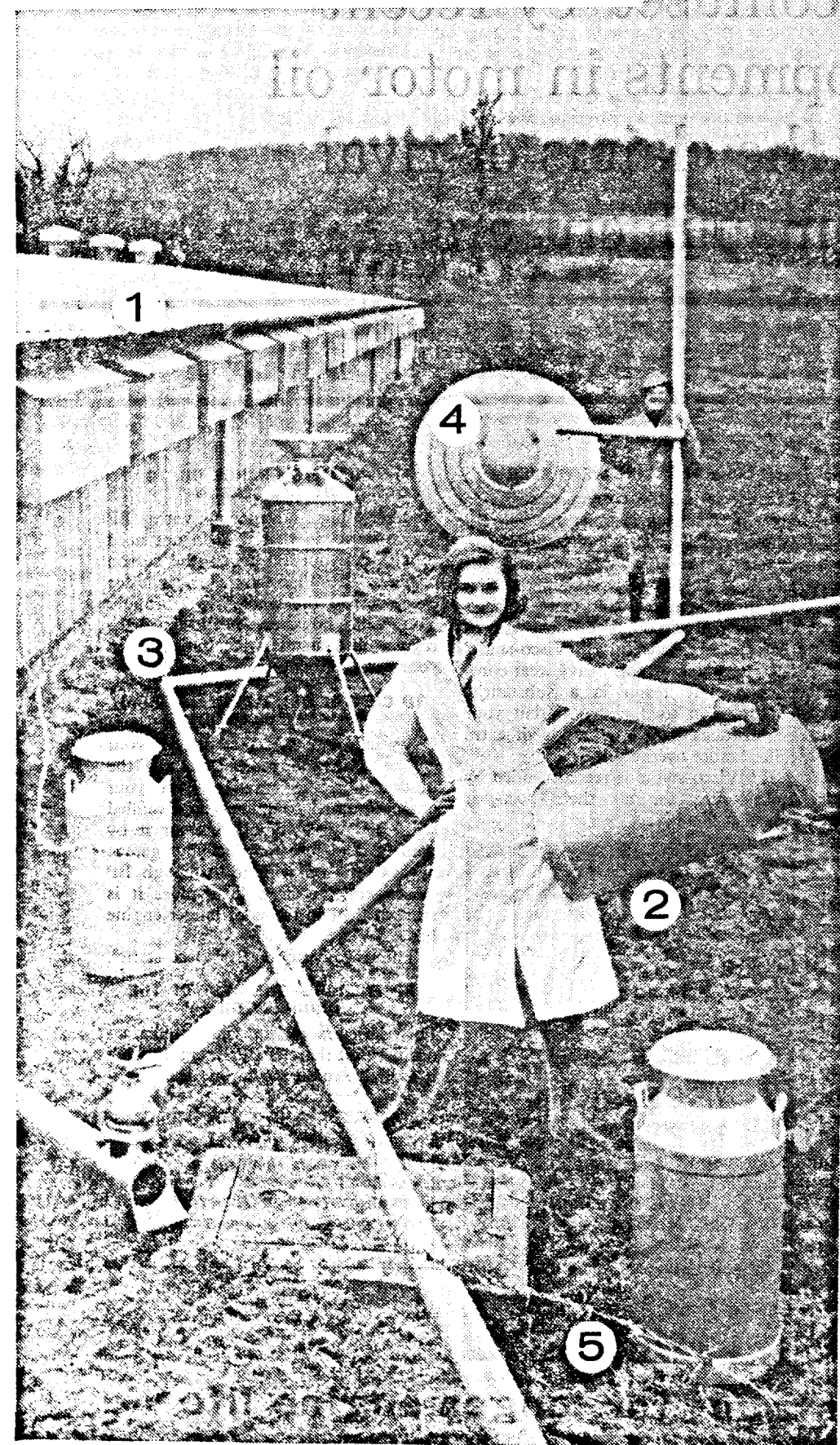
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**3** The irrigation pipes, valve and sprinkler couplings, and the fertilizer applicator, are aluminium, and are part of the wide range of irrigation equipment by Wright Rain of Ringwood (Hants). Easily positioned, they resist rust and corrosion and cannot be crushed by livestock or put out of action by machinery. Smooth interior surfaces reduce water friction, so the most is made of pump power.

**4** A vital item for the broiler house is the heating equipment. This Jamesway flying-saucer gas brooder is the popular choice of farmers, because its aluminium reflector concentrates maximum heat on the chicks' backs.

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Britain's most widely used aluminium — from Canada

# ALCAN

prescribed in the health service, the British drugs industry will be unable to recoup its expenditure on research, and Britain will be dependent upon foreign countries for new advances in treatment. This argument, which is repeated every time the drugs industry is under fire about the cost of its products, was, in fact, accepted by the Hinchliffe Committee. But the industry's fears may be premature, for, provided their prescribing is not, as a whole, extravagant, there is no sanction to make doctors abandon the familiar proprietary name for a long formula.

## LONDON

### Deal with a Laundry

*In the last few weeks anybody who criticised a specific action by a particular county council would inevitably have been regarded by half the country as deliberately "playing politics" on one political party's side. The following note, which seems to us to raise a point of principle rather than a point of party politics, has therefore been held over until after the polls concerned have closed. But the point of principle is one to which all new county councils should pay heed.*

THE retiring London County Council was recently told by a High Court judge that its conduct was open to most serious criticism; that its behaviour was a grave misuse of statutory power; that a plan which it had worked out was rather unpleasant; and that he hoped that instances of this sort of conduct were rare. This last hope should be echoed by everybody. The facts of this case were that the LCC wanted to pull down some buildings as unfit for habitation, and decided to make a compulsory purchase order. There were two interested parties: a laundry which owned the freehold and a property company which had a lease expiring in 1979; and orders were made against both of them. They took counsel together and lodged formal notices of objection. So the council was fighting two firms united by a common interest.

This is how it fought its battle. Behind the back of the leaseholders the council talked to the freeholders and bought them off. It said to them in effect "if you will drop your resistance, we will continue against the leaseholder, and when we have won our case we will hand the leasehold interest over to you. That will be greatly to your advantage, for you will get a valuable reversion twenty years before it is due." But so valuable a favour was not to be had for nothing, and the council demanded a payment (could it be called a commission?) of £2,000 from the freeholders. As £2,000 was well below the value of the lease the freeholders agreed and the bargain was struck. The council had made a secret bargain to hand one citizen's property to another, but fortunately the aggrieved citizen fought back and won his case before Mr Justice Ash-

worth. The "rather unpleasant" trick failed and the council proved to be wrong in law as well as in decency. But if the leaseholders had had less fighting spirit the council would have had its discreditable way, and one is left wondering how many times local authorities up and down the country do the same sort of thing without being exposed.

## JORDAN

### Trial Run with the UAR

THE release in Jordan on April 7th of a number of "pro-Nasser" detainees reflects the more relaxed atmosphere brought about by King Hussein's bid for friendlier relations with the United Arab Republic. No-one who reads his letter to President Nasser and the president's reply (both broadcast from Cairo on March 31st) can deny that each is an accomplished statement. The king's approach was dignified and frank, the president's answer encouraging. Most marked was the president's veering away from a purely revolutionary process as a means of achieving Arab union. He abjures intervention in the internal affairs of other Arab countries and declares that the "constitutional forms of unity do not concern us." Both governments now look forward to a trial period of getting along together, and to a meeting between the two heads of state to work more details out.

This is King Hussein's second bid for collaboration with Cairo. President Nasser correctly recalls in his letter that in 1955-56 the "young and heroic" king went far to align their two countries on an anti-imperialist slant. That the final sacrifice then demanded was the king's throne, if not his life, is delicately not mentioned. But those were the days when revolutionary Nasserism was a volcanic eruption in Egypt spilling over its borders, regardless. Today, more controlled and experienced, and with energies dispersed across the whole face of Africa, its impact on Arab neighbours need not necessarily be so harsh.

Just as Syria sought union with Egypt to avert a threatened communist coup, so Jordan seeks friendship on the grounds of internal security. It cannot, for ever, whilst guarding its frontier with Israel, maintain the security forces to treat pro-Nasserism as a sin. Nor are there wide divergences between the Jordanian and Arab Republican outlook—except in their long-term approach to the Palestine question. Jordan has tried to absorb refugees and has absorbed Palestinian territory, while the UAR wants to preserve, and indeed recreate, Palestine as a separate entity.

This would have proved to be quite fantastic if the Jordan alternative had worked. But failure to get western backing for the immense irrigation schemes that might have made Jordan a country for large-scale refugee resettlement is now, at long last, accepted. King Hussein has realised that if he cannot give his refugees a living he must give them a greater hope—even

should it be a mirage—in a larger setting than Jordan, where shared responsibility might somehow lead to shared solutions.

## SPAIN

### General Franco's Mantle

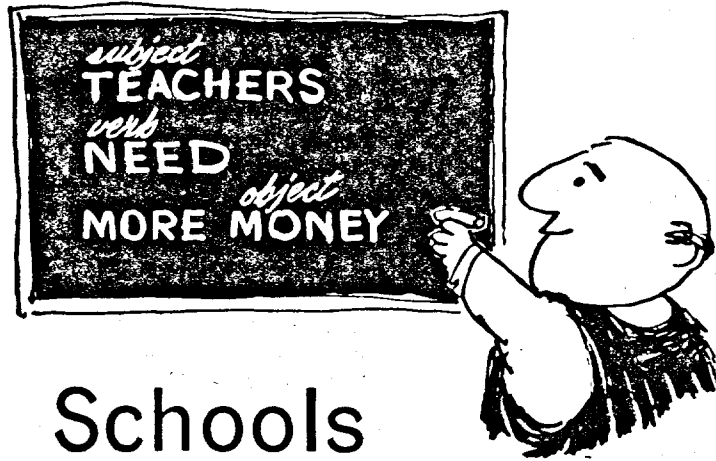
WHEN, from time to time, Spanish attention is directed to the fact that the present regime cannot last for ever, signs of anxious activity are observed among the various competitors for the inheritance. Such a disturbance is visible just now, although it must be said that the Caudillo still shows no sign whatever of going up in his fiery chariot. The feeling is fairly general that the regime is decrepit and ineffective; demands for political, social or economic reforms are heard from many quarters.

Some of General Franco's critics lay especial emphasis on political strictures. Thus, in February three bishops protested against (indeed, they seem to have effectively killed) state proposals for reorganising, without at all weakening, the press censorship. The reason for the episcopal intervention appears to have been a dislike of an arbitrary censorship not regulated by law. The censorship has also been attacked in a liberal monarchist statement supporting the Bourbon-Hapsburg pretender, Don Juan; this manifesto also advocates greater political liberty, a reduction of the excessive powers of the military tribunals, and a more realistic and up-to-date economic policy. The Falange has circulated a document criticising various government policies, and expressing anxiety about the Francoless future, for which, it holds, insufficient provision has been made. *The Times* correspondent reports that a group of republicans has now circulated a manifesto against a return of the monarchy.

It is not yet known how the government will respond to this wave of complaint. Señor José Solís, minister and secretary-general of the Falange, has sponsored the party's criticisms, and presided over a recent conference of the national syndicates (trade union substitutes) at which they were freely voiced. He is probably the most influential of the critics. So far, the only official response seems to have been a suggestion (totally unfounded) that Spain's economic difficulties were due to American stinginess with non-military aid, and other suggestions that a plot against the country is being hatched by elements abroad. A more serious reaction would be the jettisoning of the stabilisation programme, and with it Señor Ullastres, the minister of commerce: Señor Solís and the Falange seem to have made themselves the champions of "controlled inflation." Even if this desperate remedy is avoided, Spain will still be confronted with a decadent political system and a stagnant economy, and with the problem of establishing a relationship with one or other of the European economic groups, this the Spanish government has not so far brought itself to attempt.

HOME REPORT

HOME REPORT is a new section of the paper, in which members of the editorial staff and local correspondents will report on life and happenings in and around Britain.



Schools on Strike?

FROM A CORRESPONDENT IN GLASGOW

It seems probable that before the end of the month the Secretary of State for Scotland will announce substantial salary increases for Scottish schoolteachers. But the big question that remains to be settled is whether Mr MacLay's pay award will be enough to placate the teachers, and especially those in Glasgow who are committed to a week's strike beginning on May 8th unless the Government meets their professional grievances by May 1st. At present the odds are that the strike will go on.

The Scottish teachers want more money: specifically, a 20 per cent increase in basic salary scales and a reduction from 17 to 10 years in the incremental periods. At present there are eight scales: the highest, for male honours graduates, is £780-£1,400; non-graduate women receive £545-£1,000. Even more important, however, the teachers want the Government to abandon its proposals to begin employing non-graduate male teachers, a plan which is stigmatised as "diluting the profession."

The National Joint Council on teachers' salaries submitted its recommendations to Mr MacLay on April 7th. What little has been leaked about these recommendations suggests that the teachers will be reasonably satisfied provided Mr MacLay does not whittle the increases down. The teachers are adamant that the award must be acceptable, but they have warned the Government that even a good rise will not buy off their opposition to dilution. Mr MacLay, for his part, says he will not be intimidated into hastening his decisions on the general issues of teacher-training.

Teaching in Scotland is basically a graduate profession, although non-graduate women substantially staff the primary schools. Since 1926, however, no male has been permitted to teach academic or general subjects without a university degree. Last year the Scottish Education Department flew its dilution kite in a memorandum suggesting the review of teacher-training methods. This was seen by the teachers as a bid to reduce still further their social and economic status in a country that came near to deifying the dominie after the Scottish Reformers introduced their system of popular education four centuries ago.

The teachers' main organisations (often bitterly divided in the past) speedily achieved unprecedented unity in tackling the dilution

threat. Joint talks were held and agreement reached in principle that "coercive action" at national level should be employed if the Government enforced dilution, prolonged salary negotiations, or made an unacceptable pay award. Scotland has just over 38,000 teachers in 3,300 schools, and this united front embraced 34,000 of them in the Educational Institute of Scotland, the Scottish Schoolmasters' Association, and the Scottish Secondary Teachers' Association.

Glasgow's 7,000 teachers decided to force the pace on their own last month. Some 3,000 of them voted overwhelmingly to give Mr MacLay until May 1st to meet their demands. Many other teachers outside the city are willing to strike with Glasgow, and there is little doubt that the EIS national executive is unhappy at such militancy. Unsuccessful attempts have been made to persuade Glasgow to call off the strike until the Government attitude is known, but the fact remains that the EIS itself is pledged to direct action and nobody doubts that, if and when the time comes (perhaps this autumn), "coercive action" will win majority approval.

All but 2,000 of Scotland's teachers are certificated—which means they are either graduates or have completed the minimum three years in training college (at present 17,000 graduates have also done an extra year's teacher-training). The training regulations date from 1931 and it is these that Mr MacLay wants to overhaul to make up for existing shortages. The teachers argue in defence of the regulations that they represent a tradition that the parish schoolmaster was an educated man who had been to college—however little he might have been paid in the past.

Public opinion is, however, divided on whether all male teachers really need to be graduates at a time of shortage. The Scots, too, are well aware that a university degree does not necessarily ensure a sound teacher, but to them graduation represents the best available guarantee of ability and they are reluctant to abandon it. The teachers have sensibly broadened their protest to make it a matter of principle, drawing attention to overcrowded classrooms, lowered standards, and all the irritations that parents have been increasingly forced to endure.

At present Scotland is short of 3,600 teachers and too many children are on part-time education (Glasgow has about 5,000). The teachers feel that dilution is no answer and, tradition apart, recent graduate recruitment rates tend to substantiate their view. Currently, 921 men and women are doing their post-graduate year at training college (compared with the bedrock figure of 634 in 1955 and 894 a year ago). About 930 graduate recruits are needed annually until 1967 to ensure adequate school staffs; the teachers claim that more graduates are re-entering teaching because the real answer is extra money—and a 6½ per cent pay rise was awarded last year.

The feeling is growing in some quarters that an independent inquiry into Scottish education generally might be a good idea. Several EIS branches are now calling for a royal commission—which hitherto has not been favoured by the teachers who claim to know all the answers to educational problems. It is true that there have been expert investigations into several aspects of Scottish education in recent years (notably the Knox committee), but it may be that lasting peace or order will prove unobtainable until an impartial tribunal provides the basis for greater compromise on both sides.

Organised Teachers

THE teaching profession in Britain is divided into complementary and competing organisations whose rivalries come to a head whenever, as at present, salary negotiations are in train. In England and Wales these negotiations take place in the Burnham (Main) Committee, in which the teachers' panel meet represen-

tatives of the local education authorities. (The next meeting in this year's round is on April 20th-22nd.) The Minister of Education has power to accept or reject the Burnham recommendations. In Scotland, which has its own organisations, procedure and (see above) disputes, the Secretary of State can accept, reject or amend the recommendations of the National Joint Council, on which the Educational Institute of Scotland and the local authorities are represented. The main professional organisations are as follows:

| ENGLAND AND WALES                                                  | Founded                            | Membership                                                                                                                          | Burnham Main Representation                                     | Salary Policy                                                                                                                                                                              |
|--------------------------------------------------------------------|------------------------------------|-------------------------------------------------------------------------------------------------------------------------------------|-----------------------------------------------------------------|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| National Union of Teachers .....                                   | 1870                               | 244,113<br>Of 209,000 in-service members, 66 per cent are women, and 62 per cent are in primary schools.                            | 16 seats                                                        | Basic scale of £700 rising to £1,300 in ten years; removal of extra differential for secondary school teachers introduced in 1956.                                                         |
| Association of Teachers in Technical Institutions                  | 1904<br>Partnership with NUT 1940. | 16,000<br>9,500 members carried on NUT books.                                                                                       | 4 seats                                                         | As NUT.                                                                                                                                                                                    |
| Association of Teachers of Domestic Subjects                       | 1896<br>Partnership with NUT 1953. | 7,500<br>3,000 members carried on NUT books.                                                                                        | Nil                                                             |                                                                                                                                                                                            |
| Incorporated Association of Head Masters*                          | 1891                               | 1,300                                                                                                                               | 1 seat                                                          | The Joint Four Secondary Associations broadly agree with NUT on basic scale, but generally favour more sharply graduated differentials (e.g., for senior science and mathematics masters). |
| Association of Head Mistresses (Incorporated)*                     | 1874                               | 946                                                                                                                                 | 1 seat                                                          |                                                                                                                                                                                            |
| Incorporated Association of Assistant Masters in Secondary Schools | 1891                               | 23,000                                                                                                                              | 2 seats                                                         |                                                                                                                                                                                            |
| Association of Assistant Mistresses in Secondary Schools           | 1884                               | 16,000                                                                                                                              | 2 seats                                                         |                                                                                                                                                                                            |
| National Association of Schoolmasters....                          | 1923                               | 22,651<br>Includes 1,246 members of Scottish Schoolmasters' Association. Chiefly in secondary schools, but also primary membership. | Seeks representation.                                           | Basic scale of £800-£1,500 in ten years; militant feeling that equal pay prejudices male salary claims. Local strikes to begin on May 1st.                                                 |
| National Union of Women Teachers.....                              | 1909                               | Never divulged.                                                                                                                     | Nil                                                             | Equal pay: now achieved, and union in process of winding up.                                                                                                                               |
| National Association of Head Teachers*..                           | 1897                               | 14,000<br>Both sexes.                                                                                                               | Seeks representation.                                           | Basic scale of £700-£1,300 in ten increments, plus further allowances for head teachers (e.g., £350 on promotion, experience scale of £60-£360 in six increments).                         |
| Headmasters' Conference*.....                                      | 1869                               | 200 maximum.                                                                                                                        | Nil                                                             | Independent school salaries related to Burnham, but invariably above scale.                                                                                                                |
| * Members of Joint Council of Heads.                               |                                    |                                                                                                                                     |                                                                 |                                                                                                                                                                                            |
| SCOTLAND                                                           |                                    |                                                                                                                                     |                                                                 |                                                                                                                                                                                            |
| Educational Institute of Scotland.....                             | 1847                               | 29,197<br>66 per cent women; 40 per cent in secondary schools.                                                                      | Represents teachers' side in Scottish national joint council.   | 20 per cent rise in eight scales, with quicker attainment of maxima; opposed to introduction of non-graduate males.                                                                        |
| Scottish Secondary Teachers' Association .                         | 1945                               | 3,000<br>Roughly equal between sexes.                                                                                               | Can comment to Secretary of State for Scotland on draft orders. | Higher salaries; common front with EIS on dilution issue.                                                                                                                                  |

Tory Land of Cotton

FROM A CORRESPONDENT IN MANCHESTER



LABOUR's second spell of power in Lancashire duly came to an end on Monday to the accompaniment of Tory trumpet blasts proclaiming this Conservative victory as a foretaste of a landslide in the rest of this week's county elections. In fact, though, the Lancashire results brought no major surprises. Since Labour won control of the county for the first time in 1952, Lancashire has swung predictably to and fro every three years. On this occasion the

slender lead snatched by Labour in 1958 had already been whittled down by five consecutive by-election losses, so that the party entered the elections with a majority of only two over the combined forces of its rivals. Failure to supplant Labour would have been a severe disappointment for the Tories.

The upshot of Monday's voting, in fact, was to reverse almost exactly the 1958 pattern, when Labour gained 18 seats. The Conservatives captured 17 seats (16 from

Labour and one from an Independent) and lost one to a Liberal. Labour's single new victory was gained at the expense of an Independent. Thus the Conservatives had a net gain of 16 seats, giving them an overall majority of 18 and a majority over Labour alone of 23. This is an ample margin for firm control. The slight preponderance of Labour aldermen—21 to 18 Conservatives—is too small to bridge the gap. In any case there is a standing agreement between the parties not to use aldermen's votes to override a majority of elected councillors.

The reversal of the 1958 pattern was more than simply mathematical. Nine of the 16 seats gained by the Conservatives were among those that they had lost to



Labour three years ago; so were four of the five seats which had passed to the Conservatives in by-elections. Most of them, of course, were highly marginal, with Labour majorities of under or around 200. Since they had been made expressly the targets of the Conservative campaign—and since Labour officials in the area had for some time been bemoaning publicly the inactivity and poor morale of local party members—few observers can have been surprised by the list of seats that changed hands.

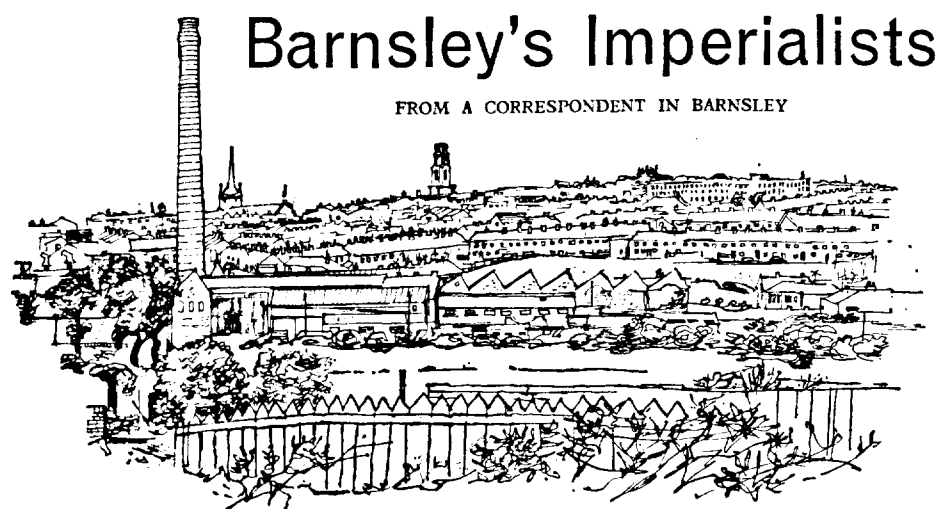
SOME commentators, however, have professed to find significance in the fact that the Conservative gains were made mainly in, or about, the industrial areas. Since that is where, in fact, most of the marginal seats lay, the implication that there

has been a new drift away from Labour in its working-class Lancashire strongholds is hardly well founded. But the location of the two main groups of these marginal seats is not without interest. The first group, which yielded some half a dozen gains to the Conservatives, lies among the ring of satellite towns—such as Swinton, Radcliffe, Lees and Ashton—to the north and east of Manchester.

The second group, where the Tories also regained several seats, is contained in the traditional weaving centres between Preston and Burnley—townships like Chorley, Accrington and Rawtenstall and their near neighbours. It was areas such as these, closely associated with the cotton industry, which helped to produce the slight leftward swing in Lancashire at the general election in 1959. The relatively painless way in which the contraction of the cotton industry

has since proceeded—cushioned by compensation grants and a temporary revival in domestic cotton sales—possibly explains the disappearance of that leftward bias at these elections.

One final point. This week's election is a reminder that Lancashire is much more Conservative in its politics than outsiders—who assume a close connection between cotton mills and Labour voting—are apt to imagine. Yet a glance at the chart of parliamentary representation shows the Conservatives to be strongly represented—even in the two big cities. It has to be remembered that in county politics, where Manchester and Liverpool play no part, Labour has only twice succeeded in winning control; that these two victories coincided with the high peaks of Labour achievement in county elections, and that even then Lancashire was won only on very small majorities.



FROM A CORRESPONDENT IN BARNSELY

THE burgesses of the Five Towns (and their raconteur, Arnold Bennett) would have revelled in the desperate struggle in which the Yorkshire borough of Barnsley is imperially engaged. Barnsley wants to extend its boundaries to encompass no fewer than eight neighbouring urban districts. If successful, it will more than double its population of 75,400 and annex an area nearly three times its own size of 7,811 acres.

The Barnsley takeover bid is directed at the alerted and embattled urban councils of Darton, Darfield, Dodworth, Cudworth, Royston, Hoyland Nether, Wombwell and Worsbrough. All but Hoyland lie adjacent to Barnsley. All are firm in their resolve to stay outside the borough boundary.

Barnsley's proposals are contained in a 100-page document submitted to the Local Government Commission in reply to a questionnaire circulated to authorities in the York and North Midlands general review area. Each of the urban districts has submitted observations on the proposals. So has the West Riding County Council. There is no "love thy neighbour" nonsense here.

The county council comments: "A careful review of the case presented to the commission by Barnsley shows that there is emphasis on anything, however trivial and irrelevant, which may be interpreted as being to Barnsley's advantage whereas anything which might be considered as against Barnsley's efficiency is quietly glossed over." It adds: "The statement is full of irrelevancies and half truths and many of the answers given by the corporation in reply to the questionnaire call for some comment by the county council."

The borough says that an extension would enable it to improve local government services in the area. The county replies that existing county services are more than adequate and that greater Barnsley's estimated rateable resources of £8 12s. 1d. per head of population or £50 os. 11d. per acre would be inadequate to sustain a full range of services on a sound financial basis.

Barnsley says that unhygienic incidents occurring in surrounding urban areas have their immediate effect on the borough, but the control of them lies outside it. The county counters with talk of a paratyphoid outbreak in Darfield in 1951

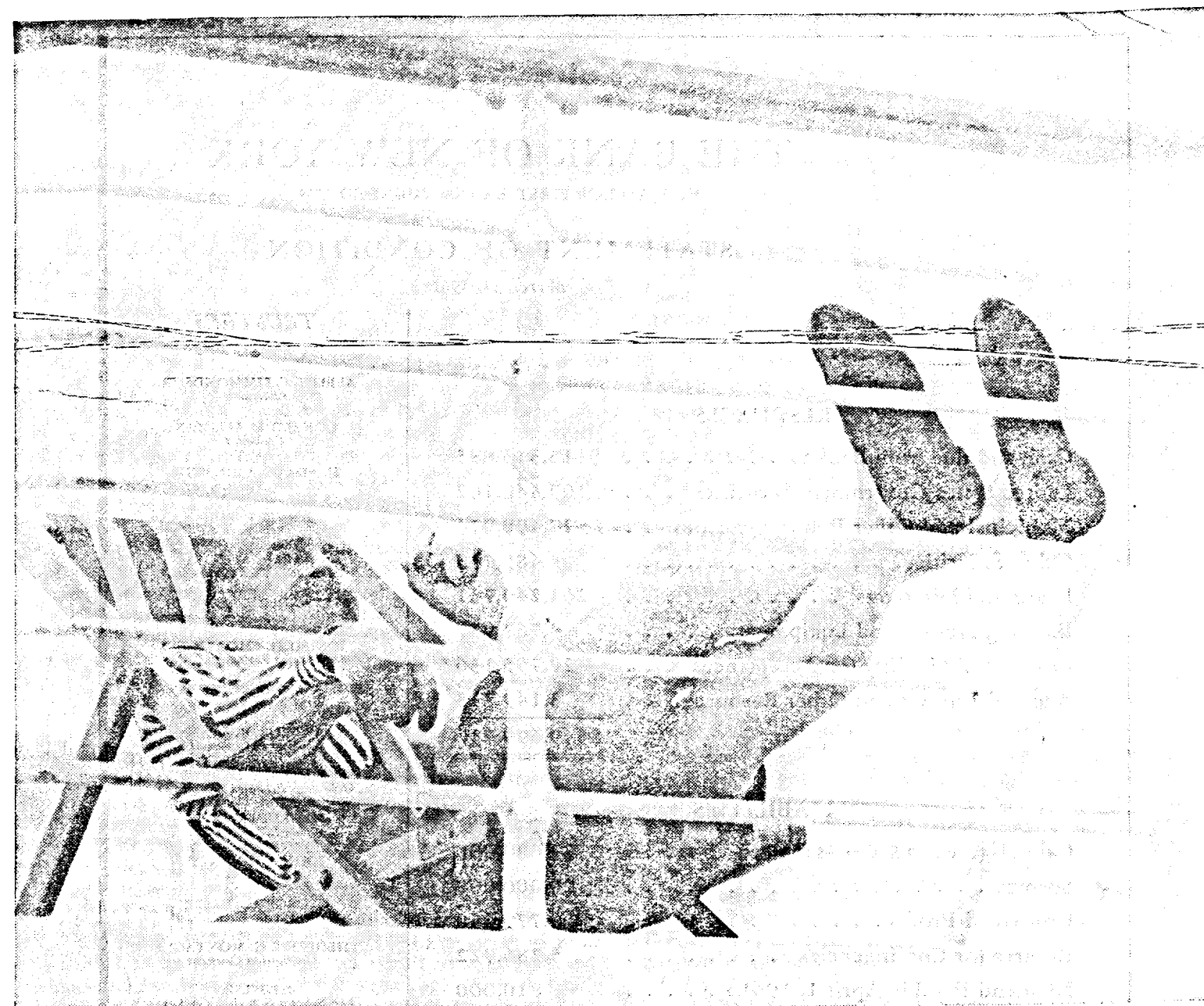
which was directly traced to a Barnsley bakehouse. It claims: "In 1955-56 there was a severe outbreak of poliomyelitis in Barnsley which originated in the borough." It avers that Barnsley was the most dangerous spot for polio in the whole of the West Riding.

With obvious civic pride Barnsley mentions its ancient market, inaugurated by a charter of Henry III in 1248, which still attracts shoppers from the outdistricts. The county is unimpressed. It says: "With regard to the Barnsley market, which is owned by the corporation, the county medical officer reports that this is a disgrace hygienically and does not conform in any way to the food hygiene regulations."

What have the urban districts to say for themselves? Hoyland Nether presses home the fact that it is completely cut off from Barnsley and is dependent on it for nothing. Dodworth conducted a referendum in which 2,419 of its 2,820 voters took part. Of them, 2,097 elected to stay in the West Riding rather than become part of Barnsley. A further question disclosed that 2,240 of them would agree to amalgamation with the neighbouring authorities of Penistone rural and Penistone urban councils in the West Riding.

CUDWORTH and Royston have made proposals for the amalgamation of their two authorities, claiming in the process to annex a strip of Barnsley borough that lies between them. Wombwell, Worsbrough, Darfield and Darton have indicated their strong disapproval of Barnsley's proposals and have formulated counter proposals which, as yet, remain tantalisingly unpublished.

Barnsley councillors are still hopeful, but there is a general feeling among the county districts that the pan-Barnsley movement has tried to bite off a little more than it can chew.



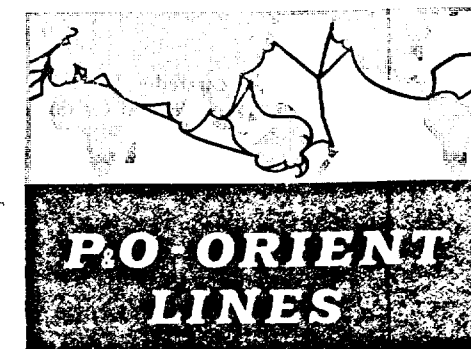
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|                                                 |                      |
|-------------------------------------------------|----------------------|
| Cash and due from Banks . . . . .               | \$115,313,885        |
| United States Government Securities . . . . .   | 107,448,102          |
| Municipal and Other Public Securities . . . . . | 27,498,974           |
| Other Securities . . . . .                      | 4,485,233            |
| Loans and Discounts . . . . .                   | 261,240,731          |
| Banking Houses and Equipment . . . . .          | 9,767,977            |
| Customers' Liability for Acceptances . . . . .  | 20,795,136           |
| Accrued Interest and Other Resources . . . . .  | 3,149,718            |
|                                                 | <u>\$549,699,756</u> |

#### LIABILITIES

|                                              |                      |
|----------------------------------------------|----------------------|
| Capital (270,000 Shares—\$100 Par) . . . . . | \$ 27,000,000        |
| Surplus . . . . .                            | 20,000,000           |
| Undivided Profits . . . . .                  | 9,779,650            |
| Reserve for Contingencies . . . . .          | 5,286,922            |
| Dividend Payable April 1, 1961 . . . . .     | 810,000              |
| Deposits . . . . .                           | 457,508,858          |
| Acceptances . . . . .                        | 22,444,740           |
| Reserve for Taxes, Interest, etc. . . . .    | 4,969,368            |
| Other Liabilities . . . . .                  | 1,900,218            |
|                                              | <u>\$549,699,756</u> |

Securities carried at \$13,639,180 have been pledged to secure U. S. Government Deposits and for other purposes as required or permitted by law.

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## AMERICAN SURVEY

### Special Relations

WASHINGTON, DC

IF President Kennedy's meetings with his two other western political uncles turn out as pleasantly as his discussions with Mr Macmillan, his advisers will be as surprised as they will be gratified. Both Dr Adenauer, who visited Washington this week, and President de Gaulle, whose state guest Mr Kennedy will be in Paris in May, have indicated in advance that they may be difficult. But while Mr Kennedy and his aides found the political skill, personal charm and diplomatic suppleness of Mr Macmillan quite up to expectations, it is fair to report that they are now looking back with some mixed feelings. The scarred British veterans showed their intimate knowledge of the international battlefield; but the Americans plainly felt that they might have come up with more ideas on how the battle—with fresh leadership and fresh troops in the van—might be won.

Such meetings can never be expected to reach more than contingent decisions; the appearance of working out in advance an agreed Anglo-American position on issues that can be determined only by the whole alliance would have generated suspicions (even the emergency Key West meeting irritated General de Gaulle). The Kennedy-Macmillan confrontation was the first part of a single exercise designed to explore ways of healing divisions in the alliance as well as of setting up working relationships and of aligning views on problems ranging from Laos to the needs of the British West Indies. It came logically before the meetings with Dr Adenauer and General de Gaulle for two good reasons.

The first is that in American eyes the division between the two European trading groups, the stronger common market and the weaker Free Trade Association, to which Britain belongs, means that it is up to Britain to propose some *modus vivendi* which the President can urge on President de Gaulle and Chancellor Adenauer in the interest of European unity. Secondly, there are the divisions which run between the United States and Britain on the one side and the rest of the alliance on the other on the part that atomic weapons should play in the North Atlantic Treaty Organisation's arrangements and on the problem of balances of payments. Britain and the United States are increasingly challenged to share the control of the western nuclear deterrent with their allies; equally they are calling on Germany and their other allies to share more fairly the cost of defence and of aid to underdeveloped countries.

These issues certainly formed the core, though not the whole, of the talks last week. The Eisenhower order was gone—the contrast was total—and the new Administration had already shown that it understood the needs of the hour and was receptive to constructive proposals; the President was ready to go into considerable detail himself—indeed, he insisted on doing so—instead of following his predecessor's habit of handing difficulties or decisions over to working parties. The facts were well sifted, plans and attitudes were examined frankly, but no new policies—no new break-throughs, as the Americans say—presented themselves.

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.

Indeed there may even have been divergencies. After the talks the British side expressed profound satisfaction at having, as they thought, won the Americans over to their point of view on the Six and the Seven, on having convinced Mr Kennedy that the two could be brought together on Britain's terms—in the words of the Prime Minister's speech at the centennial celebrations of the Massachusetts Institute of Technology, delivered after the talks, "without detriment to our domestic interests or to our Commonwealth association and without injury to any other nation or group of nations." But when Mr Macmillan asked Mr Kennedy directly what he would think of Britain joining the common market, the President replied firmly that American policy was absolutely unchanged: the gain to the political stability of Europe provided that Britain accepted all the political as well as the economic conditions of the Treaty of Rome would far outweigh any economic disadvantage to the United States or anyone else. But Britain must join without reservations of any sort; only then would the United States undertake to try to induce General de Gaulle to make concessions on such obstacles as agriculture, the Commonwealth or the European Free Trade Association. Mr Macmillan smothered this clear-cut American answer in a smoke screen—perhaps to ease it into the forum of British public opinion, perhaps to gain more time, but in a way that looked evasive.

On the "problems of imbalance and short-term capital movements" (to quote the official *communiqué*) American and British ideas are in close agreement, as they are on the problem of long-term aid for development. Better use of the International Monetary Fund to improve world liquidity and counteract short-term movements in the exchanges has been under discussion by the experts since the advent of a new American Administration promised political support for their ideas. Britain is the obvious beneficiary. This did not, however, encourage Mr Macmillan to back up Mr Kennedy's call for aid to underdeveloped countries as a means of preventing political disasters. Even a conditional British offer to contribute to the needed long-term capital would have been a welcome gesture, which would have helped the President both with Dr Adenauer and with Congress, which must pass his foreign aid budget. Mr Macmillan evidently felt too acutely the weakness of the British economy; nevertheless, such an attitude tends to present the British, in economic negotiations, as "nice people, with nice manners, but with no money at all."

IF the state of its monetary reserves gives Britain little room for manoeuvre in economic matters, it has a bargaining counter in its ageing, but still valid, independent nuclear weapon. The new Administration, with ruthless clarity, sees what Britain should do with it: trade it in to Nato in return for the substantial concession of a similar trade-in by France and a renewed self-denying ordinance by Germany; such a deal could also carry with it lightened defence bills for Britain in the future and a stronger claim to be admitted to the European economic club. The President and his advisers see little merit in the previous Administration's offer of five Polaris submarines to Nato so as to create an allied nuclear force which would supposedly satisfy the aspirations of Germany and permit France to discontinue making (and testing) atomic weapons. The new Administration does not see

how the weapons could be "controlled" by the Nato countries while command remained, as it must under American law, with American officers. President Kennedy feels that this proposal was an attempt to evade the real point: that while Britain by insisting on nuclear status has opened the door to the spread of nuclear weapons through Europe, by the same token Britain has the capacity to make a reality of a European deterrent. Perhaps the most significant nuance (it is no more) in Mr Macmillan's speech at MIT (which was rewritten during the talks) was that, while past British decisions to make the atomic bomb were defended, the way was left open for a new policy in the name of the western unity which was the theme of the speech.

It was perhaps on the subject of Russia that Anglo-American differences of approach emerged most clearly. The British feel that they have had long experience of the way Russia blows hot and cold and consider that this is a matter of communist metabolism as much as it is a response to the temperature outside. The new American Administration is less fatalistic; specifically it thinks that the Russians changed their policy, or at least their tone, on Laos, not because of British diplomacy, but because they saw the American Seventh Fleet taking action stations and the American commando-guerrillas alerted in Okinawa. Calling Mr Macmillan to Florida was partly designed to draw the British into a more obvious participation in this display of resolution.

For similar reasons the Americans want to show that they will not accept indefinite procrastination in the negotiations on nuclear tests but that, after due warning, they will not only leave the conference table at Geneva, but also probably start underground testing; they argue that the British contention that it is not practicable to do either of these things will merely encourage Russian intransigence. Again on Berlin, the new Administration told the British side that it would stand firm; and when the practical difficulties of doing so were put forward, the reaction was to order the military representatives to work over their "contingency papers" and return with more precise plans. In these, as in other issues, the new Administration tended to find British experience invaluable, the British analysis of situations realistic, but British conclusions on policy too negative for its taste.

The talks were a success. Mr Macmillan found them exciting and exhilarating; Mr Kennedy's readiness to listen, however, often suggested to his guests that he was testing their quality without committing himself. The meeting put Anglo-American relations on a new footing. The future of the "special relationship" between Britain and America (the phrase was introduced by the Secretary of State, Mr Dean Rusk, not by Mr Macmillan) almost certainly depends on the extent to which Britain can work positively with the new Administration in achieving the wider western unity which was the theme of Mr Macmillan's own speech. In American eyes it means British willingness, above all, to show magnanimity, imagination and leadership where America most wants it shown—not in Africa (though Britain's achievement there is appreciated) but in Europe, in the alliance itself.

Mr Macmillan spoke of the "sacrifices" to be made, the "mental hurdles" to be jumped: in American eyes this means that Britain must go into Europe. To this extent there may be some basis for the press story during the conference—angrily denied though it was—that Mr Kennedy had told Mr Macmillan that, as he meant to be the leader of the West, he would not need Britain's services further as a go-between. Mr Kennedy will use any go-betweens, in Washington or elsewhere, when they are useful. But from Britain, a country which he likes, he hopes for a far greater contribution to the common cause. It is, however, legitimate to wonder whether he felt that Mr Macmillan was the man who could summon up in Britain anything like the necessary resolution. The President may esteem Mr Macmillan as the nicest of his political uncles. But he may be looking over the shoulders of them all at the upcoming generation.

## Back from the Grass Roots

CONGRESS came back to Washington this week to face, as it usually does at this point in the session, the lion's share of its labours—and promptly adjourned to inaugurate the baseball season. Ahead lie the big and controversial topics of foreign aid, federal assistance for schools, farm policy, taxes and the creation, it seems, of a new Department of Urban Affairs. It is no secret that the President hoped that members of Congress, when they put their ears to the grass-roots at home, would hear a strong demand that they should co-operate more enthusiastically with the White House. But popular as Mr Kennedy is personally, there is no sign as yet that the voters are prepared to punish Representatives who frustrate his legislative programme.

Indeed, in the first congressional by-election since last November's returns, the voters of Texas have specifically repudiated the pioneers of the new frontier. Seventy candidates competed for Mr Lyndon Johnson's Senate seat and, although no one won outright, the two who did best and who will have to fight it out at a run-off election in June are both extreme conservatives. The moderates knocked each other out. The sole Republican, Mr Tower, led the field with 326,000 votes but, as the total Democratic vote was twice as great as this, the eventual victor is likely to be Senator Blakley, the Democrat who is serving temporarily in Washington by appointment of the Governor. Nevertheless, the Republicans are cheered by Mr Tower's exceptional performance in a traditionally Democratic state. It makes up, to some extent, for their failure to elect a new Mayor in St Louis. The party attributes Mr Nixon's defeat in the presidential election to its poor showing in urban areas and in St Louis it made great efforts to prove that better campaign organisation could turn the trick. This hard work did, in fact, succeed in increasing the Republican share of the total vote from 23 per cent in 1957 to 37 per cent last week, even with a lack-lustre candidate.

It seems unlikely, however, that the Republican party will ever make big inroads in the urban and suburban vote as long as it appears to stand for obstruction in Washington and not much else. The handful of liberal Republicans in Congress is becoming worried because, with Mr Eisenhower gone and Mr Nixon still lying low, the faces and attitudes with which the party is identified—apart from that graceful and popular reactionary, Senator Goldwater—are those of two middle-western conservatives, Senator Everett Dirksen and Mr Charles Halleck, the Republican leaders in Congress.

They appear on television every Thursday to present the party's point of view and this turn is now known familiarly as "Ev and Charlie." But few Republicans imagine that this elderly pair, with their heavy-handed script, are a match for an attractive young Democratic President. Mr Nixon, who is to end his long silence next month, will be a more effective rallying point for his party and may be expected to outline a constructive programme for it.



## Balanced at Last

IN the last few weeks the drain of gold away from the United States has practically stopped; in fact the country actually added to its stocks of gold during March. In 1960 there was a loss of \$3.8 billion on the country's international accounts to be met out of its gold stock and by a rise in liquid liabilities to foreigners; the present change is the more striking in that the last quarter of 1960 was the worst, with a deficit of \$1.4 billion.

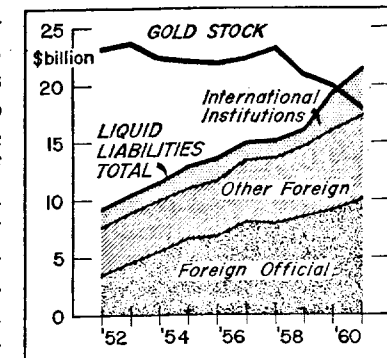
This was due partly to special capital movements, particularly the Ford Company's purchase of stock in its British subsidiary, but also to outflows of speculative capital and private buying of gold. This movement abroad of short-term funds has now been reversed; they are coming into the United States as a result of the boom on the stock market and the confidence which foreigners have in the Kennedy Administration and at the moment the country's international transactions are probably roughly in balance. In Washington there is already a feeling that it might now be safe to reduce the short-term interest rate for the sake of stimulating the domestic economy, but the President is still afraid that this would also stimulate a fresh outflow of gold by driving out foreign funds.

The Administration is also very aware that, even if last year's difficulties with the balance of payments have been overcome, there is danger of a recurrence of the different set of difficulties which caused an equally bad deficit in the country's international accounts in 1959. Then the trouble was mainly the low level of exports and the high level of imports. In 1960 imports dropped and there was an upsurge of over \$3 billion in the value of exports, so that there was a favourable surplus of nearly \$5 billion on the trading account for the year compared with a small deficit in 1959. The trend has been maintained during the first months of this year. But when the 1960 figures are analysed they show an ominous tendency towards the end of the year for exports of industrial products to go down. This accompanied a falling-off in the business activity in Europe and Japan which had been mainly responsible for the increased demand for exports in the first place. If this falling-off continues it could mean a return to 1959, as far as the pattern of foreign trade is concerned, especially since the coming economic recovery in the United States seems sure to bring a renewed demand for imports during the year.

This is why the Administration is putting so much stress on the need to export. The latest effort is the Export-Import Bank's new programme for guaranteeing against political as well as commercial risks private short-term financing for sales abroad. The bank's credit arrangements have also been broadened in other ways and more improvements are coming. American exporters are at last promised credit facilities as good as those enjoyed by their foreign competitors.

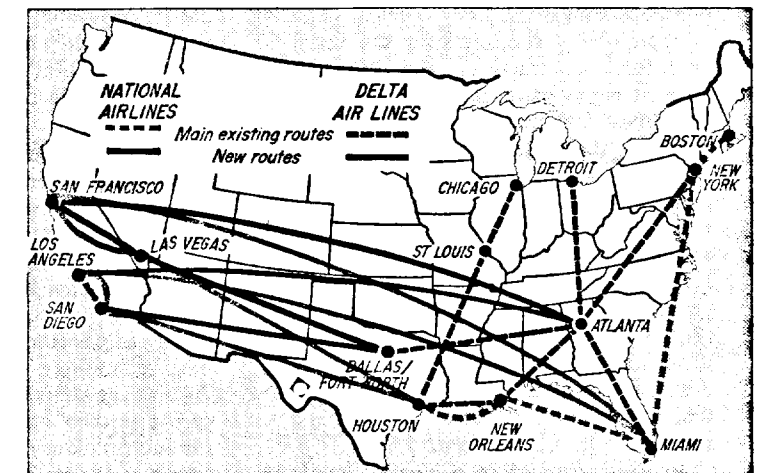
## Marriages in the Air

THE Civil Aeronautics Board, the heavy father of the American air transport industry, has reluctantly given the insolvent Capital Airlines in marriage to the huge United Air Lines because there was no other way of ensuring continued jobs for Capital's 7,000-odd employees and regular flights for the public which travels on Capital's 7,500 miles of routes serving 60 cities, including Wash-



ington, Chicago, Miami and New Orleans. United is to return 15 of Capital's 56 turbo-prop aircraft to Vickers-Armstrong and also to pay the British company some \$29 million to satisfy the claims which Capital was unable to meet. United, already the second largest airline in the United States, flies from coast to coast across the middle of the country and as far as Hawaii; by acquiring Capital it will get rid of some competition in the north-east and gain access to the lucrative southern markets. It will now have 20,000 miles of routes, serving 118 cities, and will surpass its old rival, American Airlines. By autumn United's President expects to be providing more and better services than either company could have done separately, by putting big new jet aircraft on the longer routes.

It is these expensive and hard-to-fill aircraft which were responsible for the poor showing of all airlines last year, although the effect of the economic recession on travel also had something to do with it. And it is because worth-while profits only come from these jets when they are used on non-stop transcontinental flights that there was such fierce rivalry for the southern routes from Florida and Texas to California, the only major services which had not been allocated by the CAB. Now they have been and are divided between Delta Air Lines and National Airlines, as shown on the map; other companies were given extra services in the region, but no non-stop transcontinental flights.



The CAB has thus avoided creating an excessive amount of competition, as it has been accused of doing on other occasions to the detriment, notably, of Capital Airlines. It has also, it hopes, succeeded in creating competitors for the four big trunk airlines by strengthening two comparatively small lines or, at least, by making them into attractive matches for other small lines. National, in particular, is in financial need of matrimony and Eastern Airlines, one of the big four, would like to double up on its new southern route—although the CAB is said to prefer Continental Airlines as a mate for National. Now that the last gap in the pattern of American air services has been filled, new routes are no longer to be had for the asking; airlines must be satisfied with what they have or buy new ones. As a result a burst of wedding bells is to be expected.

## Capital Breadline

WASHINGTON, DC

GOVERNMENT is rarely, if ever, a depressed industry, so it is hardly unexpected that the unemployment rate in Washington, a city whose economy is dependent on government, is only a little over half the national average. Nevertheless unemployment there presents a real problem which, like some of the District of Columbia's other social problems, is mainly the result of the steady

immigration of coloured people—130,000 of them in the last ten years, a period in which the white population of the city has fallen by over 170,000 persons, so that coloured people are now in a majority there. These Negroes come in search not of government posts (though some get them) but of unskilled—and often underpaid—work in the shops and other service trades which cater to government and the peripheral activity it generates. The District is sometimes accused of being isolated from the economic realities of the American scene, but during the past winter frequent appeals for charitable funds to succour jobless, destitute and often homeless

families have provided Congressmen with reminders of the distress that is endemic in many of their home districts.

In Washington much of the recent distress has been the result of unusually severe weather which caused building workers and casual labourers, who are not protected by unemployment insurance, to be laid off. But in Washington those who have this protection receive an exceptionally small sum in benefits; the maximum is \$30 a week, less than a third of the average wage, although it is payable for 26 weeks in any year, a period which may be extended by 13 weeks as a result of the emergency Bill passed recently by

## Valkyrie's Bumpy Ride

FROM A CORRESPONDENT IN CALIFORNIA

At the headquarters of North American Aviation, Inc., the big air-space-missile company in Los Angeles, officials are ruminating ruefully over the vagaries of defence contracting. For the second time in eighteen months the government has cut back the programme for construction of the supersonic B-70 Valkyrie bomber, just as North American, the prime contractor, and a host of subcontractors all over the country were getting it rolling once more. The decision by the Kennedy Administration to reduce appropriations for the B-70 to \$220 million for the next fiscal year from the \$358 million proposed by the outgoing Eisenhower Administration has sent the project, on which over \$700 million has been spent, into its second nose dive.

In the spring of 1959 North American Aviation began to let subcontracts on the Valkyrie, but six months later these had either to be cancelled or curtailed sharply when the goal was changed from a fleet of the aircraft to a single experimental one. Last November came another redirection (to use the jargon of the business) when it was decided to build a number of aircraft complete with weapons systems. Now, less than six months later, the programme is to revert to an experimental status. This capsule history illustrates the complexities and the risks inherent in defence contracting in the United States.

The genesis of the B-70 was the decision of the Administration and Congress, on the advice of the Air Force, that America's defences ought to include a strategic bomber capable of flying at three times the speed of sound at altitudes above 70,000 feet. The essential specifications for the B-70 were then submitted to the major aircraft manufacturers, with an invitation to present proposals. After close scrutiny the one submitted by North American was accepted by the Air Force

and by the civilian agencies concerned. At the same time, and by a similar process, the International Business Machines Corporation was chosen to construct the bomb navigation system and the General Electric Company the engines for the Valkyrie.

Though given responsibility as the prime contractor, North American was bound by numerous restrictions in carrying out a project for which taxpayers were footing the bill. First, as a matter of national policy, the prime contractor was instructed to subcontract the work as widely as possible, to take advantage of the best technology available in every field. As a result subcontracts for the B-70 were spread farther over the country than those for any previous defence programme. The sweep is shown by the list of some of the firms which will be affected by the latest cutback—unless it is rescinded:

Convair Division of General Dynamics Corporation, Fort Worth, Texas (wings); Lockheed Aircraft Corporation, Marietta, Georgia, (fuselage section); Beech Aircraft, Wichita, Kansas (emergency starting gear); Westinghouse Electric Corporation, Baltimore, Maryland (defensive armament); Motorola, Inc., Phoenix, Arizona (communications sub-systems); Hamilton Standard Division of United Aircraft Corporation, Windsor Locks, Connecticut (cooling and heating systems); Sundstrand Corporation, Rockford, Illinois (secondary electric power systems).

North American compiled its own master list of eligible firms; but this had to be submitted to the government to determine if there were any important omissions; and many firms solicited business on their own initiative. Then began a painstaking process of elimination. Teams of specialists in engineering, manufacturing, quality control, logistics, and costs were sent to the factories of would-be subcontractors to check their capabilities. However, even when these were equal,

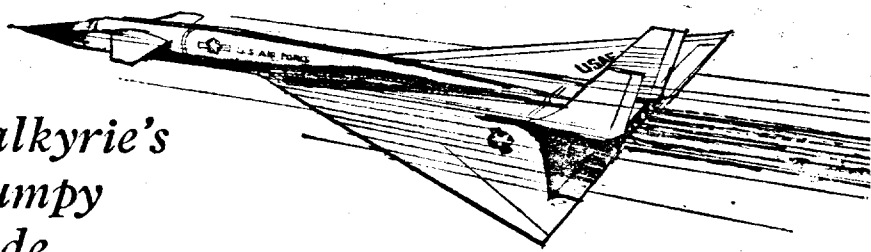
North American was also required to observe other legal conditions.

Any firm involved in defence contracting must see that small concerns are not elbowed aside by their large competitors. Small firms must be given equal consideration in such matters as arranging solicitations and preparing bids, quantities, specifications and delivery schedules. At the same time, the prime contractor is required to do its best to place subcontracts in areas of surplus labour "where this can be done with the efficient performance of the contract, at prices no higher than obtainable elsewhere."

Finally, any decisions reached by North American on suitable subcontractors were subject to review by the Air Force. Because government funds were involved, the aircraft manufacturer also became accountable to the Inspector General and the General Accounting Office, not to mention the Small Business Administration and the watchdog committees of Congress.

The same constraints apply in reverse. When the original B-70 programme was cut back in the autumn of 1959, North American decided to carry out at its own plant in Los Angeles much of the work which previously had been contracted out, and to rely on readily available technology rather than to seek new equipment specifically for the Valkyrie. But official approval was needed and in fact at one point North American was forbidden to cancel certain major subcontracts.

The uncertainties of doing defence work are multiplied by the number of agencies and arms of the government which have fingers in the pie. When the B-70 programme was first cut back, this was the result of an economy move initiated by the Budget Bureau. The reactivation of the project was the result of increased appropriations voted by Congress, which the Executive Branch decided, in the end, not to challenge. Congress may rescue the B-70 again. Senator Russell of Georgia, the chairman of the Senate Armed Services Committee, predicts that it will over-rule President Kennedy and will vote extra funds for the aircraft. Meanwhile, North American and its subcontractors wait in the state of suspense to which they have grown accustomed since they first became involved with the supersonic bomber programme.



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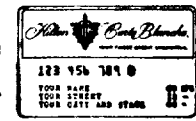
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Congress. And once an employable man out of work has exhausted his right to insurance benefits (if he has any), he and all his family become almost wholly dependent on private charity: public assistance in cash under the joint federal state scheme is extended only to the disabled, infirm, blind, aged and the dependants of an absconding breadwinner; if he returns to his dear ones, their public assistance is cut off even though he has no job.

Congress is in the process of changing this socially undesirable provision at the President's request, but meanwhile it has not seen fit to set an example for the rest of the country in the District of Columbia, for which it legislates directly, as to how local action can mitigate this harsh lot. In Washington itself no local attempt whatever is made to provide public relief for a man who wants a job but cannot get one, although in twenty-one states and in many communities such attempts are made, with varying degrees of adequacy. A fairly typical scheme of this type, for example, operates in Alexandria, Virginia, a few miles away; in that city, under the local relief programme, an unemployed but employable man is granted a maximum sum of \$100 a month, for three months (consecutively or separately) in a year, irrespective of his previous income or the size of his family.

The only federal assistance for which the Washington unemployed are directly eligible is the national dole of surplus food, which was increased in amount and nutritive value by President Kennedy's first executive order. It consists of flour, cornmeal, dried eggs and milk, rice, butter, lard and peanut oil, and latterly some pork; families with less than \$95 to \$200 a week (according to the number in the family) are entitled to this dole and it is obviously a help when the minimum on which a family of four can "get by" is put at an average of \$84 a week. For families with some money, it makes existence possible; but there are many who have none (only half the unemployed are receiving insurance benefits) and for their rent and other non-food needs these depend on the United Givers Fund, which centralises contributions to the churches and other charitable agencies. This winter the UGF made the first emergency appeal of its history for money for cash

hand-outs, largely to pay arrears of rent. But though the \$58,000 asked for was over-subscribed, these agencies are only able to meet sudden crises, not long-term deficiencies.

It is therefore not surprising that one of the sights of Washington—only on fine days—is the eviction of families from their rooms in the poorer areas for non-payment of rent. They either move in with relatives or, if lucky, are bailed out by a charity. The result, compounded by the vagaries of plans for redeveloping slum areas and the excessively high standards of accommodation prescribed by the National Capital Housing Agency for the 7,800 units of far-from-cheap public housing that it manages, is intense overcrowding in the crumbling privately-owned tenements; in these it is not exceptional for weekly rents to run to \$18 a room or unheard of for thirteen persons to share a room. Clearly the extension of the unemployment benefit period by 13 weeks and the other reforms, such as the change in the law affecting aid for dependent children, will help; but they will not exorcise the distress in Washington. This will remain to test the limitations of the Administration's proposals, as modified by Congress, in front of the eyes of Congressmen.

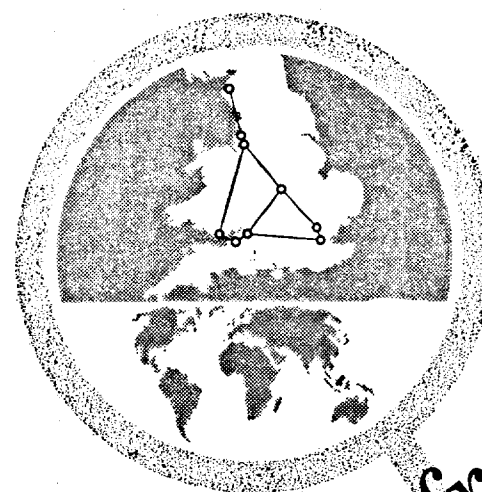
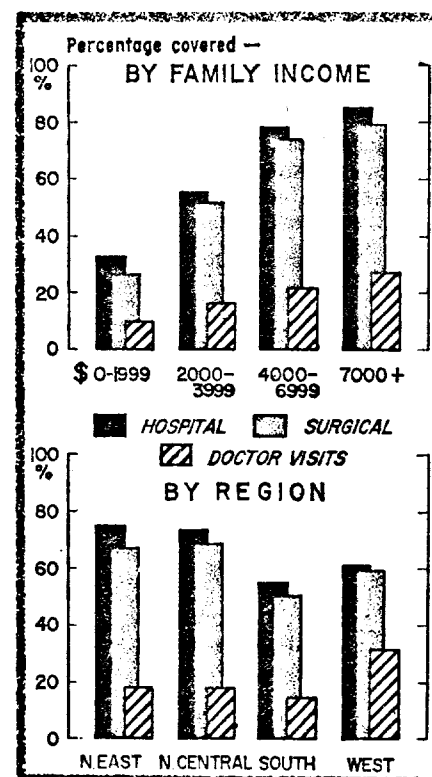
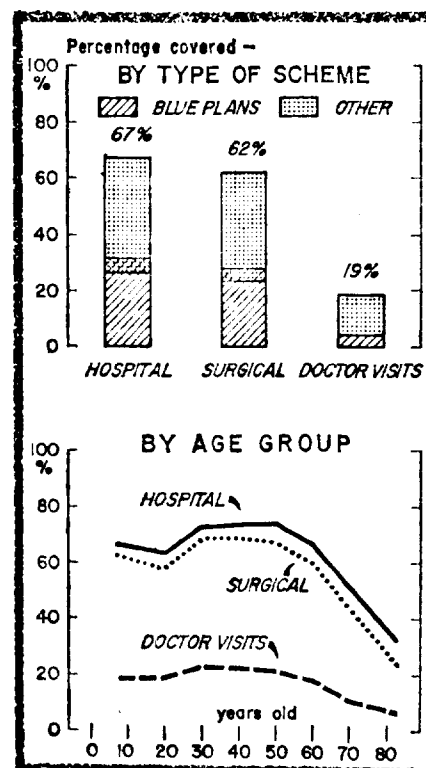
### A New McCarthyism?

THE prophets of a return to conservatism are far from pleased to be saddled with the militantly anti-communist John Birch Society, a semi-secret organisation which suddenly became news a fortnight ago when it was learned that its founder, Mr Welch, once accused Mr Eisenhower, in a private 80,000-word letter to friends, of being an agent of the Communist party. The society's aims read like a spiteful caricature of the right wing: the impeachment of Mr Warren, the Chief Justice, for softness toward communism; the abolition of the income tax and of foreign aid; a great diminution of government "interference," probably by repealing most of the welfare legislation of the past thirty years. Its methods seem to have been borrowed straight from the communist

### Whose Health is Insured?

IN 1959, according to an experimental study carried out by the United States National Health Survey,\* at least two-thirds of the people living in the country had some kind of protection against high medical costs. The report does not go into the adequacy of the various types of coverage, but it confirms that it is the old and the poor, the people who need health insurance most, who have least of it. The most usual type of insurance pays all, or part, of any hospital bills which may be incurred; surgical insurance pays the fees of the doctor performing an operation and doctor visit insurance pays his fees for other types of care. The survey was confined entirely to private health schemes—Blue Cross and Blue Shield group plans, under which the insurer, not the insured person, pays the hospital or doctor, insurance offered by private companies, and pre-paid comprehensive systems.

\* Health Statistics: Interim Report on Health Insurance. US Dept of Health, Education and Welfare, Washington, DC.



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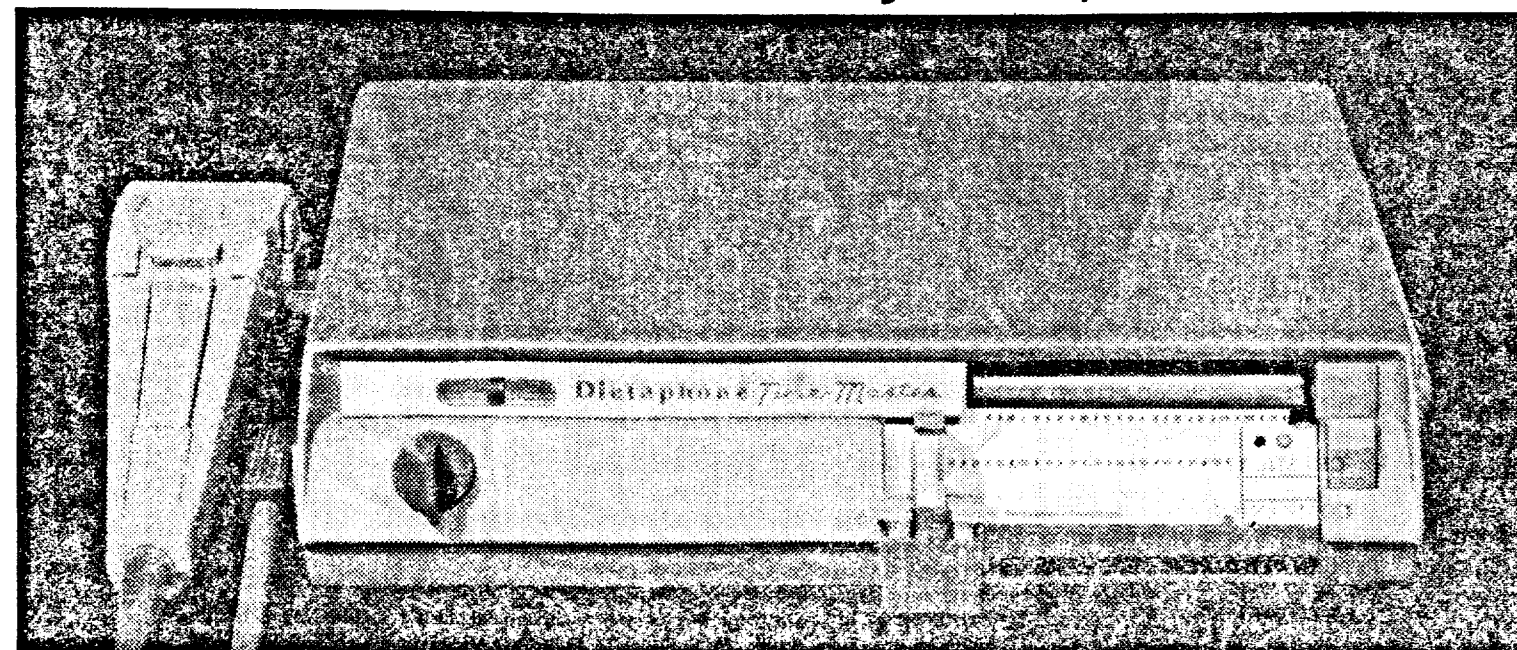
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manual; a membership split up into small chapters to encourage a sense of participation; the organisation of "front" groups and the infiltration of existing bodies such as parent-teachers organisations; deliberate smearing of those suspected of communism; authoritarian control from the top. Its name commemorates a young fundamentalist missionary, of a heresy-hunting turn of mind, who became an effective intelligence officer in China during the war and was shot by the Chinese Communists in 1945—the first casualty, members claim, of the cold war between communism and freedom.

The society was founded only in December, 1958, but it seems to have nearly 100,000 members in 34 states already. Two members of Congress—both from southern California—have announced that they are John Birchers and a third has endorsed it officially. Among the members of its central council are a number of nationally known figures who have long wanted to turn the clock back. In some cities the society's leaders are almost identical with anti-labour groups; in California and Tennessee religious fundamentalism provides ready converts; in the South the society harbours racial hatred. Many of its leaders dissociate themselves and the society from Mr Welch's wilder flights of fancy. But all members share his conviction that communism is making rapid progress in the United States and must be fought by fair means or foul.

There have been a number of calls—including one from Mr. Welch himself—for a congressional investigation of the society, either by the Un-American Activities Committee (which the John Birchers support strenuously) or by the Senate Internal Security Sub-committee. But many people feel that as long as the society simply exercises its constitutional right to freedom of speech and association it should be ignored; the Attorney General has contented himself with calling it ridiculous. No doubt it is so in Washington but in smaller communities in the south and west, which are susceptible to mass emotional movements, some ugly heresy-hunting is already taking place, particularly in the colleges. Here Americans have a chance to prove that they learned something from the McCarthy years. Mr Nixon and the conservative *Los Angeles Times* have proved it already by promptly condemning such "subversion from the right."

### Civil War—Civil Rights

FIRING broke out again on Wednesday, the centenary of the southern attack on Fort Sumter, when North and South fell out once more over the treatment of Negro Americans, this time at the re-enactment in South Carolina of the shots which ushered in the Civil War. The dispute was an inauspicious opening to the four years of ceremonies to commemorate the battles and the bloodshed which first tore apart and later sealed the Union. Over a year ago South Carolina, one of the most backward southern states where race relations are concerned, invited the National Centennial Commission and delegates from the various state commissions to attend this week's observances. But when a Negro delegate from New Jersey tried to obtain hotel reservations in Charleston she found that she would be barred, not only from living in the same hotel as the other delegates, but also from the luncheons and dinners being held in connection with the meetings.

General Ulysses Grant III, the chairman of the Centennial Commission and a less determined man than his famous forebear, was prepared to surrender to southern prejudice. But President Kennedy insisted that the commission, as a federal body, spending federal funds, could not meet under auspices disfigured by racial segregation. The observances were thereupon transferred to the United States naval base outside Charleston although South Carolina, in a painful mockery of its secession from the Union a hundred years ago, insisted on holding its own "lily-white" cere-

monies under the aegis of Governor Byrnes. Unfortunately a southern speaker at the federal dinner tried to carry the war into the enemy's camp by alleging that even in New Jersey there are hotels where a Negro may not register. In the resulting row the representatives of New Jersey demanded the resignation of the "incompetent" General Grant.

No one pretends that the North is perfect; no one denies that the South would be a better and happier place today if it had not been treated with callous brutality after its defeat. But the South has a great stake, both sentimental and financial, in the observances of the next four years. Most of the battlefields are in the South and this is where the money will be spent. It is a good thing that, right at the start, President Kennedy has firmly reminded the South that one of the principles which the victory of the North established was the equality of all men. If the South continues to ignore this, the commemoration of the Civil War will be an empty, limping thing. At Charleston, but for the President's intervention, five northern and western states would have boycotted the proceedings.

### SHORTER NOTES

The Senate, with only one dissenter, has approved the treaty signed in January by President Eisenhower and Mr Diefenbaker for joint development with Canada of the basin of the Columbia River. It has taken ten years to reach an agreement on how the costs and benefits of the project should be shared. These benefits include flood control, water for irrigation and hydro-electric power. The agreement was approved by the provincial government of British Columbia, but it is now having second thoughts and as a result ratification by the Canadian Parliament is being delayed.

The Sugar Act, which expired at the end of March, has been extended until June, 1961, to allow time for a new Act to be drawn up. The suspension of the Cuban quota continues, but the President has been given power to prevent the Dominican Republic from benefiting from this suspension; he can now re-allocate the 3 million tons which would have come from Cuba to other suppliers and is expected to reward other friendly Latin American countries by increasing their share of the United States sugar market.

Although the famous Barnes art gallery in Philadelphia, as well-known for the number and quality of its collection of Impressionist paintings as for the fact that practically no one was allowed to see them, has now been forced to admit the public in order to preserve its tax-exempt status, the number admitted is being kept to a minimum—200 people on two days a week.

General Eisenhower is once again the correct designation of the ex-President, who resigned his commission as soon as he was nominated for office in 1952. Congress has restored his five-star rank but he will not receive the pay and allowances which go with it since as a former President he is already entitled to a pension of \$25,000 and an expense allowance of \$50,000 a year.

This is the season for tornadoes, which kill hundreds of people and do much damage every year, chiefly in the south central states. Hurricanes can be studied over a period of days and people can be warned to take shelter but tornadoes spring up in a few hours; they are both more violent, with winds up to 600 miles an hour, and more unpredictable. To study and, if possible, to tame them, the Weather Bureau has just set up the National Severe Storms Project with headquarters in Oklahoma City, in the tornado belt.



# BOOKS

## Memoirs from the Inner Ring

### The Supreme Command, 1914-1918

By Lord Hankey

Allen and Unwin. 2 vols. 906 pages. 84s.

As with any other historical subject worth studying, the darkness thickens as you near the heart of the great war. This book is written by one who lived among the shadows where the critical decisions for its conduct were made, and could yet see what was passing round him. It will be a valuable tool, both for historians of the war and for other students of the machinery of national and international government. For its author was a man of unbounded competence at taking minutes, filing papers, recalling precedents, with a more valuable gift still—the gift of silence: a man of the utmost discretion, who circulated tactfully among the indiscreet, remembered everything and repeated nothing. His publishers, with a rare modesty in the war memoir market, claim on the dust-jacket that “These pages abound with sidelights on the conduct of the war”; the claim is just.

The author filled for many years positions of entire trust, and was the confidant of leading statesmen of all parties; but he never aspired to be a leading statesman himself, or even a directing figure in the war. He records his narrow escapes from high staff posts in the winter of 1917-18; we are offered Smuts's opinion that “Hankey has a bigger job as Chief of Staff to the War Cabinet. It needs a wider outlook than CGS of the Expeditionary Force.” He correctly appreciated that his own best role was to keep the leading ministers and their technical advisers rolling along the procedural rails he laid down for them. This book adds new details to the well-known story of the emergence of Lloyd George's small efficient war cabinet from the chaos of Asquith's unwieldy succession of committees, without altering the main outline much. Any reviewer must hesitate to question the accuracy on a constitutional point of the principal living architect of the modern cabinet system; but in one respect Lord Hankey does seem unfair to Asquith and his colleagues. The last Liberal cabinet's frequent resort to committees, informal even more than formal ones, is often criticised here; and criticised as an innovation. This it was not: to work through such small groups of ministers had been the usual practice of mid-Victorian and indeed of earlier governments, though it had dropped out of current usage during Lord Salisbury's long virtual dictatorship—at the end of which young Maurice Hankey's rise began. It should not be thought he is hard on

Asquith; on the contrary, he warmly admires that statesman's courage and equanimity, while concluding his own reflections with the meditation that “LLOYD GEORGE WAS THE MAN WHO WON THE WAR.” It was typical of the author's continuous, unobtrusive work at the core of the British war machine that he should have become the close friend of both these rivals. He seems to have made no enemies of importance; the only notabilities to whom his references seem a shade chill are House and Woodrow Wilson, and this is probably due to the resentment felt by the inner circle in Whitehall at America's belated entry into the war. Inevitably this book is centred on Whitehall and its problems. We are led into these deep waters from the shallow end, with an account of the author's prewar career as secretary of the committee of imperial defence; there are some splendid asides by Jackie Fisher (“You can no more tame war than you can tame hell!”), and some new views on the War Book, which was principally the work of A. C. Grant Duff. These lead up to an important pronouncement: “There are two criticisms to which Asquith's government is not open—that it had no policy or that its policy was not arrived at after the most thorough investigation.”

### Science and Government

By C. P. Snow.

Oxford University Press. 94 pages. 9s. 6d.

THIS is not history, but a parable. Ever since these lectures in America came out as a book here, men in the know have been parading in Printing House Square and university common rooms with banners proclaiming “Unfair to Lindemann.” Even a reviewer not in the know can see that Sir Charles Snow's vivid and provoking account of the personal clash between Professors Tizard and Lindemann over air defence before the war and over air offence later neither tells all the story nor reveals the whole men. But, equally clearly, much of the present recrimination from the old back-rooms is beside the point.

Professor Lindemann had no practical alternative to Professor Tizard's picked and properly-seeded programme for radar; what he really wanted to do (and could not do until his patron, Mr Churchill, came to power) was to decide the air defence programme himself, with radar (under its developer, Watson Watt) alongside his own

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The book is founded on the author's own diary, kept up nightly so far as pressure of business allowed. The account of the war itself, studded with vivid anecdotes of the high commanders, amounts on the strategic side to an essay on the importance of manpower and seapower as the twin creators of victory; and on the administrative side to a mass of authentic detail and judicious advice. For instance, “It is always a mistake . . . for delegates to meet without a secretary, especially where it is a case of discussing a draft. This requires the whole attention of one man, particularly when there are two languages.” There are points here for the constitutionalist: “Departmental Ministers did attend the meetings of the war cabinet whenever subjects which affected their respective departments were under discussion, and while present they took part in the discussion as Cabinet Ministers and were expected to take their share of responsibility.” There are gleanings for the political historian also, such as Bonar Law's remark in 1920 that the 1915 coalition was “merely a stop-gap arrangement and both parties were watching each other closely all the time.”

There is one remarkable omission: the second revolution in Russia in 1917. Neither Lenin nor Trotsky is so much as named; of the four allied powers intervening in Russia, only Japan is mentioned in this context. Of course at the time no one in London understood what was involved; but it is a curious way of acknowledging this to omit all direct reference to such a turning-point of history. These volumes in fact join the historian's pile of evidence; they cannot do his work of insight for him.

## Parable of Two Professors

other devices. When he did get to power on his patron's coat-tails he did, in effect, decide the bombing offensive; Professor Tizard, now armed with only his (and many others') clinching objections both to the bad sums on which the bombing was based and to the subtraction which it made from other war tasks—but with no alternative notion for attacking the enemy—could do nothing to stop it; and he had, anyhow, been brutally excluded from the powerhouse. The tale is not about real, rounded persons at all; it is a parable about the processes of power.

The nub of it is not whether one adviser was good and the other bad. Nor is it that one was clubbable and the other vain and aloof. It is how a government should get and use advice: what is the best way, first, of picking the right questions to answer; secondly, of finding the right answers; and, thirdly, of putting the answers into effective practice? In wartime these choices are heightened by peril at hand. But they are not less important in peacetime, as the new men now in Washington will contend; and Sir Charles Snow, talking very appropriately to an American

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audience, had first in mind the right twentieth-century place of science and scientists in the process.

The least-discussed but much the most important part of this book is the final third, where Sir Charles tries, tentatively, to draw the moral. Tizard was good in committees, and in working through approved channels, from ministers and civil servants to men on the airfield. Lindemann was bad in committees, and had to have his own channels cut by the man in power, to whom he taught science and statistics, privately. Sir Charles is rightly sure that such “a solitary scientific overlord” is dangerous, though he says—fairly but too faintly—that Lindemann “drove some things through as a non-scientist could not have done”: no single scientist, he says, should have such powers of choice, and some scientists, ridden by their own secretive notions, should have no power of choice at all.

This is in fact a problem of politics and government, not only of science. It is in the right relation between administrators and specialists on the one hand, and the politicians with the power on the other, that the answer lies. It is for the light it tries to throw on this problem, with its comparisons between this country, America and Russia, that this little book deserves to be read and argued about: for instance, the two pages on the “conditions for an effective committee”.

On scientists in government, Sir Charles is still torn: in their creative and obsessional periods, they are not likely either to be interested in administration or good at it; it is their nature to think long and deeply of only one thing, whereas administrators have to be able to think promptly and connectedly of many things at the same time. Yet Sir Charles is quite convinced that “persons of scientific education can make excellent administrators”; that all administrators ought to be scientifically literate, as indeed they should be; and that scientists, because each knows that his own subject “is moving in time,” ought above all to bring foresight to policy—though this particular parable hardly proves that. What it does prove again is the primacy of politics in all the decisions that a society has to make.

## From Flow to Ebb

### Die Nationalsozialistische Machtergreifung

By K. D. Bracher, W. Sauer and G. Schulz. Westdeutscher Verlag, Cologne and Opladen. 972 pages. DM 59.

### The Testament of Adolf Hitler

Edited by François Genoud. Cassell. 115 pages. 12s. 6d.

HERE are two publications of the most contrasting nature and format. The one, in German, consists of three highly detailed analyses of the process of Hitler's seizure of power; the other of a translation of his relatively brief reflections in the last

BOOKS

months of his life; both are impregnated, objectively or subjectively, with his evil spirit.

The first, a composite work by Professor Bracher and two colleagues, is of compelling interest for all students of the period. Professor Bracher is already established as a leading authority by his book, “Die Auflösung der Weimarer Republik.” The book under review dissects the Nazi technique of cheating Germany into dictatorship, the acrobatics, as he phrases it, of legalising what was in substance a *coup d'état*, however cleverly disguised. Hitler superseded democratic government by, among other things, transforming normal elections into forced “plebiscitary acclamation” of his own tyranny with great efficiency but occasionally at exhausting length. Dr Schulz examines the distortion of the country's administration. He has a splendid paragraph on Goering's failure as contrasted with Hitler's success, the one something of a Nero, the other incomparably otherwise. Dr Sauer is concerned above all with the relationship of the German Army to Hitler's organisation of German power; this is a study that surpasses any of its predecessors.

Hitler's diatribes during February, 1945, were, one supposes, intended to justify him in the eyes of posterity. He admits, remarkably enough, to having made one fatal error: this was to have allowed—in truth to have encouraged—Mussolini to fight as his ally. While still repeating his old refrain about never forgetting Mussolini's behaviour at the time of the *Anschluss*, Hitler traces back all his troubles to Italy's belligerency: since Italy was an imperial power in Africa Hitler was prevented, he here complains, from appealing to the Arabs and Africans against Britain. There was nothing wrong about the German invasion of Russia, we are told, except for the six weeks' delay caused by Mussolini's military failure in the Balkans.

Hitler's testament is filled not only with his pathological hatred of the Jews but also with hatred of the French. It contains many lies of whose truth Hitler had no doubt persuaded himself by 1945, for instance, that “Spain was burning to follow Italy's example” in October, 1940, when in fact he had failed to talk Franco into intervention in an interview that lasted nine hours.

It is perhaps worth noting that Hitler, like Mussolini, became increasingly “red” in his decadence. Hitler's testament is full of abuse of the “bourgeoisie” everywhere; he should, he considered, have appealed to the proletariat in France against the ruling classes. And the appeals he yearned after to Asians and Africans seem to fall into much the same category as a Communist speech at the United Nations nowadays. He was right, at least, when he gloated over the fact that he would leave no colonial problems for the Germans to inherit. A postscript dated April 2, 1945, is along the same lines as his actual will. “Germans, stick together and be bloody-minded about Jews,” is a fair summary of his final,

familiar message. He does foresee a world dominated by the United States and Russia and adds at last “I say with all the emphasis at my command that the Germans must at all costs avoid playing the role of pawn in either camp.”

## The Long Walk

### The Arab Revival

By Francesco Gabrieli.

Thames and Hudson. 178 pages. 18s.

### Arabian Adventure

By Anthony Shepherd.

Collins. 256 pages. 21s.

### Three Kings in Baghdad

By Gerald de Gaury.

Hutchinson. 232 pages. 25s.

THE Egyptian struggle for autonomy was so much in the van of the broader Arab nationalist movement that when George Antonius wrote “The Arab Awakening” he confined himself to the exertions of the Arabs of the Fertile Crescent. He did not see that the two movements might converge. Nor, indeed, did the Egyptians themselves. It was only in 1945 that Nuri Said's challenging project to unite Iraq with Syria drew Egypt into pan-Arabism as leader of the larger, but looser, Arab League. Yet Mohammed Ali, the founder of modern Egypt, did, as Professor Gabrieli recalls, reconstitute by his conquests the union between Egypt and Syria, “a revival of earlier and very ancient unions and a presage of others to come.” That union of 1830 lasted only ten years. Nevertheless, from 1840 onwards the two countries always preserved a strong cultural unity, born of their new western contacts, which formed the real core of the awakening Arab world.

Professor Gabrieli presents the Arab revival as a single movement. His study is all the more graphic for being brief. The several threads of the story, that of Egypt, of Arabia, of the Fertile Crescent and of the Maghreb, are skilfully drawn together. As he follows the Arabs out of their Ottoman darkness through the half-light of western tutelage and so through the dawn, in our own times, of their independence, the moral of his tale is plain: theirs was too long a walk. The professor is saddened by how much was lost on the way. Where, he asks, are the old Arab chivalry and liberal sentiment that inspired the earlier nationalists (Mustafa Kamil, for example, Egypt's first great exponent of nationalism, with his motto: “free in our own country, and generous to our guests”)? In the Maghreb he still finds a trace of them but not in the Arab east. There he sees only xenophobic nationalism, something alien to true Arab culture, but the price of having reached independence only in the mid-twentieth century, when liberal values were declining and totalitarian stimulants were needed on the last lap home.



Captain Shepherd got bewitched in a by-road where the long walk is still not finished: the British protected sheikhdoms of south-east Arabia. Seconded in 1957 to the Trucial Oman Scouts, he commanded a squadron in Buraimi and took part in the British-led expeditions on behalf of the Sultan of Muscat against the Imam of Oman's rebels. They were hard, hot days; but he cherished every minute as he trained and deployed "his Arabs," grew absorbed in the life of local sheikhs and tribesmen and tried to dispose of the Imam's mines and gunrunners. One is struck by how tenacious those Omani rebels were. Any reader, however, who seeks political enlightenment on this toy-sized revolt in the desert will not find it. The captain is concerned, as is only right in a soldier, with the personal adventure of it and not the reason why.

Colonel de Gaury is also a British soldier who found his vocation working among the Arabs. But his book rings down the curtain on the courtly Arab world he knew. He writes of the Hashemites in Iraq as a kind of friend of the family and his personal recollections, enlivened by many good stories, give a warm human note to his theme. King Faisal I emerges as tremendously urbane in spite of his desert background. Spoiled Ghazi had too much charm. Young King Faisal II was conscientious from childhood. Only his uncle, the Crown Prince Abdulillah remains a trifle enigmatic. The colonel describes the troubled times they lived in and concludes with a poignant account of that terrible July morning in 1958 when the king, crown prince and nearly all their family were done to death.

## Royal Reassessment

### King John

By W. L. Warren.

*Eyre and Spottiswoode.* 340 pages. 30s.

JOHN, John, bad King John  
Shamed the throne that he sat on."

Dr Warren's clear and lively account corrects this misconception at least, for whatever the impression left by his book, it is not that of an incompetent ruler. John lost Normandy, and signed Magna Carta; but the one was inevitable, and the set-back to his power in 1215 might well have proved only temporary.

The real truth about John is difficult to reach. In many ways he was the strongest of the Angevin kings, and yet defects in his character caused him to use his strength in such a way that he frightened his opponents into action, and in the end he weakened the position of the crown. The legendary picture of an ineffectual and vicious ruler is largely the result of the deep-rooted hostility of the monastic chroniclers in general, and Roger of Wendover in particular. The administrative records used by Dr Warren give a rather different view. They show a "wind of change" blowing through all

departments, and give the impression of a strong and ruthless king working through a small number of highly trained officials, like William of Wrotham, and Reginald of Cornhill who reorganised the embryonic navy, men who, like the king, were anxious to extend and define royal power. In fact it is impossible not to suspect that, far from neglecting the business of government, John interfered too much, and his efficiency in matters of administration, his use of mercenaries and aliens in the government, started a reaction against him, which was intensified by the Interdict. The Interdict gave the king a heaven-sent opportunity to replenish the royal finances at the expense of the church. Church lands were seized and administered by the king's officials, and revenues were appropriated. In fact the king "revealed a remarkable power to coerce and if necessary break a large proportion of his subjects at will." The barons "could not remain indifferent to the spectacle," and the result was civil war.

Magna Carta "is so great, it will have no fellow." Dr Warren gives a full translation of the charter as an appendix. Because of the final substitution of the words "free man" for "baron" throughout, the charter came to have a wider application for later generations than for contemporaries. Yet, even at the time, it was regarded as a re-assertion of the rule of law, and a safeguard against the increasing power of the crown.

Dr Warren's book stands a good chance of becoming the accepted popular life of John. But it cannot make the king an attractive figure. Suspicious and cruel, time and again John threw away advantages gained by his energy and intelligence. He lacked the one great quality essential in a ruler, that of judgment, and he was foolish enough to unite against him the two divergent elements in his kingdom—the church and the baronage. This was his undoing.

## Continuing Phenomenon

### Nationalism: A Religion

By Carlton J. H. Hayes.

*Macmillan Co., New York.* 198 pages. 35s.

It is nearly fifty years since Dr Hayes began to publish studies of the phenomenon of nationalism, and the intervening period cannot be said to have diminished the interest or significance of his chosen theme. His general reflections upon it should be worth having; and his latest work shows that at the age of seventy-eight he has lost neither his appetite for new knowledge nor his sense of fairness. It is certainly a condemnation of nationalism but a measured one. The book is, however, somewhat disappointing in so far as, while noting the importance of the spread of nationalism outside Europe, it does not substantially recast the concept itself in the light of this new experience.

It is true that the importance Dr Hayes attaches to language as the core of the European sentiment of nationality is, he

realises, less easily discernible as a dominant factor in Africa or Asia, and that he recognises that the political importance of language in, say, tropical Africa or in India will only manifest itself as literacy becomes more widespread and social institutions more complicated. But he does not go back from this reflection to Europe itself and ask whether he has not there over-simplified the linguistic factor: does it really make sense to talk of Switzerland as being composed of three nationalities? He tends to talk indeed as though language and growing literacy themselves explain the history of central and eastern Europe in the nineteenth and early twentieth centuries, unrelated to other aspects of social change.

For an historian Dr Hayes is altogether too easygoing with his terminology. The Commonwealth is not an alliance; neither CENTO (miscalled METO) nor the Colombo Plan forms a federation. He is also a little careless of fact. The establishment of quasi-federalism in the Soviet Union is telescoped; Colonel (not Captain) Lawrence is given a vastly exaggerated place in Middle Eastern diplomacy; and whatever Irish nationalists may have done in the way of parliamentary obstruction, no one who had ever visited the House of Commons could have pictured them throwing inkpots about. But all this is less important than the fact that the statement that nationalism is a "religion" is just as likely to confuse as to assist the political analyst.

Of course, there are analogies in the psychological effects; in the role of myth, symbol and ritual and so on. But like Sir Isaiah Berlin's famous analogy between Soviet society and the British public school, it gets you just so far and no farther. The religious impulse may take a social form, but it springs from an individual predicament; nationalism and the sentiment of nationality are social or they are nothing. It would be more reasonable and more illuminating to write of "nationalism: a social cement." But Dr Hayes has, one suspects, retained from his earlier detailed studies a pronounced tendency to relate everything to the French model; and French nationalism does indeed have most of the features that Dr Hayes ascribes to nationalism as such.

## Paperback Selection

Recent paperbacks include several new batches from established series. The latest entrants into the Fontana Library (*Collins*) contain a real bargain in "The Renaissance" by Walter Pater, with an introduction and notes by Sir Kenneth Clark and several plates. Four additions have been made to the Writers and Critics series (*Oliver and Boyd*), and the second issue of the Science Study series (*Heinemann*) has also appeared. The biggest new batch has come from University Paperbacks (*Methuen*), which tend to be more expensive than the others and, though covering a wide field, have a rather unappetising format.

### Economics :—

A HISTORY OF ECONOMIC THOUGHT. By Eric Roll. *Faber.* 540 pages. 12s. 6d.

THE WEALTH OF NATIONS, Vols. 1 and 2. By Adam Smith. Edited by E. Cannan. *University Paperbacks.* 572 pages. 15s.

### History and Biography :—

SAMUEL PEPYS: *The Man in the Making.* By Arthur Bryant. *Collins Fontana.* 447 pages. 7s. 6d.

SAMUEL PEPYS: *The Years of Peril.* By Arthur Bryant. *Collins Fontana.* 478 pages. 7s. 6d.

THE COMMON PEOPLE, 1746-1946. By G. D. H. Cole and R. Postgate. *University Paperbacks.* 752 pages. 12s. 6d.

SURVEY OF RUSSIAN HISTORY. By B. H. Sumner. *University Paperbacks.* 476 pages. 12s. 6d.

A HISTORY OF IRELAND. By E. Curtis. *University Paperbacks.* 442 pages. 12s. 6d.

AN ECONOMIC HISTORY OF THE BRITISH ISLES. By A. Birnie. *University Paperbacks.* 383 pages. 12s. 6d.

### Literary Criticism :—

CULTURE AND SOCIETY, 1780-1950. By Raymond Williams. *Penguin.* 348 pages. 4s. 6d.

IONESCO. By Richard N. Coe. BRECHT. By Ronald Gray. HEMINGWAY. By Stewart Sanderson. FAULKNER. By Michael Millgate. *Oliver & Boyd.* 120 pages each. 3s. 6d. each.

ANSEL'S CASTLE: *A Study in the Imaginative Literature of 1870-1930.* By Edmund Wilson. *Collins Fontana.* 256 pages. 6s.

THE LAST ROMANTICS. By Graham Hough. *University Paperbacks.* 303 pages. 12s. 6d.

### Philosophy and Political Thought :—

THE PRINCE. By Nic Machiavelli. Translated by George Bull. *Penguin.* 154 pages. 3s. 6d.

ELEMENTS OF METAPHYSICS. By A. E. Taylor. *University Paperbacks.* 445 pages. 12s. 6d.

A MODERN ELEMENTARY LOGIC. By L. S. Stebbing. *University Paperbacks.* 224 pages. 7s. 6d.

AN INTRODUCTION TO ETHICS. By W. Lillie. *University Paperbacks.* 351 pages. 7s. 6d.

WESTERN POLITICAL THOUGHT: *From the Origins to Rousseau.* By J. Bowle. *University Paperbacks.* 491 pages. 12s. 6d.

BETWEEN MAN AND MAN. By Martin Buber. Translated by R. G. Smith. *Collins Fontana.* 256 pages. 6s.

### Science :—

THE BIRTH OF A NEW PHYSICS. By I. B. Cohen. *Heinemann.* 200 pages. 5s.

WAVES AND THE EAR. By W. A. van Bergeljik, J. R. Pierce and E. E. David, Jr. *Heinemann.* 235 pages. 5s.

THE PHYSICS OF TELEVISION. By D. G. Fink and D. M. Lutyens. *Heinemann.* 160 pages. 5s.

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THREE TALES. By G. Flaubert. Translated by R. Baldick. *Penguin.* 124 pages. 3s. 6d.

# LETTERS

## The Eichmann Trial

SIR—The Eichmann trial raises issues that are better faced than evaded. Your correspondent's article last week prompts some comments.

First, the purpose of the trial. It is superficial and specious to pretend that the trial is a piece of historical research rather than a proceeding against an individual. The individual is there in the bullet-proof glass dock. If the Israeli government's object really is historical research it should not use the judiciary for this purpose. The result is to abuse the judiciary and discredit the judicial process. There are proper and improper ways of conducting historical research. (It has incidentally been common knowledge for ages that *Sonderbehandlung* meant death.)

Secondly, the trial itself. All is not well. The death penalty has been introduced *post hoc* and *propter hoc*. The minister of justice has threatened possible defence witnesses with prosecution. The prime minister has declared Eichmann guilty in advance of the verdict. According to my information the prisoner was able to find Israeli counsel but was not allowed to have him in court. Thus he has been deprived of the expert and instant guidance on procedure which, as any lawyer will attest, can be vital.

Thirdly, external reactions. I cannot help feeling that ever since the initiating act of kidnapping (an assertion of national jurisdiction beyond the borders of the state), reporting of the Eichmann case has been muffled by two things. The first is the fear that criticism of Israeli actions will be interpreted as standing up for Eichmann, and the second is the wish of the ordinary decent anti-antisemite to remain pro-Israeli. Both these motives are understandable, but they betray moral cowardice and infirmity of principle.

As between Israel and the Arabs there is substantial support in this country for Israel, which enjoys besides widespread admiration for other reasons, but the Eichmann trial presents Israel in a different light at the very moment when it is being invaded by a large corps of the most inquisitive and critical people in the world—500 newspaper correspondents.—Yours faithfully,  
*Bletchley, Bucks* PETER CALVOCORESSI

## Oil Prices

SIR—In the item headed *Price Leader Again?* in your issue of March 25th, the statement is made: "Others (observers in other companies) simply found Jersey's initiative, once again, intriguing. . . ." Your correspondent did not inquire of us. Had he done so, he could have had a simple and direct answer. Perhaps it is not too late to

clear away any wondering that may exist.

Our company is short of residual fuel oil from east-of-Suez supply points for our east-of-Suez markets. This is primarily due to a large increase in the Far Eastern market demand. The lack of availability of exports from Abadan is a contributing factor, but we are forecasting shortages with Abadan operating normally. Our situation on gasoline is the direct opposite, based on our forecasts of outlet in this area.

We recognise, as you state, that substantial quantities of fuel have moved westward through the Suez Canal, as indicated by the December Suez Canal reports. Since that time the increasing demand and tightening of Persian Gulf supplies should have reduced such movements substantially. Unavoidable commitments west-of-Suez may tend to delay the full effect of this change. In our particular case we have not been making residual fuel shipments from Persian Gulf to west-of-Suez for some months.

I think it should be clear that the price changes referred to reflect relative supply-demand conditions for individual products. By raising residual prices, we hope to encourage the availability of additional quantities of fuel from supply sources tributary to the Far East. Similarly, the reduction of gasoline prices lessens the incentive to maintain the past gasoline-residual yield relationship.

Although the question posed by the heading of your item was no doubt rhetorical, I may say that we do not consider ourselves a "price-leader." By the same token, we do not consider ourselves a "price-follower." Our prices are adjusted, and will continue to be, to meet changing conditions of the market as we see them. If our judgments are wrong or ill-timed, other companies can benefit at our expense.—Yours faithfully,  
R. H. MILBRATH

*New York* Esso Export Corporation

Esso increased its fuel oil price by 25 cents a barrel: Caltex, later, did the same. Last week Shell and BP increased fuel oil prices ex Abadan by 10 cents a barrel, and this week Mobil made an increase of the same amount ex Ras Tanura.

## Borneo and Others

SIR—After two voluble articles on Borneo in your usually so well-informed paper I feel I must try to correct the rather theoretical view-from-above they express.

Brunei: The Pengirans look to Malaya for federation, and they have no interest in any pan-Bornean federation. The people (the Malays) are not interested in anything. But —Azahari's new party looks to Indonesia. Indonesian influence on lower level is markedly strong.

Sarawak: Among the Chinese there is a very strong influence, both economically and politically, from Singapore. Every

trader looks to Singapore and not one towards North Borneo or Brunei. Communist influence is strong, especially in the Sibu area.

**North Borneo:** Has no common economic interest with either Sarawak or Brunei (except, just as Sarawak, it would like to have a share from the oil royalties of Brunei to finance development projects). The weaker (economically) west coast looks for imports towards Singapore, but the far more sturdy east coast is much more Hong Kong and Japan-orientated for trade. Fortunately, communist influence is as yet infinitesimal. The Chinese are afraid of contamination (communist) from the Sarawak Chinese in case of federation.

To sum up, the lack of common economic interest in the territory between the three "countries" makes nonsense of any plan for federation or union. Not one (except Brunei) would look to the Federation for any sort of amalgamation—and to propose the Philippines is even more ridiculous, as your reporter does. The only and very grave danger is "big brother" on the same island, who with his large modern army could swamp British Borneo whenever he would so desire. Also, Indonesia has claimed British Borneo.—Yours faithfully,  
Sandakan, Brunei L. F. DE GIDRE

### Marshall Spirit

SIR—Your article on the new US Administration's ideas concerning economic development of backward countries (*Needed—More Marshall Spirit*, March 25th) perpetuates a false and dangerous analogy. It is a common belief that, because Marshall and subsequent aid hastened the postwar reconstruction of Europe, massive shipments of free goods can similarly develop productivity and higher *per capita* output in south-east Asia, central Africa, and parts of Latin America. But, apart from the cost, there is hardly a parallel.

A necessary condition of economic progress in the really underdeveloped areas is cultural change. The quality of the work force must be improved by education and training. Institutions and attitudes must be altered. Barriers of caste and tribe and language must be lowered. Civil service traditions, appreciation of law and order, eradication of superstition, these are all part of the social capital that must also be accumulated. Innovations depend on people more than on grants-in-aid.

The Marshall Plan and its successors had a comparatively easy task. Europe's physical capital was partly destroyed and mostly depreciated. But Europeans were still there, with their knowledge, skills, and traditions, and understanding of a capital creating and using economy. Too few "Westerners" (including north Americans), most of whom have no personal knowledge of the backward sub-continents, realise that the Marshall Plan approach is rather inappropriate to a majority of poor countries.—Yours faithfully,  
Cape Town STEPHEN ENKE

### LETTERS

#### Milk

SIR—Milk quotas need not inhibit milk production for manufacture, as suggested in your last issue because it is possible to devise a two pool system with quotas for the liquid market pool only; the criteria for fixing quotas and the rules for operating the pools can be such as meet almost all the criticisms appearing on this matter in the farming press and elsewhere.

Indeed, it is the present price and pool system which has so distorted the market that the possibility of planned production for manufacture only has been frustrated. With accelerated freeze drying on the horizon, it is important to provide the industry as a whole with the opportunity and freedom to determine the size, pattern and general nature of the manufacturing market.—Yours faithfully,  
London, SW1 ANCRUM EVANS

### Forever Un-American

SIR—It may be questioned whether "most of the public" approves of the House Un-American Activities Committee, as your article of March 11th concludes. Most of the American public goes about its daily affairs with little concern for this or other minor congressional committees, even those which seek publicity at all costs. The committee is, in fact, probably completely unknown to most Americans. At least, we would believe this to be so until polls show differently. We remember that at the height of Senator McCarthy's investigation, a large proportion of Americans had never heard of him, and some of those who had, thought him to be a communist or something other than he was.

We dislike the thought that *The Economist* may be quoted in support of this obnoxious and ineffectual committee, without further evidence than the House vote. Surely, so soon after November this vote could not reflect a fear of the electorate. In our view, it means that existence or abolition of the HUAC is too trivial an issue to serve for challenging traditional support for all established committees.

*Printers' Ink*, a widely-read magazine in the field of advertising, has recently published a series of articles urging adoption of a Senate resolution for a "Code of Fair Procedure for Congressional Committees." This avenue, rather than a partisan battle over the HUAC, would seem to be a preferable approach to ending its abuses.—Yours faithfully,  
G. H. MATTERSDOREFF  
PETER WARREN

New York City

### Democracy in Africa

SIR—As one of those who had the privilege of taking part in the work of training the Sudanese to run their own affairs, I can sympathise sincerely with your correspondent Sayed Kamel el Mahdi in his desire for the early restoration of democratic government in the Sudan.

THE ECONOMIST APRIL 15, 1961

But Sayed el Mahdi must face the facts, and your readers will be interested in the following extract from a letter I received three months ago from an old Sudanese friend and colleague who has now retired after a long career in the public service, a liberal minded elder statesman with a wide knowledge of the country and its peoples, which brings up the other side of the picture. He writes: "Things are getting on well in the Sudan. . . . The Government of the Armed Forces seems just what the country needed for the present. I do not disclose a secret when I say that the people seem to like it, and prefer it to past party governments, when the progress of the country was at a standstill. I myself hold the same view."

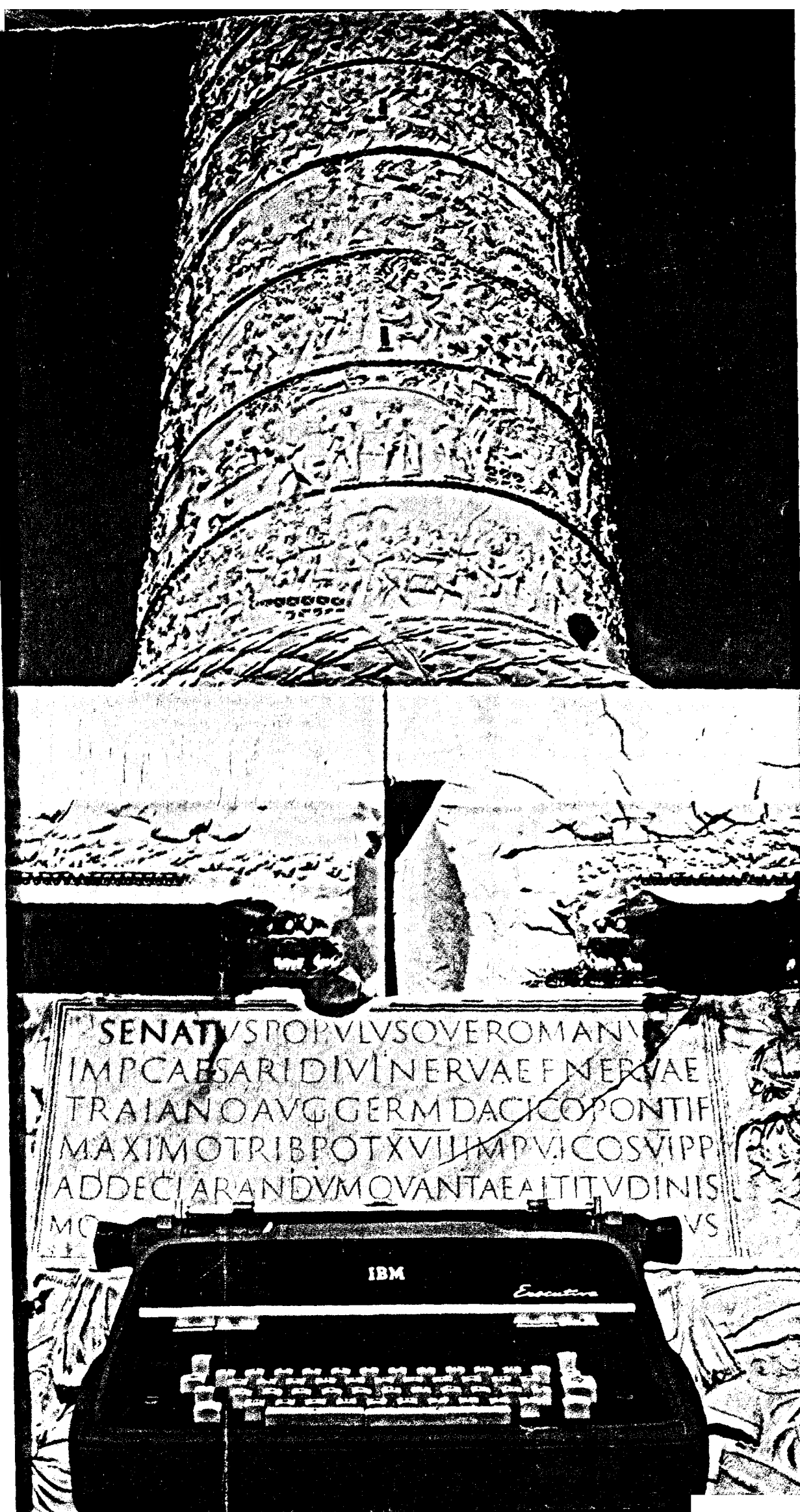
"The democracy which was carefully and well worked out failed completely and the men at the top were not, on the whole, of the right type. It was a pity."

Yes, it was a pity, and not least for all of us who worked with such high hopes to establish an independent democratic government in the Sudan. But if we study the sequence of events in retrospect, not only in the Sudan but also those other countries in Africa and Asia where parliamentary democracy has been replaced by dictatorship, are we not driven to the conclusion that neither the Sudan nor these other countries were ready for this most difficult form of polity?

This is not a criticism of the Sudanese, but a simple statement of fact, which is borne out by a report I received recently from a friend who had just returned from a visit to Pakistan. There he was told by the Pakistanis that their country was not yet ready for parliamentary democracy, and that the government they now had was that most suited to their needs at the present stage of their development.

Must we not then ask ourselves what lesson is to be learnt from these facts with special reference to East and Central Africa and the other colonial territories which are now graduating to independence? May it not be that if ordered progress is to be maintained and the freedom of the individual, the franchise in the early stages should be restricted to a comparatively small number of electors who hold posts of responsibility or have attained a suitable level of education? Democracy, in fact, should be allowed to grow as it did in England from what might in the earlier stages be described as a form of extended aristocracy with a limited franchise, which would gradually develop with the spread of education into a fully-fledged democracy based on universal suffrage.

To what extent a solution on these lines would be practicable it is difficult to say, but there is clearly a challenge to our political ingenuity and to the common sense of all those who are prepared to set their country's interest above their personal ambition, to see whether we can devise a method of transferring political power without sliding inevitably into the toils of dictatorship.—Yours faithfully,  
Kirkaldy, Fife H. A. NICHOLSON



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## Some advice on letter writing from the Emperor Trajan

The Emperor Trajan (A.D. 53-117) was, as any early Roman schoolboy knew, a man of taste. It showed in everything he did, winning the respect of a people not unfamiliar with perfection. For those of us who have followed, his greatest legacy perhaps lies in a few lines of lettering neatly chiselled in a simple stone tablet.

Trajan was well aware that the only reason for writing anything was to have it read. His deceptively simple idea was to design each letter in all due proportion, providing as much space as it needed to look beautiful and inviting as well as legible. He succeeded so well that the Trajan inscription is given ample credit for the triumph of the Latin alphabet as the medium of written communication for so much of the world.

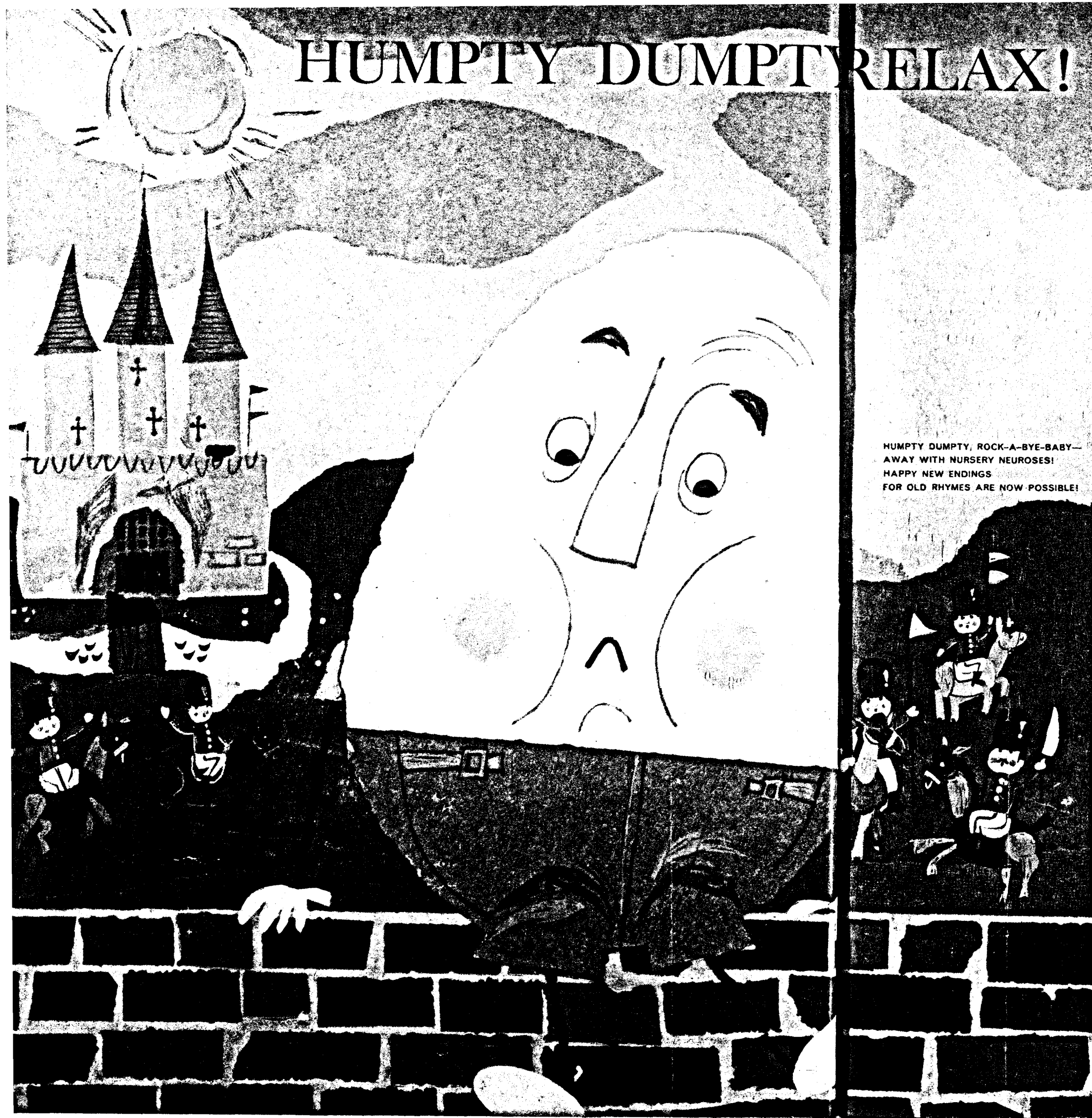
For our artists at IBM, Trajan's counsel serves as the model—just as it has for serious designers of typography for most of 2,000 years. The IBM "Executive" Electric was, in fact, the first typewriter to feature proportional lettering.

We like to think the IBM "Executive" lives up to Trajan's classic precepts. If the many honours which have come to it are an indication, it does. Even more important for us, it has been the preferred choice of many of the world's leading letter writers. They would probably agree with Trajan's gentle reminder that what is written is not necessarily read.

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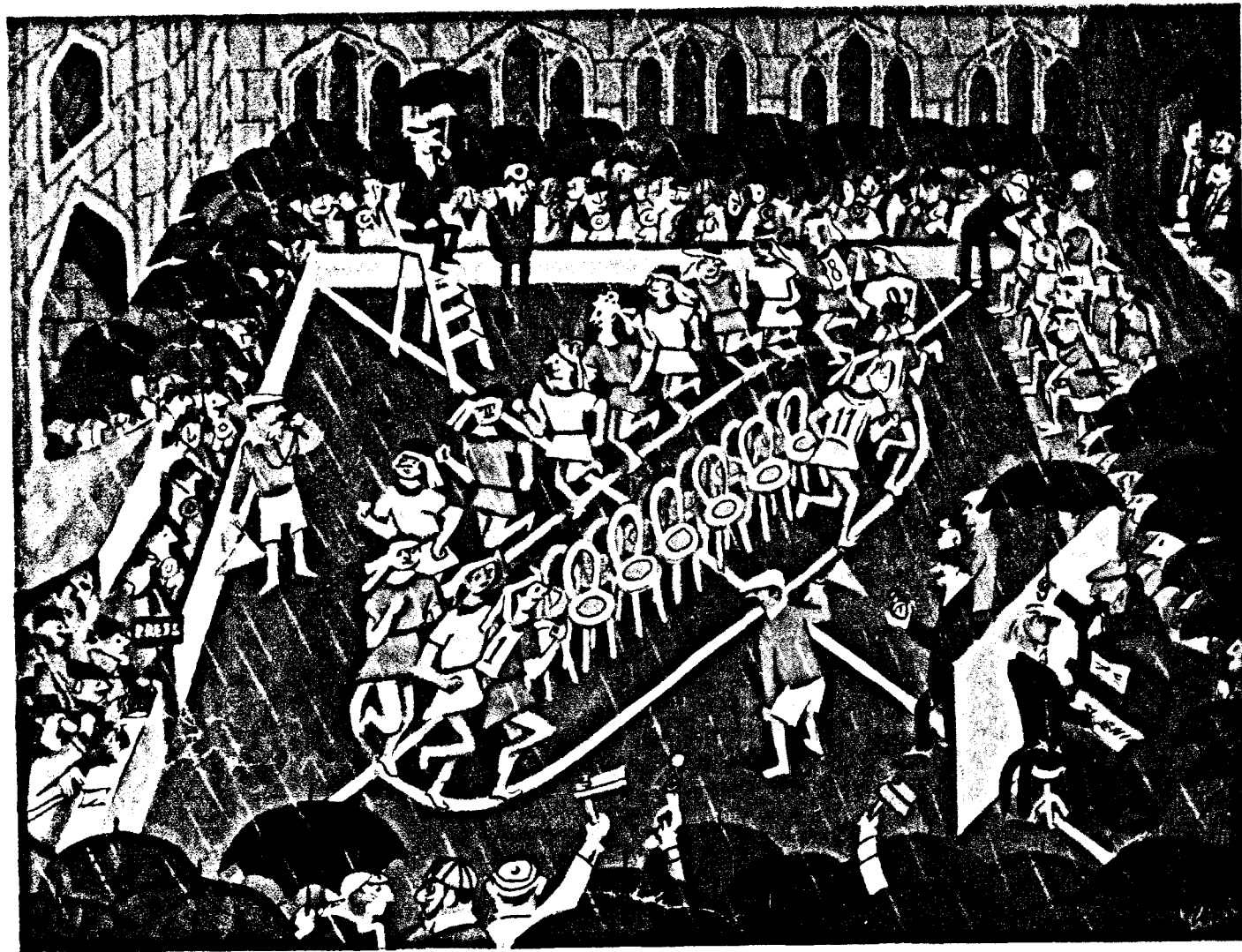
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## The Unibersity of Schweppshire



**MUSICAL CHAIRS WEEK.** Every year, at the height of the Schweppshire summer, the colleges meet each other in their traditional university sport. This year is the three hundred and fiftieth anniversary of these games, and the rivalry is keen, even though Old Keys have maintained their position as head of the chair run for one hundred and twenty-eight consecutive years. Traditionally, the seats or "fits" still bear the shape of the Louis Schwept chairs originally used; and the piano must be played with the soft pedal down to approximate to the tone of the original virginals.

During actual play the college men shout encouraging cries which seem Greek to the uninitiated. "Boast your rims, Huggers," or that never-to-be-forgotten chant "Bo-untz, bounce-bounce-bounce". Religiously, every year old Pinks return to the scene of former glories to discuss the contrasting merits of "parlours," as the chair-meadows are called. Everybody who is anybody knows that the diagonal of All Keys is slightly on the skew, and that the holding qualities of the turf or quad-grass of St. Beavermere's is unreliable. Schwisden's Musical Chairs Almanack is full of strange records and extraordinary coincidences, and woe to the visiting relative who does not know the different accomplishments of Mold (G. W.) and Mold (A. G. K. O.). Particularly valued are the trophies of Mold (T. T. de P.).

*Written by Stephen Potter; designed by George Him*

SCHWEPPERESCENT LASTS THE WHOLE DRINK THROUGH

# THE WORLD OVERSEAS

## Eichmann and the German Conscience

FROM OUR BONN CORRESPONDENT

**H**APPILY for the tranquillising of touchy patriots it was an American who called his book *The Ugly American* and, similarly, a German who gave the title "The Ugly Germans" to recent reflections in a much respected weekly. Most German travellers today, this commentator wrote, were disturbed by "a perceptible cooling of the atmosphere in their encounters abroad." They felt a chill in the air of not only neutral but also allied countries, such as France and Italy. The temperature dropped at their approach even in the United States, where on the whole the climate had been friendlier to Germans since the war than anywhere else. Nothing personal, of course. It was due to misgivings about the Germans in general, about their challenging material recovery, about late signs of an unimaginative selfishness in their domestic and foreign policies. "One can anticipate only with a shudder," the commentator sighed, "all the resentment that the Eichmann trial will stir up."

The trial has begun. Less than twelve hours before the court assembled in Jerusalem, Dr Adenauer had appeared on television to speak in the name of the German people. Even on this occasion for humility the Chancellor spoke a shade smugly. Nazism and National Socialist sentiment existed no longer, he claimed, either in the German body politic or in the moral life of the German people. "We have become a state founded on the law." Dr Adenauer was on firmer ground when he recalled that Mr Ben-Gurion had recently said that the youth of Germany could not be held responsible for the wrongs done by many of their elders, and that it was in Israel's interest to cultivate friendly relations with Germany. And the Chancellor naturally referred in his brief statement to the financial and economic help which the Federal Republic had been giving Israel since 1952 by way of reparation. (The east German Democratic Republic has contributed nothing, professedly for the reason that Israel is a capitalist state.) All the leading dailies have sent special correspondents to Jerusalem. And by now television viewers are seeing excerpts from the trial in their homes—after the children have gone to bed.

It will be hardly possible to penetrate the innermost thoughts of the majority of Germans as this chapter of their history is restudied in Jerusalem. Probably most of the younger generation will stifle the inevitable awkward question concerning their parents' connivance through conformity. And what many of the older folk may admit in the confessional of their own hearts will not tally with the mitigating circumstances they commonly plead in public. Perhaps Dr Gerstenmaier, the president of the Bundestag, has spoken most representatively for the "decent" middle-aged German who is ashamed of his lack of civil courage twenty years ago. In a television interview Dr Gerstenmaier said:

I expect that the Eichmann trial will heavily burden Germany's reputation abroad, and that in Germany it will kindle in everybody's mind the burning question: how could that happen? I believe that no one is really able to answer the question who has not himself experienced the terrible power and seduction of a

totalitarian police state. But the crimes associated with Eichmann's name will torture and burden us for the remainder of our lives. Dr Gerstenmaier was one of the Twentieth of July conspirators against Hitler. So was Major-General Stieff, whose letter of November 19, 1941, from the eastern front, has been published by the *Frankfurter Allgemeine Zeitung* in a symposium of documents chronicling the systematic destruction of Jewry. After referring to transports arriving at Minsk loaded with Jews marked to die, General Stieff wrote to his wife:

It is unworthy of a so-called cultured nation. Time will take its revenge on us—and rightly so. It is shameful that so decent a nation is being plunged into misfortune on account of a few scoundrels.

General Stieff was hanged for his part in the 1944 conspiracy. It is understandable that his words, and his end, are being recalled now.

How could it happen? The Germans are telling themselves in public that by throwing light on this question the findings of the Eichmann trial should help at least to prevent "it" ever happening again. Doubtless most of them are already convinced that it never will. But a minority, sharing the disquiet that German travellers have lately noted among foreigners, point from time to time to surviving national traits and practices that could nourish the seeds of some future monstrous stampede.

In a recent broadcast, for example, Dr Theodor Eschenburg, professor of political science at Tübingen university, severely criticised what he called the lack of "political style" in the Federal Republic. He singled out the Chancellor for particular censure. It was simplification to the point of "demagoguery," Professor Eschenburg protested, when Dr Adenauer snorted the one word "wrong" in comment on the Constitutional Court's, to him, unwelcome decisions on a complicated series of questions concerning the responsibility for operating public television services. Dr Eschenburg cited several other recent failures, both of the Right and the Left, to keep due watch on the would-be constitutional law-breaker and communal bully. He spoke before *Der Spiegel*—a weekly news magazine much feared by public personages—had come out with a fourteen-page onslaught on Herr Strauss, the impetuous and ambitious defence minister, whom it accused of getting into position to set up a new kind of dictatorship after Dr Adenauer's departure. *Der Spiegel's* righteous championing of democracy might itself have been more reassuring had it not been performed in the style one associates with the late Julius Streicher's *Stürmer*, complete with the most unpleasant photographs of Herr Strauss the editor could lay hands on.

The political blemishes of Federal Germany are being avidly exploited by the propagandists of the east German Democratic Republic. What does not seem to have occurred to the east German ruling group is that they, too, are adding some striking touches to the postwar portrait of "the ugly Germans." For it was in an air of regimentation and artificially bred hatred—characteristic of the Democratic Republic today—that Eichmann flourished.



## The Macmillan Manner in Ottawa



"My dear fellow, that isn't done!"

FROM OUR OTTAWA CORRESPONDENT

MR MACMILLAN'S visit to Ottawa this week was conducted on a precisely opposite principle to that which guided the translation of the new English bible: the style was of vastly greater importance than the substance. Mr Macmillan's style was faultless. He portrayed himself with a technique that the best character actors in the game might envy. In this respect the former governor-general, Mr Vincent Massey, would have been a more appropriate host than General Georges Vanier, who is incapable of acting anything and invariably presents a picture of the devoted Christian servant that he is. General Vanier doubtless appreciated Mr Macmillan's performance. But his reaction would be more like the enthusiasm of the Canadian minister who listened to Mr Macmillan for nearly half an hour at a special cabinet meeting and later said:

He's marvellous. He looks just like a prime minister ought to look. He talked at length and without notes about the most complicated subjects. And he's so modest. We were all listening spell-bound with our mouths open when he suddenly stopped, looked around and said "I hope I'm not boring you."

Mr Macmillan's performance was sustained through a televised "informal" speech to the Canadian Club, two television interviews, a press conference, and even an unexpected walk twice around the parliament buildings, with Sir Norman Brook and Sir Saville Garner, the United Kingdom High Commissioner. His Scotland Yard detective easily persuaded the pursuing newspapermen to follow discreetly with the police escort rather than "disturb" the prime minister, who appeared incapable of being disturbed by anything or anyone.

Mr Macmillan's major appearance before the Canadian public in a televised speech was relaxed, reminiscent and indeed whimsical. He recalled Britain's past glories and said that three elements in the British character, which still persist, accounted for these past triumphs. They were a sense of destiny, which meant believing that providence was on the British side—or if not, it would be too bad for providence; a steady eye for the main point combined with a mastery of detail exemplified in Wellington ("There was no Parkinson in Wellington's camp"); and "a certain lack of imagination," which meant refusing to acknowledge the possibility of defeat even when it was staring you in the face.

MR KENNEDY'S aides in the White House explain the President's determination to visit Ottawa before any other country as his recognition that the good will of the Canadian public is important for every American president. "Even though Canadians don't vote for him," one of them said, "it is a political drag for the president to be unpopular in Canada." If the same thing is in any way true of British prime ministers, Mr Macmillan did a good repair job on his political fences this week. It is less sure that he achieved any closer unity in Canadian and British policies.

Most of his talk to the Canadian cabinet seems to have followed the lines of last week's Boston speech to the Massachusetts Institute of Technology. Though the ministers were fascinated, they show no sign of being converted to a new view of European trading relations. His presentation of Britain's case on the common market and the free trade association was more novel in manner than in

matter, and was not calculated to prompt much change in Canadian attitudes.

Mr Macmillan's advocacy of the British case for emigration from the West Indies had evidently been inflated out of all proportion in the British press, but he did make his gentlemanly pitch on the subject. Mr Diefenbaker himself told a random group of reporters that Mr Macmillan spoke at their final meeting about West Indian problems. He reviewed the prospects for federation, the coming referendum in Jamaica, and the pressure of increasing population exceeding the islands' "economic productivity." According to Mr Diefenbaker, Mr Macmillan discussed the possibility of expanding industrial production in the new federation so that fewer West Indians were driven to emigrate. Inevitably the Canadian prime minister was asked: "Did Mr Macmillan urge Canada to admit more West Indian immigrants?" Mr Diefenbaker replied: "You would never find one Commonwealth prime minister making that sort of suggestion to another." It was a reply that came as near as Mr Diefenbaker's style permits to the wrinkling brow with which Mr Macmillan might say: "My dear fellow, that isn't done!"

The Macmillan mannerisms are of the kind that many Canadians feel an almost compulsive need to laugh at. They are rather funny, as Mr Macmillan probably best knows. But the Canadian laughter is mainly defensive. Whatever President Kennedy may have made of this incarnation of an elder generation, most Canadians are in reality pretty impressed.

## De Gaulle's Alternatives

FROM OUR SPECIAL CORRESPONDENT IN TUNIS

IT is strange for a regular attendee at General de Gaulle's press conferences in Paris to watch the same performance from a distance. Tunis is a singular observation point; here everything is viewed through the prism of the Algerian war. The gaullist jibes against the "Disunited" Nations, the references to the need to reform Nato, the somewhat acid treatment of the United States—all are interpreted exclusively in an Algerian context.

Observers here expected from the general some gestures that would be likely to re-launch the interrupted negotiations. Instead, they heard a lecture explaining why colonialism was no longer a paying proposition. General de Gaulle's claim that he has always believed in decolonisation—with Syria and Lebanon in 1941 thrown in as examples—is taken in Tunis with a grain of salt. Yet it is felt significant that the French president should now find it necessary to insist that he is moving with the wind of change.

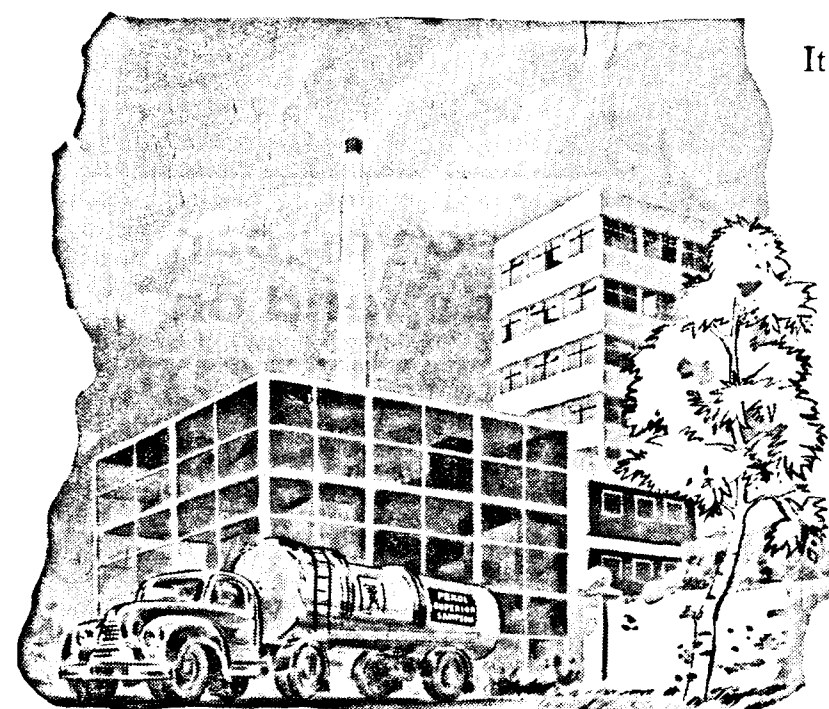
But the greatest interest is aroused by the alternatives with which General de Gaulle confronts the Algerians. If Algeria should break with Paris, France will not only stop aid, repatriate those Frenchmen who want to come home, and send back the Algerians living in France. It will also regroup in Algeria "in areas more or less known in advance" those who vote in favour of France. The threat of partition was never brandished more visibly. On the other hand, if the Algerians choose to collaborate, France will continue its aid. It will even grant sovereignty to an Algerian state if this state provides guarantees for Europeans, economic preferences for France, and also the military bases and facilities "necessary for its defence."

For the first time General de Gaulle has admitted publicly that such a statute of association should be negotiated in advance and only then submitted to a popular vote. But he said that this agreement should be reached between the French government and "different Algerian political elements, notably the FLN." Thus on the practical issue of the status of the rebel government, which prevented the Evian meeting, General de Gaulle made

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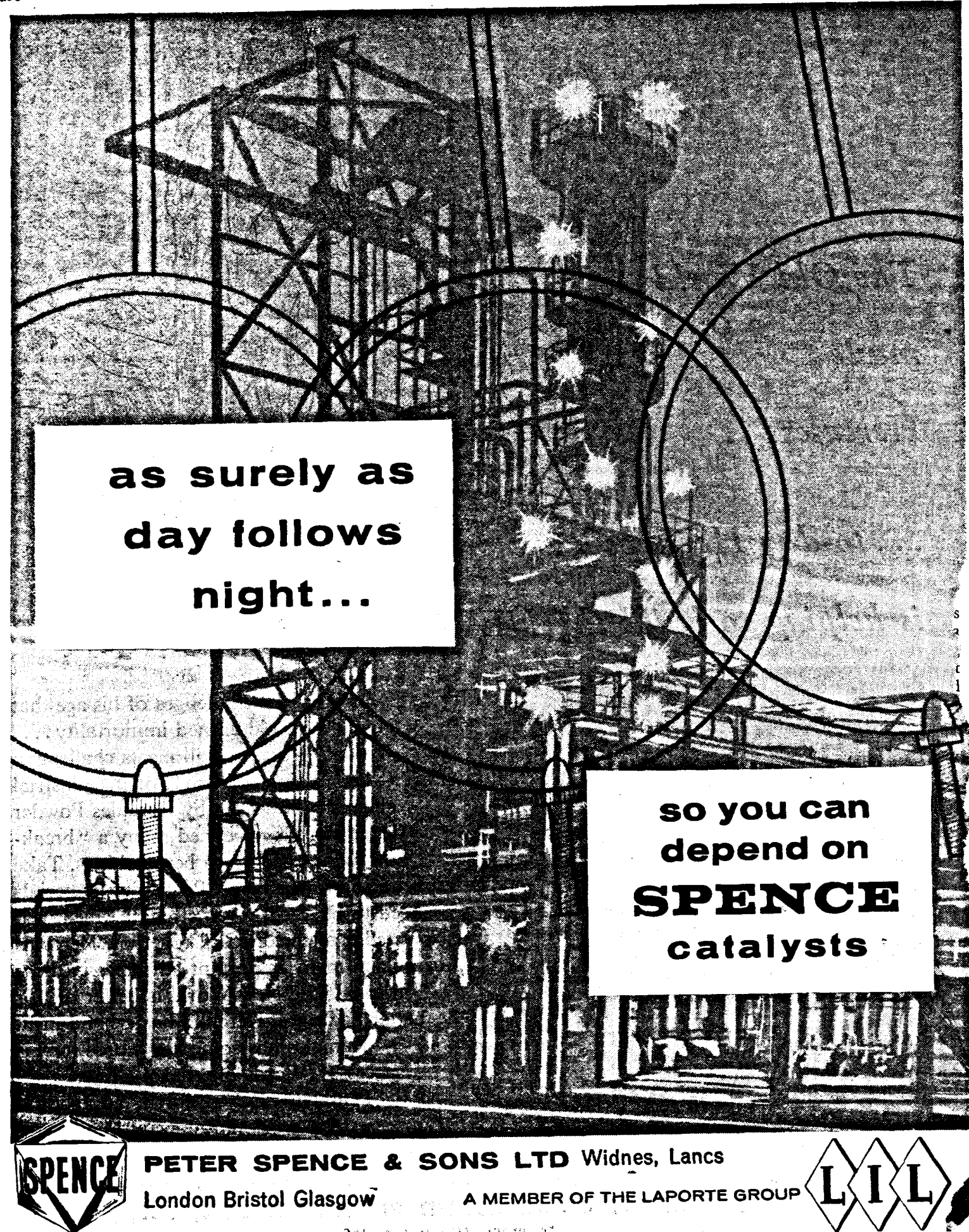
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virtually no concessions. Like M. Joxe, he put the insurgent government on a footing with the other Algerian groups.

Optimists here hope that the concessions that were absent from the general's speech may be made elsewhere in secret talks. That would enable the Evian meeting to take place; and the general's presentation of his alternatives would be merely a tough French starting position. The optimists here are mainly Tunisians, for the obvious reason that the general's offer is one that, according to Mr Bourguiba's tactics, should be accepted. But the Algerian ministers remain silent. They did not obtain publicly the concessions they had demanded. To start the Evian negotiations on the general's present terms would involve a real departure from the neutralist position they have so far taken up in international politics. But a complete break would have serious international consequences. No wonder the Algerian leaders are for the moment weighing their words.

## Mr Menzies Fills Two Houses

FROM OUR CORRESPONDENT IN CANBERRA

### A Parliamentary Victory

ON Tuesday the Australian House of Representatives was packed and television viewers everywhere turned on their disused wireless to hear what the prime minister had to say on the subject of South Africa and how he would answer the Opposition's motion of censure. For once the prime minister seemed to be in a tight spot. He had stuck so resolutely to his unpopular line that South Africa's racial policies were its own affair that even after the Commonwealth conference dispersed he was still battling it out in London in press conferences and speeches. Even then all he would say against apartheid was that it would not work and therefore would end in disaster. Yet this week, in the political committee of the United Nations General Assembly, Australia, like the United Kingdom, voted for a resolution which deplored South Africa's racial policies and required member states to try to bring about their abandonment.

In the light of Mr Menzies's speeches this seemed a complete *volte face*. It gave more ammunition to the press which, in the absence of an effective parliamentary opposition, seems to consider that it should play that part up to the point where its campaigns threaten to put a Labour government in power. Even the Opposition was expected to score some electoral points from Tuesday's debate. It could argue that Mr Menzies, by his stonewalling and by shrugging off Sharpeville with a formula about domestic jurisdiction, had failed to represent Australian indignation about apartheid; and that in giving a warning that the next object of the Commonwealth prime ministers' censure might be Australia's immigration policies, he had not only talked as if this policy were comparable with apartheid but had perhaps put the idea into Asian and African heads. The Opposition could also argue that he had got out of line with Mr Macmillan, who had promptly drawn what advantage was to be drawn from South Africa's departure; and, conversely, that he had followed Mr Macmillan too slavishly in instructing the Australian representative at the UN to join in deploring South African policy.

In London Mr Menzies had certainly gone on firing after the battle was lost, for he had come out of the conference a disappointed and angry man. He, the Commonwealth statesman *par excellence*, had seen his cherished conception of the Commonwealth as a family of nations, finding unity in diversity, disappear beneath a shower of recrimination. He may perhaps have felt that his friend Mr Macmillan had been less than zealous in protecting the common ideal and that a firmer lead from him might have kept South Africa in the Commonwealth. He may have felt,

too, that he should have been more closely consulted at every stage. If he did have such thoughts, no sign of them appeared in his speech on Tuesday. He distinguished between the United Nations putting its finger into every pie and the Commonwealth's violation of a basic principle of its organisation, and pointed out that Australia's attitude to apartheid would have been misunderstood if it had been alone (except, as it turned out, for Portugal) in opposing the resolution. He then went on to explain with a new lack of inhibition his attitude to apartheid, distinguishing between the theory, which he holds to be not reprehensible in itself, and the practices that had lately been associated with it. He avowed for the first time his horror of Sharpeville—an avowal the more striking because he had refused to climb on the moralists' bandwagon before. He left the Leader of the Opposition, Mr Calwell, without enough to say to fill his allotted time but, in any case, Mr Calwell could have saved his breath, for Mr Menzies's victory was already assured.

### A Good Appointment

To have persuaded Lord De L'Isle to be Australia's new governor-general must be another source of great satisfaction to Mr Menzies. It is not easy to find suitable governor-generals, as became evident when Field Marshal Slim retired, since several incompatible considerations are involved. First, public opinion demands a distinguished man. But distinguished men who are still pursuing their careers are unlikely to want to leave them for the stately minuet of Government House at Yarralumla—where for some reason the routine is more regal than at Buckingham Palace. Second, distinguished men who have retired, as the tragic and untimely death of Lord Dunrossil showed, are apt to collapse under the strain. The flights around Australia, the speeches that must sound impressive without actually saying anything, the compulsory intake of cocktails and formal dinners, and, above all, the grinding effort of light conversation with local personages, tend to be too much for all but the young and vigorous. Third, servicemen are the obvious candidates, since they retire early, know the ceremonial ropes and can inspect guards of honour with apparent enjoyment; but there are a number of them already in the Government Houses of the Australian states. Two Australians out of three, according to a recent poll, say that they would prefer an Australian as governor-general. It is hard, however, to think of an Australian who combines the inclination, the lack of political affiliation, the formal dignity of a figurehead and, last but not least, the personality suddenly to receive the prime minister's bow instead of touching his own forelock.

Lord De L'Isle is only 51—that is good. He is a big businessman—that is good here, too. As an ex-minister he understands politics and how to keep out of them—that is very good. He has a VC—that is excellent. Finally, he is a lord belonging to an ancient family—that in an egalitarian country is superb.

## Nepal under Royal Rule

FROM A CORRESPONDENT LATELY IN KATMANDU

THE Gurkha army of Nepal, unlike its far-travelled cousins under British colours, is mostly kept in the Katmandu valley and used for such things as the magnificent parade for Queen Elizabeth. Even the Chinese danger along the border has caused more talk than actual deployment there. But now, within five miles of each of Nepal's 32 district headquarters, a hundred men are barracked.

King Mahendra's youthful ministers, and possibly he himself, foresee trouble. In hope of staving off disorders, they have promulgated drastic orders. One turns landlords and heads of families



into informers: failure to stop or report those who "seek to oppose or organise opposition against the government" can now mean loss of land or government jobs and pensions (including British military pensions, which the government says it could intercept). Another permits confiscation of property for engaging in notified activities or possessing notified goods, such as firearms. Touring purge teams seek "abominable anti-social elements like hypocrites, thieves, liars and exploiters." Unexplained dismissals disrupt the central administration. Journalists are supposed to clear political stories. In a country of Chinese efficiency, these measures would make a terrifying police state; in Nepal the effects are softened by administrative shortcomings.

The new measures are intended to prevent civil disobedience being organised from Patna in India. Exiled members of the Nepali Congress party in Patna say that in due time they will call for nation-wide peaceful strikes—the *satyagraha* of Gandhi which these exiles learned in the Indian independence movement before turning their attention homeward. If strikes should lead to violence, they



Premier jailed—like Lumumba?



King—with dossiers

say, they will not have advocated it; but neither will they retreat from it. They accuse the king of holding down by armed force a country that still supports the imprisoned prime minister, Mr B. P. Koirala.

The popular explanation in Katmandu of why the king jailed Mr Koirala last December 15th and abolished democratic government is based on personalities. The king's charges of corruption, unsound economics, party aggrandisement and the breakdown of law and order had some truth, but they are regarded as a cloak for a personal clash between the garrulous, glamorous, aggressive prime minister and the shy but self-confident king, who was unwilling to be pushed farther into the shadows. A less headstrong personality than Mr Koirala, indeed, would probably still be in office. But behind the personalities lay a conflict of concepts about the nature of Nepal's government.

When the king granted a constitution and elections in 1959, he kept a large measure of control in the palace. Mr Koirala accepted this at first. But the more his promises of economic development fell behind, the less he heeded the king's authority or even his feelings. With some justice, Mr Koirala privately blamed the palace for holding up land reform legislation and creating other obstructions in the judiciary and the public service commission, organs which his Congress party could not capture. When, finally, he began to blame the palace publicly, the king felt personally threatened. King Mahendra's private fear that Mr Koirala wanted to abolish the monarchy became the dominant political fact. And even if it had no intention before of ending the monarchy, the Congress party has now been pushed by the king himself in a republican direction.

The name of Lumumba is often cited in Katmandu to illustrate

the continued appeal of an imprisoned prime minister, without anyone openly recalling Nepal's old tradition of murdering imprisoned challengers. The king frankly admits he does not know what to do with his prisoner. The important thing is to destroy his appeal to the small educated middle class, and to satisfy the incipient desire for land reform which the Congress party and increasing contact with the modern world have aroused.

The king and his new ministers recognise the need for reform and economic progress, but feel that they cannot act with the kind of speed that is politically desirable. This was Mr Koirala's experience also. To his credit he made a start in the right direction. He laid the foundations of a tax system, although he toured abroad when he should have been explaining taxes to the people. He began land reform, although his opponents distorted it into a weapon against him while his party was failing to maintain contact with the peasants. He started schools and other village projects and speeded up some big development schemes, although his local party workers got their hands in the kitty.

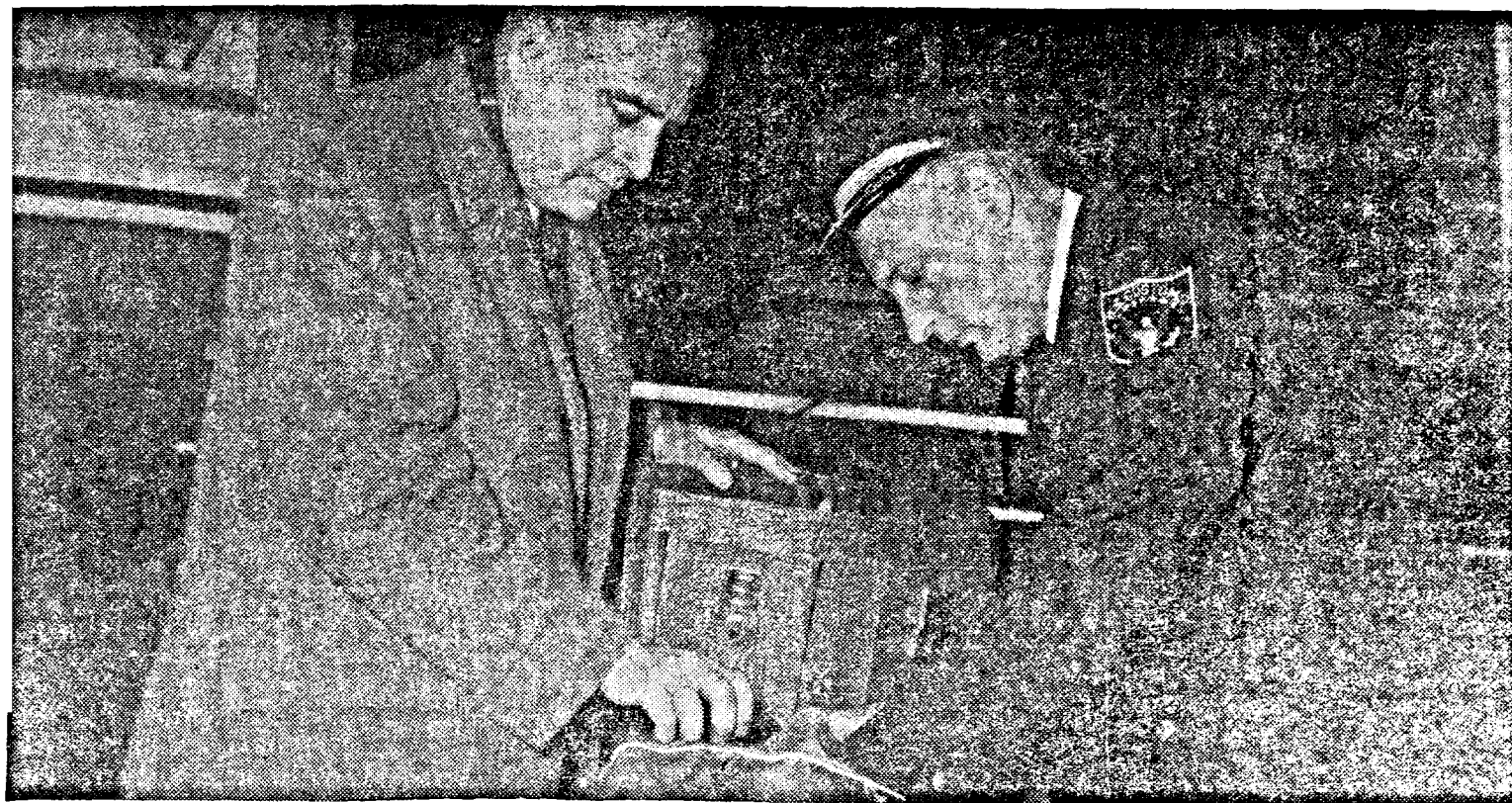
Despite denunciations of his "unscientific" methods, the new government is following in his footsteps on some aspects of taxation and land reform—and, this week, in decreeing the end of the feudal system of semi-independent rule by local rajahs. It also faces, as he did, the problem of an inadequate administration, one of the disadvantages of never having been taken over by the British and thus inheriting an official "steel frame." But the king has intensified the lack of experienced administrators, producing from his secret dossiers reasons for dismissing several key men and dozens of lesser ones without explanation. Some of the new ministerial secretaries are out of their depth; one admits to being bewildered. Meanwhile, the government has bogged down in vague talk of future projects. These include village council elections to build up a system of local self-rule (resembling the Pakistan model) which might, in five years, lead to a return of democracy.

The need is immediate. Stagnation will increase the pressure on the king and make Mr Koirala's record look better in comparison. Only economic advance and reforms can solidify support for palace rule. But the minister of finance, planning and land reform is away at the United Nations. The young minister who gives the greatest impression of activity is in charge of "national guidance"; he is simply trying to win wider support for the king.

IN Nepal, as in so many other countries, the government could fall because of unrest in just one or two towns. But the rural situation is potentially more dangerous. The government recognises that the only way to eliminate the continual threat of bankruptcy in its current accounts (development is financed by foreign aid) is to widen the base of agricultural and land taxes. This could best be done while reforming a medieval land holding system; but the administrative, judicial and credit mechanism needed for land reform is largely lacking, so satisfaction of the demand may be too slow to avoid giving the Congress party a chance to exploit unrest. Recent trouble in the next valley northwest from Katmandu, however, was a carry-over from Mr Koirala's time; it merely showed that the king is no more master of the law and order situation than was the prime minister whom he denounced for failure in that direction.

Another recent outbreak of trouble, near the Tibet border, raised the spectre of communism. The king tries to paint the choice as between palace rule and communist rule, cutting the democratic Congress out of the picture. This is incorrect. Nevertheless, the communist party remains a powerful underground force, and its dominant faction would not hesitate to accept Chinese support in border regions.

The king's answer to his opponents for a long time to come until "national guidance" begins to guide or economic benefit



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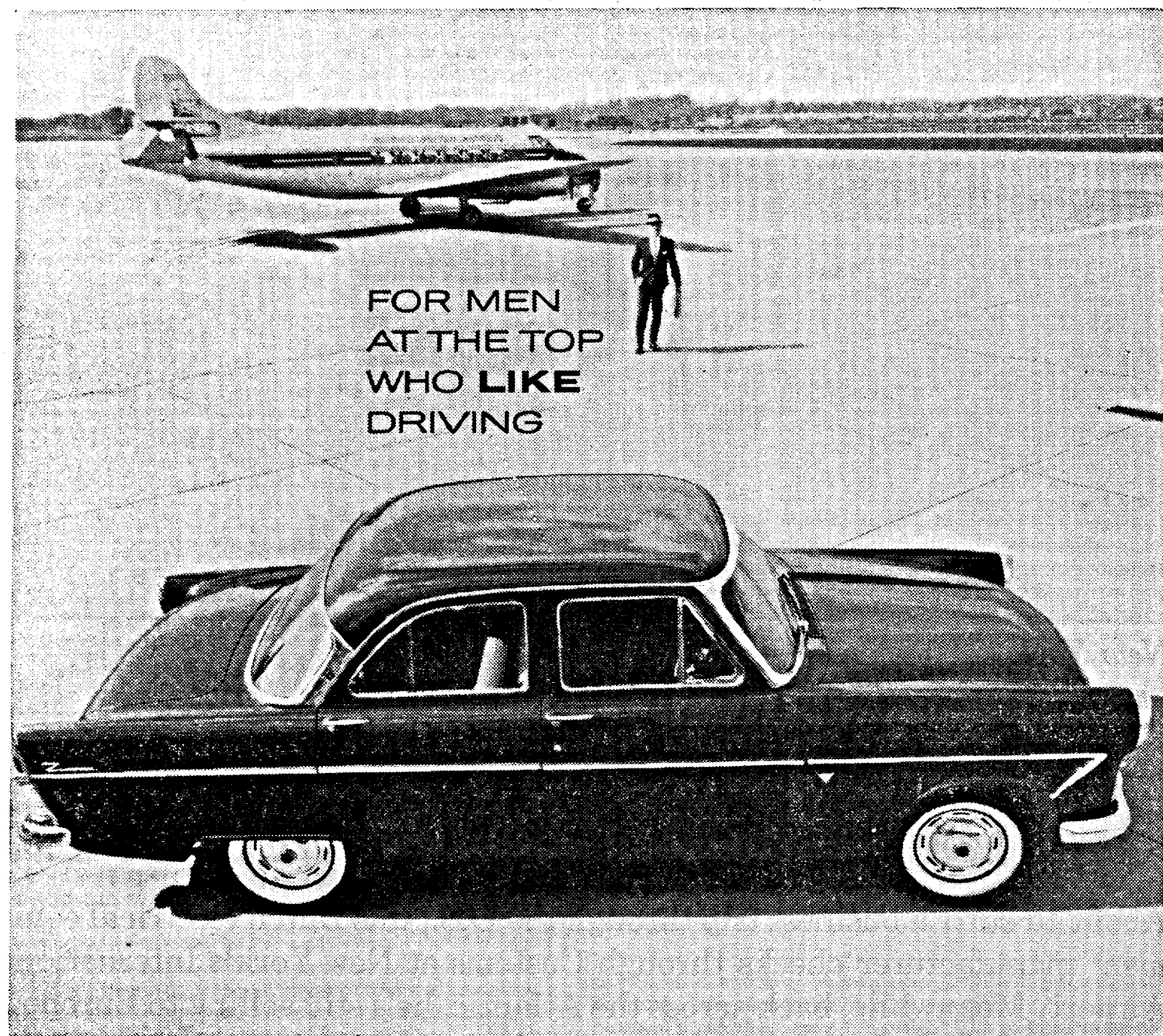
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win over the people, will be the 10,000-man army. The only qualified soldier in the ranks of the political generals has been side-tracked from the line of succession to top command and made defence secretary, a post that might lose him popularity with the troops. The army has given no sign that the king should be uneasy about it, but a certain concern would only be natural. For Nepal is now in a lull. How long the lull will last, and whether it precedes a storm or a stir of satisfying progress, are questions that loom over Katmandu like the snowy Himalayan peaks.

## Among Africans

FROM OUR MIDDLE EAST CORRESPONDENT

IMPERIALISM, South Africa and neo-colonialism took a severe verbal beating at the third All-African People's Conference which opened in Cairo on March 25th and ended last week. Streamers bearing slogans in English, Arabic and Swahili rippled in the spring breezes as delegates gathered to discuss their grievances. "Freedom Now" was a slap at imperialism; "Discrimination Shame for the So-called Civilisation" was another at South Africa. Photographs of Mr Lumumba, with the white gash of a smile he wore in his heyday, symbolised "neo-colonialism," the silent return of the colonial powers to their old positions under the mantle of the United Nations. Such catchwords and symbols set the tone of the conference.

More than 70 organisations from 34 African countries had been invited to send delegates. They ranged from the formidable Algerian National Liberation Front to the Pure Whig party of Liberia. More than 50 bodies seemed to have accepted the invitation (exact figures were hard to come by). In addition many observers were present from Asia, Europe and America; they were admitted to public sittings of the conference, but excluded from the private committee meetings. They included some oddities, such as the Cairo correspondent of Tass, who found himself "observing" in the name of Poland.

On the main themes under discussion there was remarkable unanimity. Speaker after speaker denounced the western powers and apartheid. Many called for the withdrawal of South Africa's mandate for South-West Africa, and for its expulsion from the United Nations. Portugal was bitterly attacked for its recent actions in Angola, and the peoples of Mozambique were exhorted to rise in sympathy with their brothers on the west coast. But the proceedings were more than parrot repetition of well-worn phrases. There were differences of emphasis between delegations, and between the weight given to the various subjects under discussion; and some of these nuances were significant.

For instance, old-fashioned imperialism came in for less abuse, by and large, than neo-colonialism. Many delegates seemed to feel that in attacking political imperialism they were beating a dying horse. To them, neo-colonialism is now the danger, all the more because it comes in disguise. President Nasser, one of the most vigorous advocates of this idea, has recently spoken of nations that have achieved independence only to exchange their chains of iron for chains of gold. Others echoed his views. This attitude leaves the United States open to attack, and the attack was in fact pressed hard. So much was foreshadowed on the opening day of the conference, when a goodwill message from Mr G. Mennen Williams was heard in Arctic silence.

President Nasser has for some months past been developing a concept which may be described as the threefold status of Africa: subjection, independence and nationalism. Subjection is the lot of those countries, like Algeria, Uganda and Angola, still under colonial rule. "Independence" is represented by formally sovereign countries which have limited their freedom of action by

treaties or special agreements with the former colonial powers. Nationalism is the third stage of development. It is reached in those territories that have destroyed the last vestiges of the colonial link and have set out to make their way by their own efforts with the help of whatever foreign aid is absolutely free from strings. The exemplars are the United Arab Republic, Ghana and Guinea.

The function of the all-African movement, in the Nasserist view, is to help the independent nations to move towards "genuine" nationalism, and the subject peoples to go straight from subjection to nationalism, skipping the stage of "sham" independence altogether. Such ideas can produce endless argument. Are good relations between Nigeria and Britain really a burden on the Nigerians? Is Soviet aid to selected African countries really stringless? In which category would President Nasser have placed Tunisia two years ago? Where would he put it now? On such points, assertion is easy, proof unattainable. Only the future can show.

THE conference discussed means as well as ends. There was a strong tendency to favour larger state units for Africa, in preference to the Balkanisation of the continent. The small African states, it is felt, would be powerless faced with the giant economic blocks of America and Europe. The future of the continent must lie in federation. This view received full backing from several delegations, notably from the spokesmen for Tanganyika. Other proposals tending in the same direction were for the creation of an all-African trade union federation and of an all-African bank.

Many words were spoken at the conference, many resolutions drafted. What do they all add up to? It is tempting for western observers, who were at the receiving end of almost incessant attack, to dismiss the words as wind, the resolutions as paper. Almost certainly the results achieved will fall far short of the sum total of hopes expressed. But that does not mean the conference served no purpose.

Most of the organisations represented in Cairo are powerful in their own countries. The pressures they exert when they get home can hardly fail to influence their governments. More important still is the fact that, by means of such reunions, the diverse peoples of Africa are beginning to get acquainted. Thus they are made aware not only of their common aspirations, but also of the gulfs that still divide them. It clearly disconcerted many delegates to learn that when a Somali speaks of imperialism, he has Ethiopia in mind; or that "imperialists," in the view of the Afro-Shirazis of Zanzibar, are certain capitalist Arab elements in East Africa. Some violent tirades on these lines were suppressed from the record, on the ground that they gave an impression of disunity "at a time when we are seeking unity." That, perhaps, was the one and only understatement of the week.

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# THE BUSINESS WORLD

## Financing the Public Industries

AFTER ten years of responsibility for the nationalised industries that they inherited from Labour, the Conservatives have come up with some ideas about how those which they do not want to reorganise radically ought to behave economically. These ideas are not particularly impressive. But compared with what they seemed likely to be a year ago, they are not ill-intentioned either; and any signs that ministers have been really thinking about these industries that they have to live with are welcome. Their views on "The Financial and Economic Obligations of the Nationalised Industries," in this week's white paper\* are concerned primarily with the interpretation that should now be placed upon the nationalised industries' obligation to earn revenues at least sufficient, taking one year with another, to cover their operating costs, interest, depreciation, the redemption of capital† and the provision of reserves—which few of the industries have managed to do; and upon the broader question of what kind of return on capital industries like these ought to earn. The formula that they propose—five-year targets for performance—will mean as much or as little as "in the light of [each industry's] own circumstances, needs and capabilities" they choose to make it.

Nationalised industries—the Government is here dealing with coal, electricity, gas, transport, the airlines and, as a newcomer, the Post Office—will from now on be required to break even over a five year period rather than any "average of good and bad years." Since these undertakings are financial entities already in being, each with its own (and sometimes pretty doleful) financial history, the five years will have to be a fixed period starting as soon as is convenient, not any "rolling average." Over and above breaking even, each industry will be required to provide what would be required beyond their depreciation provision at historic cost to cover depreciation at replacement cost; and to make adequate allocations to general reserves which will be available *inter alia* as a contribution towards their capital development and as a safeguard against premature obsolescence and similar contingencies.

The first requirement is a sensible one which most of these industries have already been trying to satisfy in one way or another (they are not being set the exercise of making good all under-provision in the past, which could be a nightmare). The reserve requirement is as long as a piece of string.

There are two different ways in which one could arrive at

what reserves such industries as these ought to set aside; by laying down what sort of return on capital employed they ought to earn; or by laying down how much new investment they ought to finance themselves. As far as new capital is concerned, these are two sides of the same question; if one is concerned with the average return on total capital, they are logically but not so closely linked. These industries have no equities: all their capital is charged at fixed interest. To make them "compete equally" for capital, ought they to pay for new capital what big private industry would have to pay for debentures now—say 6½ per cent? Or ought their "prior charges," which to the private investor would be effectively Government guaranteed, whatever the formula, to pay some higher rate to take account of the equity that does not exist? These industries are now borrowing new capital at 6½ per cent from the Treasury—which has given up any immediate hope of putting any of them back into the market. But right across their capital, borrowed at different times, the average is much less: the Coal Board, for example, now borrowing at 6½ per cent, must be paying on the average of all its borrowings less than 5 per cent. Even as between nationalised industries, there are wide differences in what one might call "real" risk, though the implied government guarantee makes all their new demands for capital equally riskless. How much above the gilt-edged rate would electricity have to pay for new money in a quite free capital market? And could the railways raise new capital at any price?

THE white paper painstakingly compares the gross and net return actually earned on net assets in the nationalised industries with the average return in manufacturing and distribution and with the return (in and out of public ownership) of a sample of 55 steel companies. Its tables, reproduced on the next page, are interesting and indeed intriguing. In terms of income, it will be seen, the public industries compare with the private rather better before than after depreciation. This is not easy to understand. The depreciation provisions of the public industries are shown at historic cost, while some at least of the companies in manufacturing and distribution make provision on the basis of replacement cost, and all the steel companies receive prices high enough for them to do the same. It may be that these nationalised industries added relatively more to their capital during recent years than did the private ones, so that more of their provision is in respect of new and higher-valued assets, and the assets of the airlines, for example, have shorter working lives. But such oddities certainly do not make it any easier to apply any "15 per cent rule of thumb"

\* Cmd 1337. HMSO, 1s.

† This stupid requirement would have required these industries to set aside enough to pay much of their capital back twice over; in practice, the Treasury lends them enough extra to cover their provision for redemption of capital.

of return on private capital to what the public industries ought to be earning. The white paper itself, having gone so far as to make the comparison, withdraws hurriedly, stressing all the differences between the two kinds of industrial animal.

The nationalised industries, it constantly repeats, "have obligations of a national and non-commercial kind, [though] they are not and ought not to be regarded as social services absolved from economic and commercial justification." They "are, or are akin to, public utilities, where a lower return on capital employed is traditional." The boards "have been continuously subject to public opinion [!] to keep their own prices down even when costs and prices elsewhere have been rising." Nevertheless, if they get their money on much easier terms than the rest of industry can get it, they are liable to get too much of the nation's savings; they may charge

#### RETURN ON PRIVATE AND PUBLIC CAPITAL

Gross income (before depreciation) as a proportion of net assets (after depreciation),

|                                        | 1954 | 1955 | 1956 | 1957 | 1958 | 1959 |
|----------------------------------------|------|------|------|------|------|------|
| Manufacturing and distribution ..      | 20.8 | 20.9 | 20.0 | 19.3 | 18.3 | 19.0 |
| Iron and Steel .....                   | 19.2 | 22.9 | 20.6 | 20.3 | 17.9 | 17.4 |
| Coal .....                             | 10.3 | 7.7  | 14.1 | 10.9 | 9.8  | 8.3  |
| Gas .....                              | 8.2  | 8.4  | 8.7  | 8.8  | 7.8  | 7.8  |
| Electricity .....                      | 10.7 | 9.9  | 9.3  | 9.6  | 10.6 | 10.7 |
| South of Scotland Electricity .....    | 10.0 | 11.4 | 10.1 | 9.2  | 9.5  |      |
| North of Scotland Hydro-Electric ..... | 4.9  | 3.4  | 4.8  | 4.9  | 5.1  | 5.4  |
| Transport .....                        | 5.1  | 4.1  | 2.7  | 2.4  | 1.0  | 2.3  |
| BEA .....                              | 16.8 | 17.5 | 14.7 | 17.4 | 13.3 | 16.7 |
| BOAC .....                             | 12.1 | 13.2 | 11.9 | 6.7  | 6.4  | 12.7 |
| Post Office .....                      | 10.8 | 10.0 | 11.6 | 12.2 | 12.6 | 13.2 |

Depreciation provisions (as proportion of net assets)

|                                        |     |      |      |     |     |     |
|----------------------------------------|-----|------|------|-----|-----|-----|
| Manufacturing and distribution ..      | 3.3 | 3.5  | 3.7  | 3.8 | 4.0 | 4.1 |
| Iron and Steel .....                   | 3.9 | 3.9  | 3.8  | 3.9 | 3.8 | 4.1 |
| Coal .....                             | 7.2 | 7.3  | 7.3  | 7.3 | 7.0 | 6.7 |
| Gas .....                              | 4.3 | 4.4  | 4.3  | 4.3 | 4.4 | 4.5 |
| Electricity .....                      | 5.1 | 4.8  | 4.6  | 4.6 | 4.9 | 5.1 |
| South of Scotland Electricity .....    | 5.1 | 5.4  | 5.7  | 5.7 | 5.0 | 5.1 |
| North of Scotland Hydro-Electric ..... | 1.6 | 1.6  | 1.6  | 1.6 | 1.6 | 1.5 |
| Transport .....                        | 2.3 | 2.2  | 2.5  | 3.0 | 3.1 | 3.6 |
| BEA .....                              | 7.5 | 10.5 | 10.6 | 9.6 | 8.6 | 8.1 |
| BOAC .....                             | 8.3 | 9.0  | 8.5  | 6.9 | 7.1 | 8.8 |
| Post Office .....                      | 5.7 | 5.6  | 4.7  | 4.7 | 4.6 | 4.6 |

Net income (after depreciation) as a proportion of net assets (after depreciation)

|                                        |      |      |      |      |      |      |
|----------------------------------------|------|------|------|------|------|------|
| Manufacturing and distribution ..      | 17.5 | 17.4 | 16.3 | 15.5 | 14.3 | 14.9 |
| Iron and Steel .....                   | 15.3 | 19.0 | 16.8 | 16.4 | 14.1 | 13.3 |
| Coal .....                             | 3.1  | 0.4  | 6.8  | 3.6  | 2.8  | 1.6  |
| Gas .....                              | 3.9  | 4.0  | 4.4  | 4.5  | 3.4  | 3.3  |
| Electricity .....                      | 5.6  | 5.1  | 4.7  | 5.0  | 5.7  | 5.6  |
| South of Scotland Electricity .....    | 4.6  | 5.7  | 4.4  | 4.2  | 4.4  |      |
| North of Scotland Hydro-Electric ..... | 3.3  | 1.8  | 3.2  | 3.3  | 3.5  | 3.9  |
| Transport .....                        | 2.8  | 1.9  | 0.2  | -0.6 | -2.1 | -1.3 |
| BEA .....                              | 9.3  | 7.0  | 4.1  | 7.8  | 4.7  | 8.6  |
| BOAC .....                             | 3.8  | 4.2  | 3.4  | -0.2 | -0.7 | 3.9  |
| Post Office .....                      | 5.1  | 4.4  | 6.9  | 7.5  | 8.0  | 8.6  |

too little for their products, artificially stimulate demand, and demand more cheap capital.

How much should they earn, then? The Government expects them "to earn a higher rate of return than the cost of the money to the Exchequer." But it will have to decide, after consultation with each of them, how much each ought to earn (or alternatively how much of their new capital expenditure they ought themselves to finance). If they fail to do whatever it is decided they ought to do over a five-year period, the Government may have to "take a closer interest"—presumably like the expensive interest it is already taking in the Transport Commission. One oddity here is in timing: what the persons concerned, who are both appointed for five years or less, are discussing is, "If you don't do well enough, one of the chaps who succeeds me will deal harshly with the next chairman."

Whatever targets the Government does set must have immediate implications for prices. "Although the Government possess no formal power to fix prices in the nationalised industries," says the white paper delicately, "nationalised

industries have, in fixing their prices, given great weight to consideration of the national interest brought to their attention." Nor does the Government intend to give up this power that it does not formally possess. It thinks that the existing formal arrangements should continue by which these industries ascertain in advance the views of the appropriate ministers when they propose to make price changes. But if a board decided to modify their own proposals by reason of views expressed by the Minister, it would be open to them to require a written statement of those views, which could be published either by the Minister or the board, and to propose an appropriate adjustment of their financial objectives where, in their opinion, this modification would significantly impair their ability to meet them.

This right to protest is not a new one; the National Coal Board has already used it, publishing its objections retrospectively in its annual report. But it is a good thing to have it on record as a reasonable recourse in cases of interference; and it may imply an intention not to interfere often.

WHATEVER financial obligations and objectives the Government puts upon any nationalised industry will have to subsume such elements of "non-commercial responsibility" as they believe to be inherent in the industry. Ministers are not prepared, that is, to do what the Select Committee on Nationalised Industries has sensibly suggested—make specific subventions out of the public purse in respect of particular non-commercial obligations that it has laid upon the industry. That course, if one could ever get any politician in office to adopt it, would certainly put the cost and the responsibility for such interventions much more into the open than, say, requiring the Coal Board to load its price increases disproportionately on to industry; the minister would have to go to Parliament to get the money. The alternative course suggested this week—an easing of financial obligations that the boards would be entitled to ask for, and the minister would be at liberty to allow or disallow to what extent he wished—could be more conveniently lost in the target practice.

It appears that the consultation with these industries about what kind of targets they are to be allotted is already beginning; by the start of each one's next financial year the targets should be set, and presumably published in one way or another. Although the white paper says bravely and very belatedly, that "The Government recognise, however, that the industries must have freedom to make upward price adjustments, especially where their prices are artificially low," it is not easy to see at this juncture where they think these desirable price adjustments are immediately required. It must be remembered that to make them pay competitive rates for new capital would not raise the average rate on their capital much; but to raise their average return to anything like the 8 per cent the Government talks of wistfully would mean draconian price increases for most of them. Moreover, they can no longer price as they or anyone chooses. Coal, electricity and gas have recently put up their prices; coal, gas and transport probably could not again, in their competitive position, and electricity's need is for a refinement of its tariffs, not for a general increase in its prices. With all the apprehensions about a possible resumption of wage and price inflation displayed in the Economic Survey, the Government will probably be cautious, for the moment, about nudging these industries to set their charges much higher, targets or not.

## European Housewives' Choice

ATESTY correspondence erupted in *The Times* last week about the warily non-committal attitude assumed by many shops whenever customers ask them about the quality of their goods. This week, the Consumers' Association announces that its membership has reached a quarter of a million. Both are signs that ordinary shoppers feel more and more the need for outside help and advice when they stand, mesmerised, before the serried ranks of the super-market and listen bemused to the pseudo-technical spiel of the salesman. But providing them with this help and guidance is easier said than done. A cold-blooded assessment of the ins and outs of consumer protection has recently been prepared for the European Productivity Agency by Professor Jean Meynaud under the title of "Better Buying"; he based his analysis on a meeting convened by the EPA a year ago, but the conclusions he has drawn from this raw material may raise the blood pressure of some of those who attended the meeting.

Industry adopts new techniques to improve its efficiency as these come along. The ordinary shopper does not. This fact has been known and deplored for years, yet because of the impossibility of organising shoppers and their families on lines comparable to industry's own streamlining, little has been done to correct it. There seem at the moment to be only three ways of strengthening the shopper's position and none of them is wholly effective. The most obvious method, adopted primarily in Britain and the United States, is the laboratory test that compares different makes of goods on the market and reports on their qualities and—most important this—on their defects. In Scandinavian countries, on the other hand, more stress is laid on labels that give information about the more important features of goods in terms that the shopper can understand. In the Common Market countries, and especially in France and Belgium and Italy most confidence is placed in quality seals that are awarded to manufacturers after their goods have been submitted to test. The consumer organisation that independently tests goods and reports on them to its members has one great drawback that frequently prevents it from ever getting off the ground—cost. Austria, Belgium, France, Germany, Holland, Iceland, Norway and Switzerland all have organisations that correspond roughly to the Consumers' Association in Britain and the Consumers' Union in the United States. But none of them seems to have attracted enough support from shoppers to give them an income comparable to the \$3.3 million of Consumers' Union in 1959 or the £250,000 a year income that Consumers' Association gets in this country from subscribers to its magazine "Which?". Similar associations in some of these countries seem to have entered a vicious circle. They cannot attract subscribers until they have the results of some tests to show them, and they cannot start the tests until enough people have subscribed to finance them. The solution endorsed by Professor Meynaud is to start with small and cheap tests. This gives the organisation results to show potential subscribers, and usually attracts enough support to provide funds for more ambitious work. There are, however, pitfalls in this policy. Britain's Consumers' Association has discovered that tests of cheap household goods often cost a

great deal more than those on expensive household durables. The reason is that in the latter case a fair proportion of costs can be recouped by selling as second hand the cookers, washing machines or vacuum cleaners after they have been tested. But a half-used packet of detergent has no secondhand value whatsoever: the most expensive test ever carried out by Consumers' Association was of washing powders.

Is there some temperamental difference between middle-class shoppers in Britain and the United States, in comparison with shoppers on the continent, that makes the former support testing organisations in usefully large numbers while others do not—or is it just that the Anglo-Saxon countries have more citizens who can afford an annual subscription? No one has yet explored the reason why this form of self-help seems to appeal primarily to the Anglo-Saxon temperament. On the continent, however, the consumer organisations frequently get help from trade unions—as in Holland—or the government, as in Switzerland (although, in this case, the subsidy is very small). Financing tests would probably be a great deal easier if the organisations did not have the feeling, possibly to an exaggerated degree, that subscribers' confidence in their independence would be undermined if their money came from a source that had any connection, however indirect, with industry. They have run into fewer legal difficulties than might have been expected. Organisations in both Iceland and Austria have been taken to court by aggrieved manufacturers but have been able to justify their strictures—in Austria on a dangerous stove and in Iceland on a harmful detergent. In Italy, however, the law makes it impossible to publish the kind of comparative test results that form the whole basis of these associations' usefulness to their subscribers.

How useful in fact can they be? It is impossible to get any direct evidence of their influence either on manufacturers or on shoppers' buying habits. One survey carried out in America suggested that Consumers' Union's system of grading products might lead to a shift in sales of 4.5 per cent in either direction, but Professor Meynaud described the results of this and other inquiries as too patchy to have much meaning. He did, however, courageously attempt to list the drawbacks of comparative tests. The most serious is the tiresome fact that "one brand is rarely better than the others in every way; it is very often superior in some ways and inferior in others." So the "best buy" suggested is inevitably a compromise decided on by the investigator, which introduces an element of personal judgment and the likelihood that some, at least, of the subscribers might have preferred a different combination of properties. The size of the sample to be tested is a specially knotty problem; obviously not even the richest consumer organisation can afford to test what a statistician would call a "proper" sample, but there is a feeling that the organisations could with profit spend rather more time considering their sampling methods. To this Professor Meynaud might also have added that they ought perhaps to steer clear of testing goods where personal preference plays a big part in deciding what is or is not a good buy. Cosmetics is an obvious illustration: brands that suit one



woman need not give the same results on another and one woman's "Best Buy" will be put by her neighbour into the dustbin. Now that some consumer associations at least are finding their feet and are no longer exclusively pre-occupied with problems of finding enough money and enough laboratory space for their tests, they could usefully give some time to considering these wider issues. Meanwhile few people will disagree with the verdict that these organisations have "produced a notable improvement when compared with situations and countries where the consumer was still completely defenceless."

The Scandinavian countries, which have pioneered the use of descriptive labels, believe that the consumer can be given a big measure of protection if he gets an accurate description of certain key properties. But to be effective, descriptions must be standardised and this can mean first working out specifications, so that the special institutes that look after informative labelling in Denmark, Norway and Sweden spend a great deal of their time seeing that the data on the labels are both reliable and reasonably uniform. They insist, among other things, that manufacturers must give all the information listed or none at all; they cannot choose to put down certain properties and leave out others. Then, so the argument runs, the percipient shopper will compare the data on the labels of competing brands and decide which is the best bargain. Professor Meynaud doubts how well this works in practice. Does the shopper, he wonders, know whether it is better to buy the marmalade with the highest proportion of fruit to sugar or vice versa? And what are the odds that the grocer will stock two or more brands that can be compared side by side?

The use of these labels is voluntary. Industry provides a considerable part of the income of the Scandinavian labelling institutes, with the rest coming from the government: Professor Meynaud's report unfortunately contains no data to show how widely the labels are used or over what range of goods. Much the same criticism could be made of the quality seals awarded in France and Belgium to goods which have in this case been submitted to organisations for independent testing. The first of these bodies, started in France after the war, was first financed by the Commissariat Général de la Productivité but now gets all its income from subscribing companies. It lays down minimum technical standards for products, tests those submitted to it to see whether they comply and is said to be quite ruthless in rejecting those that do not. The "Qualité France" mark is not lightly earned. Out of two or three hundred products submitted monthly, it is said that all but 20 are withdrawn when manufacturers realise the hurdles they have to clear, and of that 20, only half survive to win the seal. Belgium has now introduced a similar seal, Italy is on the verge of doing so. If the standards are so high, can this type of quality seal seriously be proposed as a means of protecting consumers in the mass? Is it not more likely to be of value only to the élite of shoppers who are sophisticated enough and—what is more important—rich enough to demand quality and to see that they get it? This objection is, curiously enough, not raised by Professor Meynaud, but he does point out that there is a real danger of the shopper being bemused rather than helped by a multiplicity of confusing labels, and seals awarded by organisations whose names he cannot remember. France, Belgium and Italy propose to standardise their requirements and eventually to have a

common yardstick of quality throughout the Common Market.

SOME attempt has been made to organise consumer protection on an international scale. Here one of the most interesting moves has been the formation of a common organisation by all the consumer organisations that carry out comparative tests (shutting themselves away from their brethren who run quality testing centres financed with manufacturers' money). These national organisations can help each other by using their international centre as a clearing house for information about testing methods, which are still far from perfect.

Professor Meynaud believes himself that governments still have much to do in the way of providing the shopper with that very solid degree of protection that the law, and only the law, can give him.

In particular, he thinks that governments could look over their legislation to see that it does not impede the work of those organisations that are trying to look after the interests of the consumer by, for example, making it impossible to publish the results of comparative tests. It would have been interesting if the European Productivity Agency had in fact found time to discuss the part that legislation plays in consumer protection, not only in banning the sale of bad food, or dangerous stoves, but through broad measures like the British Merchandise Marks Act. This Act provides stiff penalties for misleading descriptions and, by using the term "misleading" instead of the simpler phrase "false descriptions," has with one word greatly strengthened the hand of the magistrate dealing with such cases. Legislation protecting the rights of shoppers could also profitably be clarified; why, for example, should dry cleaners and laundries be able to protect themselves behind so much small type? There are those who believe that this is the most effective way of looking after the interests of the shopping public since it protects everyone, not merely the canny few who subscribe to testing organisations, and it does not depend, as labels and quality seals do, on voluntary co-operation by industry. There is no single, easy way of giving shoppers the kind of stiffening that many of them feel they need, but the more widely the subject is discussed, and the more attempts are made to compare results achieved by different methods in different countries, the better the chances of finding the right answer.

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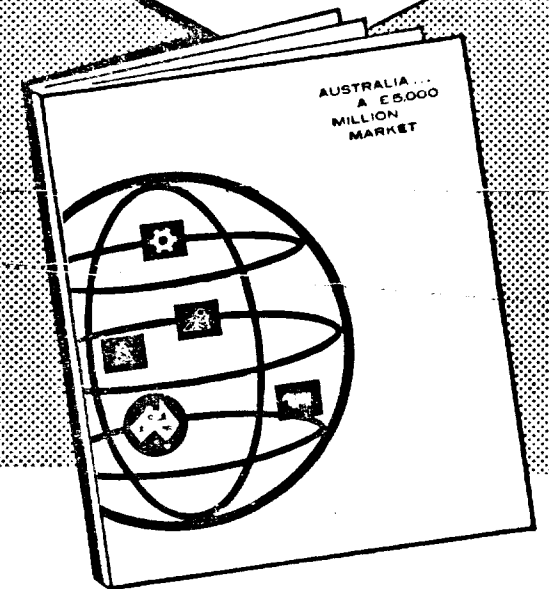
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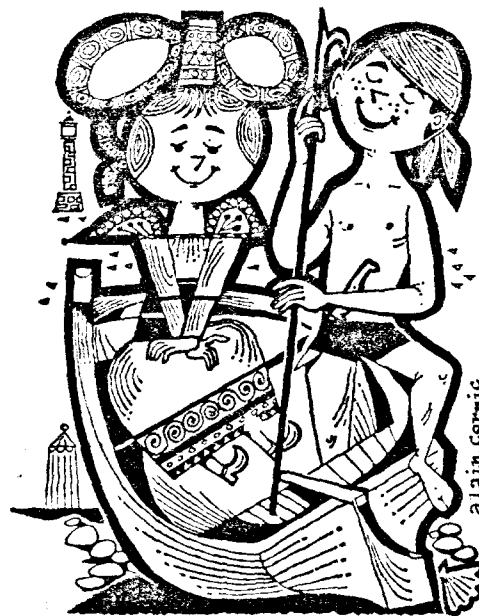
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## BUSINESS NOTES

### EXPORT CREDITS

#### Guarantees for the City

IN its attempt to galvanise British industry into greater export mindedness the Government is understandably anxious to make a contribution of its own. In the present framework the scope is pretty limited—though Mr Lloyd could enlarge it on Monday—and it was perhaps inevitable that one main gesture should be an easing in the terms of export credit. Yet at a time when official statisticians have just calculated that Britain can afford to give still less external credit than it previously thought, concessions on this front are bound to cause certain misgivings. If these concessions are applied carefully, and if they do not intensify international competition in easier credit, the net effect could be favourable; but the qualifications are important.

The Government had already had two earlier bites at this cherry: last autumn it announced that it would authorise the Export Credits Guarantee Department to insure suppliers' credits for more than the normal five years' maximum where this was necessary to match facilities granted to a foreign competitor; and early this year the Bank of England announced new facilities for refinancing that make export credits eventually liquid assets for the commercial banks. Now Mr Maudling, President of the Board of Trade, has announced three new concessions. First, after long talks with City institutions, the Government has introduced new facilities to guarantee loans made by banks and other financial institutions to finance over long periods exports of major capital goods, including ships. Secondly, premium rates are being reduced sharply, especially to the weaker markets and on longer credits. Thirdly, a simplified and favourable new scheme is offered to small exporters.

The institution of "export finance guarantees" to finance exports for more than five years does not, it is claimed, form any breach of the code of the Berne Union, since this is concerned only with credits granted by suppliers of the equipment. The guarantees are to be granted direct to the financing institutions, which it is hoped will include insurance companies, on loans granted by them direct to the foreign buyer. They will pay a premium for the guarantee, based on ECGD's premiums on supplier credits to the particular market, and they will presumably recoup this in their interest charge to the manufacturer. The system is seen not as an extension of suppliers' credit but as a modern replacement for the old international bond market. Private finance today is not willing to stand at risk

for long periods in the countries that want to buy steel mills and power stations. The logical alternative might be thought to be a straight government development loan, but in the modern fashion the Government prefers to bring in private finance even when it has to provide the guarantee against loss. Direct loans under section 3 of the Export Guarantees Act are held in reserve as a last resort.

Any such system has inherent dangers. This said, the Government is at least envisaging the right kind of checks to try to prevent abuse. First, the guarantees will be available only to finance sales of large capital projects normally costing not less than £2 million, though this restriction will not be applied to ocean-going ships. Secondly, the term of the guarantee will depend on the life of the assets being supplied, which must be substantially beyond the period of the loan. Thirdly, ECGD must be satisfied about prospects of repayment, and in weaker markets, "exceptional treatment will have to be justified on the basis of good long-term prospects leading to a lasting and profitable connection for British trade." The Government will also consider whether the supplying industry is over-strained or short of orders. Thus the facilities will be selective in a number of ways, and Mr Maudling recognises the general limitation imposed by the balance of payments. But the Government believes that important contracts have been lost for the lack of such facilities, and that the amount financed under these guarantees is likely to be reckoned in tens of millions a year—present estimates can get no closer than that.

#### Big Cut in Premiums

THE cut in ECGD premiums is substantial—on the basis of present business it will amount to roughly one-fifth of ECGD's average income from its "commercial" business, or over £1 million a year. Earlier reductions had concentrated on short term business. Now the main concessions are on medium term business, and the cuts are sharpest—as much as 50 per cent—for the longer credits in the poorer-rated markets, for which ECGD's premiums were higher than those of some of its foreign counterparts. The present cuts arise from a reassessment of likely recoveries in the poorer markets: it is impossible to tell how far they are justified on strict commercial considerations. The Government has also felt that the principle of breaking even over a run

of years permits the occasional deficit as well as surpluses, and that the accumulated credit is a sign that there is something in hand. The Department is aware of the danger that these cuts may encourage unsafe business in poor markets, and it gives a warning that such business may in some instances have to be turned away.

The new policy for the "small exporter"—any firm with an export turnover of under £10,000 a year—is designed to tempt the customer into the shop. Such exporters will be enabled, exceptionally, to insure a single buyer; a flat percentage of 90 per cent of his risks will be covered, and the paperwork will be simplified. This business will be transacted as Section 2 "national interest" business, and firms will not be allowed to use it for more than two years. Details have been sent to 11,000 prospective clients.

### OIL

#### Iraq Talks Break Down

NEGOTIATIONS between the government of Iraq and the Iraq Petroleum Company were cut off abruptly last week when the prime minister, General Qasim, told the company that until they satisfied the government on the issue of "dead rents," negotiations were at an end and that it was to cease all exploration activities. He added that the Iraqi army would be ordered to see that IPC operations were restricted to the producing wells. This issue was a somewhat surprising one to upset the negotiations over: it had been assumed that it would go to arbitration. The result was that some of the knottier and on the face of it larger issues—such as the details of "relinquishment," by which IPC will hand back its concession rights to most of the unexplored territory in Iraq, and the question of an Iraqi shareholding in the company—were hardly discussed at all. As he has done before, General Qasim later had broadcast over Baghdad Radio verbatim records of the two meetings that took place since the main IPC negotiators returned to Baghdad—a fascinating source of material for the contemporary observer of such encounters, but not necessarily helpful to the conduct of negotiations.

"Dead rents" are the rents that an oil company may pay a government during the period that it is looking for oil, but before it finds any. The provisions regarding the financial treatment of these rents after oil is found, in the Iraq concessions, appear to have been obscure and open to different interpretations: that is what arbitration would have considered. In practice, IPC has been amortising the accumulated total



of them out of the proceeds of the oil later and perhaps elsewhere produced. There are precedents throughout the oil industry for doing this. But the government of Iraq complains, as other governments have, that charging it against profits means that they pay half of the repayment out of their 50 per cent share of profits. They contend that it was a payment to them while they were getting no other revenue out of the oil industry, and should not be partly charged against them later. Both sides had agreed to arbitration: the disagreement arose over whether IPC should go on amortising these rents pending arbitration. The company offered to suspend deductions for two years, and later raised this period of suspense to three years provided arbitration had begun within two. The government refused to accept less than suspension for an indefinite period.

The halting of exploration in the area puts IPC in more of a difficulty than the outsider, considering the world oil surplus, might imagine. The company at present has eight to ten exploration teams working in Iraq. Since under the relinquishment arrangements it was liable to have to give up 75 per cent of its concession area straight away and a large part of the remainder over a period of years, it would have a strong incentive to find and develop as quickly as possible any oil in the shrinking areas remaining to it. Moreover, there are minimum production requirements as conditions of the existing concession. Though IPC will have no difficulty in meeting these for the whole country, the declining Mosul area probably would require some development of new fields, over the next few years to maintain its rate of production quota. The government has not acted in any way to curb actual production in Iraq: as the company were made aware at the beginning of the year, it is very anxious indeed to get its oil revenues regularly, if not ahead of time. Nobody wants a full-scale open dispute between any company and any government in the Middle East, now or at any other time: this is not the way anyone wants to test—or perhaps forge—the links of OPEC.

#### IN THE MARKETS

### Just off the Boil

IN the heaviest day's trading for fifteen months nearly 26,000 bargains were marked on Monday on the London Stock Exchange and the *Financial Times* ordinary index went up to yet another new peak, 354.6. But the large number of bargains showed that while some people were convinced that prices would go on rising there were nearly as many who decided that the time had come to take their profit. Turn-over in options also rose, yet another sign that investors were becoming a little more cautious about the amounts they were willing to stake on a further advance. It was

#### BUSINESS NOTES

not surprising therefore that the equity market came off the boil. By Wednesday, the *Financial Times* index had fallen to 350.5. The *Economist* indicator, covering this active week of trading, registered a gain of 2.8 points to stand at 413.5.

Some slight reaction in the markets after their strong advance had been expected. Monday's budget will show whether investors were justified in believing that while not much would be given away in tax reliefs it would be favourable to those tax-payers who were most likely to be interested in stock exchange investments. Prices are at or close to the highest levels ever in the equity market and investors are clearly looking beyond the budget to some growth in economic activity this year. Similarly optimistic views are being taken on the other side of the Atlantic. Among private investors in both markets there is a strong desire to buy for growth, based on projected earnings, rather than to buy on dividend yield considerations. Up to now, British investors have been rather more sceptical about the concept of growth than American ones, and in their recent buying some of them may have been heartened by the fact that, thanks to last year's increase in dividends, the average yield on equities is higher than it was at the beginning of 1960. Then, as measured by *The Economist* indicator, the average yield on blue chips was 3.8 per cent; it is now 4.3 per cent.

But the yield on old Consols was then about 5 per cent and is now 6 per cent, so that the reversed yield gap has widened. The lure of growth in equities, in other words, is even stronger now than it was fifteen months ago. But high running yields on fixed interest stocks continue to attract institutional investors and one of the remarkable features of the recent bull

### Less Cause for Alarm?

ONE passage that attracted a good deal of attention in last week's *Economic Survey* recorded that in the second half of 1960 earnings per head (wages and salaries) were 6½ per cent higher than in the second half of 1959. This was contrasted with rises of 2½ per cent and 3½ per cent during 1958 and 1959 respectively; it was recalled that in the inflationary decade 1948-1958 the average annual increase had been 6½ per cent. This was taken in these columns and elsewhere to imply renewed anxiety about wage and cost inflation.

This week the Treasury said these ominous figures were wrong. During 1959, it said, the increase in earnings per head had been 4½ per cent, not 3½ per cent; and the comparison from the second half of 1959 to the second half of 1960 was 5½ per cent, not 6½ per cent. This did not, the Treasury was at pains to add, wholly invalidate its apprehensiveness about labour costs. But things were not quite as bad as—or alternatively, had started becoming worse earlier—than we had all thought.

#### THE ECONOMIST APRIL 15, 1961

market in equities has been that gilt-edged securities have not suffered very much. Their prices have not moved significantly either way. This week the gilt-edged market was once again quiet, but demand for high yielding stocks was just sufficient to bring a full subscription list for the offer by Stirling County Council of £5 million of a 6 per cent stock, 1974-76, at 99. These terms are identical with those of the Birmingham stock which was successfully issued two weeks before, but the Stirling loan only scraped home and dealings in it began at a discount before the price recovered to par. The market has also been asked to absorb £6 million of a 6½ per cent stock issued by the Industrial and Commercial Finance Corporation; the stock has been placed at 97 among a handful of institutions for a placing commission of one per cent and they have agreed to release up to half the amount to the market at the placing price. Brokers will earn a small commission, payable by ICFC, on any buying orders they find.

### Boom on Wall Street

A correspondent cables:

WALL STREET has the gleam of achievement in its eye. This week the Dow Jones industrial average, whose movements are followed with almost mystical regard despite its acknowledged inadequacies as an indicator of market activity, jumped to a new peak of 692 on Monday and then in the course of trading on Tuesday rose to 700. By the close on Wednesday it was back to 690, but this was still five points higher than its previous peak in January, 1960, and 130 points above its low point in October. Prices have been rising steadily since the end of October and the increase in the volume of trading has been even more remarkable. This week there was no repetition of the record of seven million transactions recorded on the Tuesday of the previous week, but the daily volume of transactions has remained in the region of five million, compared with an average of not much more than three million a day in the last two years. It is not surprising, therefore, that prices have climbed to new record levels, but much of the trading represents switching from one group of stocks to another and profit taking. More investors are coming into the market and the brokers are generally confident that prices will continue to climb, though they may do so at a slower pace.

While institutional buyers have been building up their equity holdings for some months it is buying by private investors that has given this bull market its special flavour. The atmosphere in the market is similar to that in the spring of 1959 and now, as then, the New York Stock Exchange has warned investors to eschew tipsters and, in effect, not to confuse Wall Street with Las Vegas. Many low-priced stocks have been bought irrespective of their reputations or prospects while more sophisticated investors have

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been concentrating on new issues of unseasoned companies in electronics and kindred fields. The market in these issues has boomed again and many of those fortunate to get in on the ground floor have been able to sell out at double or treble the issue price in a matter of weeks, or even days.

The latest jump in prices was stimulated by growing evidence that the recession, the mildest and shortest since the war, is over. But just how much further the market will climb depends largely upon the extent of the recovery. Many equity prices have already been bid up to heights that only the resumption of a fully fledged economic boom would justify and if the expected improvement in earnings is slow to materialise the stock market might go into reverse. But there seems to be no immediate prospect of this happening.

#### GERMANY

### Frankfurt versus Bonn

GERMANY has still to take the necessary domestic measures to back up its small revaluation of the mark. The Bundesbank is pressing for them, the Bonn administration resisting, and an open conflict between government and central bank is developing. The need for action is underlined by the weekly figures of the Bundesbank's external reserves. Revaluation should have reversed the speculative tide; instead it heightened it. The inflow of funds has abated somewhat since the immediate aftermath of the exchange adjustment, when over \$200 million streamed into Germany in a single week; but in the last week of March the inflow was still over \$50 million, bringing the inflow since the beginning of March to some \$425 million, and Germany's total external reserves to the ridiculous amount of \$7,920 million.

When the Bundesbank reluctantly agreed to revaluation, it stated publicly that this would make it easier to bring interest rates down to the international level. Dr Erhard in Bonn saw it differently; to him, the main purpose of revaluation was to act as a brake against the domestic boom and a weapon against price inflation. He opposed a further loosening of monetary policy as liable to increase the danger of inflation and consequently to damage party prospects in the coming election—such are the peculiar electoral pressures in a country that prizes stability above all else. The Bundesbank, for its part, points in its latest monthly report to the limitations in the efficacy of credit restrictions at a time when there is a "structural interest disequilibrium" *vis à vis* the outside world. It says pointedly that in the one sphere where high interest rates might have had a restraining effect, that is in building, this has been offset by large subsidies from public funds. In these circumstances, the report says, the only measures likely to be effective internally are those that

#### BUSINESS NOTES

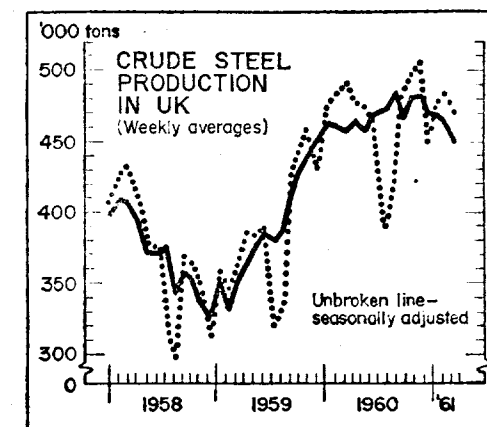
do not worsen the external problem. Fiscal policy, general economic policy and import policy are specifically cited. Meanwhile, although stopped from cutting the discount rate, the central bank has made a further small release of the frozen deposits of the commercial banks. So far, however, there has been only a small drop in bond yields since revaluation. The Bundesbank view will doubtless receive strong support from foreign quarters at next week's meeting of central bankers and top Treasury officials in Paris, discussed on page 208.

#### STEEL

### No More Into Stock?

THE rise in stocks of finished steel, which added considerably to the pressure of demand upon steel manufacturers and for imports last year, seems to have come to an end, the Iron and Steel Board concludes from the reports it has so far had of movements in steel stocks during the first three months of 1961. As yet this has mainly had the effect of cutting finished steel imports: in January and February imports amounted to only 52,000 tons a month, about half of last year's monthly average, and probably represented, the board thinks, the closing deliveries of commitments made some time ago. New home orders for steel sheet, on the other hand, are still weak despite the recovery in vehicle production and the revival of demand for tinplate.

Most of the reduction in steel output last month from the level of just over 485,000 tons a week in February—which happened also to be the figure for March last year—to about 471,000 tons a week occurred in South Wales, where the bulk of the country's sheet and tinplate is made. Both the motor vehicle and canning industries had become heavily over-stocked; the car firms were responsible for much of last year's greatly increased imports. But while tinplate orders appear to have picked up, the recovery in car production has so far been fed almost entirely from stocks of sheet steel. Admittedly there have been fewer postponements of deliveries already contracted for, but when the car firms actually come back into the market for steel sheet



will depend primarily upon what happens to their exports. Meanwhile, total steel production in the first quarter of 1961, at 6.2 million tons, was equivalent to an annual rate at the lower end of the range of 24-25 million tons which the board had been hoping for 1961 as a whole.

The recovery in the vehicle industry was more immediately felt by the iron foundries, since stocks of iron castings rarely fluctuate to anything like the same extent as those of sheet. Most foundries have been kept very busy by the boom in industrial investment and, with the revival of demand for castings for vehicles as well, there has been a fairly widespread upward movement in their selling prices. In the steel industry the level of prices is still under discussion.

#### THE EXCHANGES

### Sterling at Par

STERLING has shown a firm front in the exchange markets this week. On Tuesday the spot rate against the dollar regained its parity of \$2.80, and no support from the authorities has been needed. Discounts on forward sterling have narrowed a little further. Markets are generally quiet, with the Continent inclined to buy sterling and New York to sell. Speculation has not been resumed. This is a striking vindication of the Bank of England's aggressive market tactics in the teeth of the speculative movement set off by revaluation of the mark and guilder early last month, and also of the new agreement between European central banks to maintain temporary balances in each other's currencies. Although the size of such support is not being directly disclosed, it will be broadly reflected in the figures of sterling balances at March 31st.

The gold market has seen some demand from private sources in the Middle East and Far East, but this has not been sufficient to prevent a slight relapse in the London price, from \$35.09 to \$35.07. There is still no buying by central banks, which have clearly made a mutual agreement to hold off. Nor has there been any resumption of sales of gold in London by Russia, absent since the October upheaval. But it is reported that over 30 tons of Russian gold (worth around £11 million) has arrived in Paris since the beginning of this month.

#### BRITISH PETROLEUM

### Lower Margins

CUTS in posted prices and the further extension of discount selling made an impact on British Petroleum's profit margins in the last half of 1960. The improvement in gross margins recorded in the first half of last year has proved to be only short-lived, and the gross margin at 18.7 per cent is not much above that

recorded in the second half of 1959 while the net margin, largely because overseas tax was higher while the British tax credit set against overseas tax has been reduced, is actually lower at 9.2 per cent. The broad outline of trading results in six monthly periods is set out in the accompanying table, in which the sharp rise in the gross and net value of sales in the second half of last year reflects another increase in the volume of sales of oil and oil products by the BP group.

#### SALES AND PROFITS (£ million)

|                                   | June 30, 1959 | Dec. 31, 1959 | June 30, 1960 | Dec. 31, 1960 |
|-----------------------------------|---------------|---------------|---------------|---------------|
| Six months ended                  | 1959          | 1959          | 1960          | 1960          |
| Gross sales                       | 404.4         | 443.7         | 447.5         | 489.5         |
| Net sales                         | 287.6         | 312.6         | 312.2         | 334.8         |
| Gross profit                      | 57.7          | 57.9          | 62.1          | 62.7          |
| Net income                        | 31.0          | 32.4          | 31.5          | 30.8          |
| Gross profit/net sales, per cent. | 20.1          | 18.5          | 19.9          | 18.7          |
| Net income/net sales, per cent.   | 10.8          | 10.4          | 10.1          | 9.2           |

Over the year as a whole, the volume of sales rose from 63.2 million tons to 72.9 million tons and the net value of sales, after deducting sales taxes and duties, rose from £600 million to £647 million. The group's income before tax rose by £13½ million to £144½ million, but over £4½ million of this comes from an increase in investment income. A sharp rise in tax (partly reflecting a decrease in investment allowances and the increase in British profits tax) has led to a slight fall in net income from £63½ million to £62½ million. The directors, however, have raised the tax free dividend from 2s. 2d. to 2s. 4d. per £1 share (that is from the gross equivalent of 17.7 per cent to 19.1 per cent) and the directors say that they recognise that reserves are at high level and that later in the year they will therefore consider the advisability of making a scrip issue. The stock market had hoped that a scrip issue would accompany the dividend announcement and its immediate reaction was to mark the shares down by 1s. 3d. to 59s. 3d.

#### DUNLOP RUBBER

#### Better Than Expected

DUNLOP shares have been in the doldrums since the directors in an interim report in October said that margins were being squeezed and that profits in the six months to December 31st were unlikely to reach those earned in the second half of 1959 but might be about the level achieved in the first half of 1960. After this statement, it was thought improbable that the ordinary dividend would be raised above its 1959 level of 15 per cent. In fact, in a preliminary statement that records an increase in sales from £261 million to £275 million and in trading profits from £22.5 million to £23.2 million but a fall in net profits from £5.9 million to £5.6 million, the dividend has been raised from 1s. 6d.

#### BUSINESS NOTES

to 1s. 7d. per 10s. share (or from 15 to 15½ per cent).

#### SALES AND PROFITS (£ million)

|                    | June 30, 1959 | Dec. 31, 1959 | June 30, 1960 | Dec. 31, 1960 |
|--------------------|---------------|---------------|---------------|---------------|
| Six months ended   | 1959          | 1959          | 1960          | 1960          |
| Sales              | 127           | 134           | 136           | 139           |
| Gross profit       | 10.52         | 11.95         | 11.18         | 12.05         |
| Net profit         | 3.15          | 4.02          | 3.29          | 3.37          |
| Gross profit/sales | 8.3           | 8.9           | 8.2           | 8.7           |
| Net profit/sales   | 2.5           | 3.0           | 2.4           | 2.4           |

Profits, as the table shows, were in fact better in the second half of last year than the directors had expected they would be and the gross profit margin was higher in that period than it had been in the first half though not as high as in the second half of 1959. Largely it seems because of a higher depreciation charge, the net profit margin did not show the same improvement. But the rise in the gross margin is slightly reassuring in view of the directors' earlier statement about the higher costs of natural rubber and wage increases and the fact that for much of this period British car sales were depressed. Dunlop has a big domestic interest in supplying original equipment tyres, but it appears to have added to its share in the replacement tyre market. This and higher export sales may be the reason why profit margins have improved. But it is only recently that motor sales have begun to pick up in this country and the stock market, though it marked the shares up by 3d. to 25s. 6d. on the higher dividend, is unlikely to revise its ideas about Dunlop until it has some indication about how well it is faring at the moment.

#### THE BUDGET

#### The Loan Account

FOR the first time the Government has this year published estimates of its below-line expenditure before the budget, in a separate white paper that explains the nature of these important capital advances in much more detail than has been published hitherto. The estimates for the new budget year are of course subject to anything the Chancellor may decide to change on Monday; but below-line payments consist principally of repayable loans made under continuing Acts, and with a few exceptions such as repayments of postwar credits are not often affected by budget changes.

As the table shows, more than half of total below-line issues are expected to be on account of nationalised industries. But even after allowing for last year's transfer of the provision for the railways' current deficit to the above-line accounts where it belongs, advances to state industries are reduced for the second year in succession. The growing element below the line is finance for the private sector and overseas assistance. Thus while the local authorities are expected to continue their substantial net repayments to the Exchequer, the building societies are

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expected to raise their Exchequer borrowings. In the steel industry, the Iron and Steel Realisation Agency is expected to contribute only £20 million from the recent sale of steel prior charge stocks, it is lending a further £58 million to Richard Thomas and Baldwins, which will borrow as much again under special powers direct

#### PAYMENTS BELOW LINE

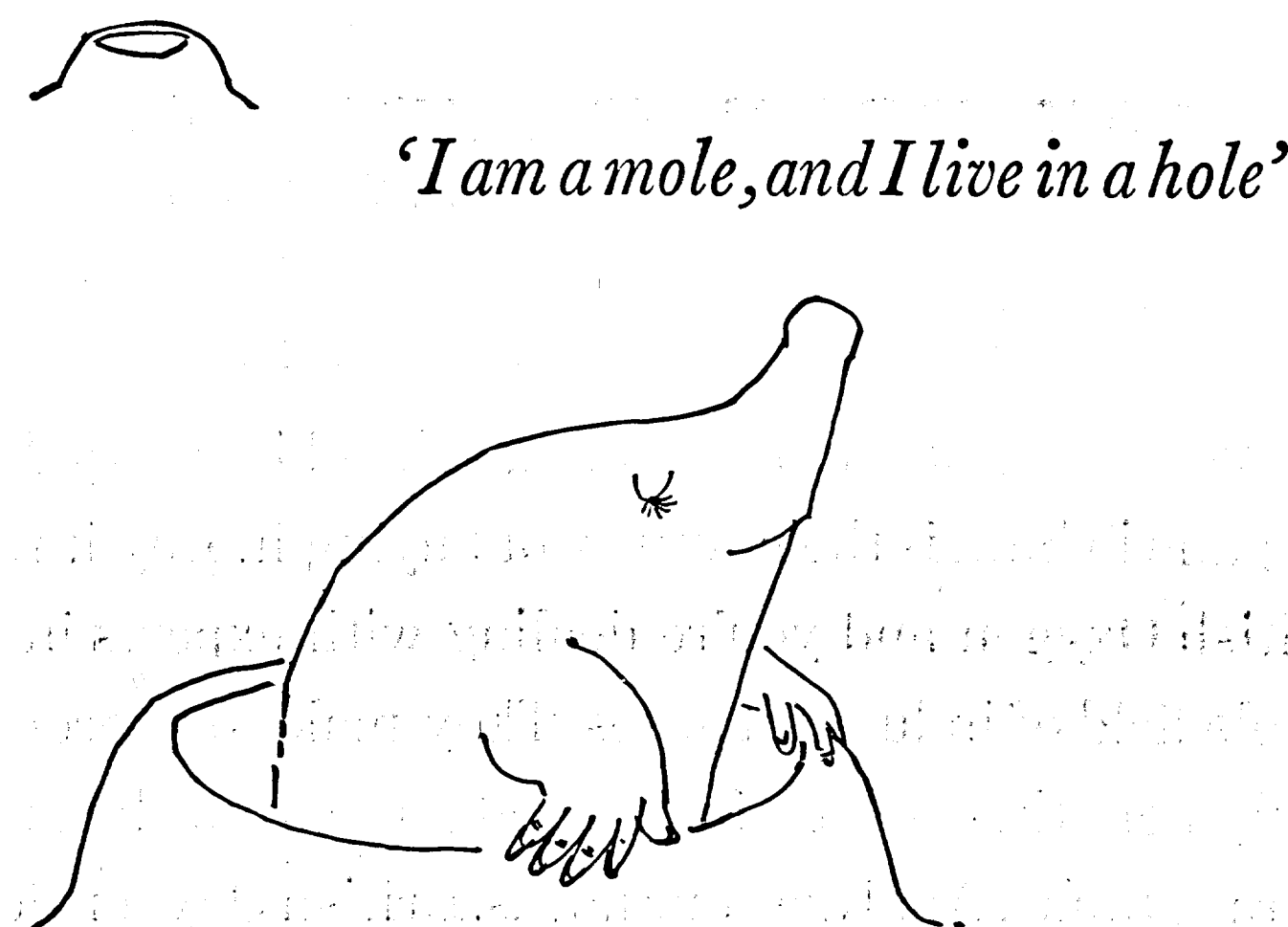
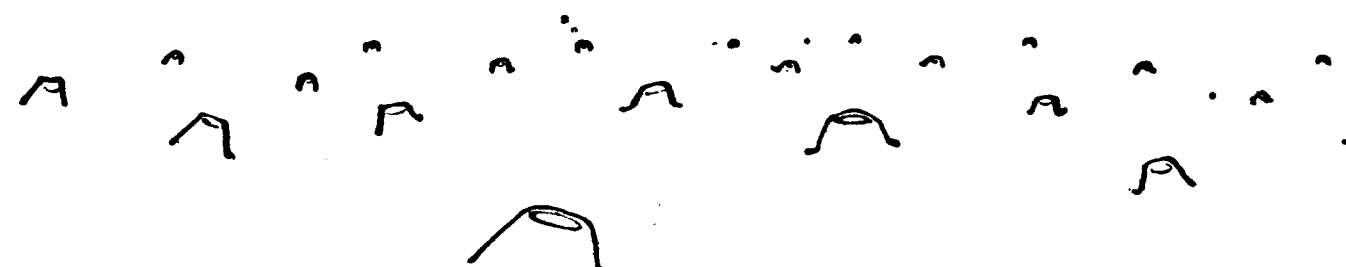
(£ million; years to March 31st; minus denotes net repayment)

|                                              | 1959-60    | 1960-61    | 1961-62    |
|----------------------------------------------|------------|------------|------------|
|                                              | Net issues | Net issues | Estimates  |
| <b>Nationalised Industries:</b>              |            |            |            |
| Post Office                                  | 34         | 37         | 29         |
| Coal Board                                   | 112        | 3          | 12         |
| Electricity                                  | 224        | 181        | 187        |
| Gas Council                                  | 26         | 20         | 15         |
| BOAC                                         | 7          | 20         | 7          |
| BEA                                          | 10         | 12         | 19         |
| Transport Commission                         | 111        | 145        | 116        |
| "Capital" advances                           | 85         | 5          | —          |
| Current subsidy*                             | —          | —          | —          |
| <b>Total</b>                                 | <b>609</b> | <b>422</b> | <b>385</b> |
| <b>Other Public Bodies:</b>                  |            |            |            |
| Local authorities                            | -55        | -56        | -57        |
| New towns                                    | 23         | 22         | 23         |
| Steel Realisation Agency                     | —          | —          | -20        |
| Richard Thomas & Baldwins                    | —          | 12         | 58         |
| Others                                       | 1          | 7          | 5          |
| <b>Total</b>                                 | <b>-31</b> | <b>-15</b> | <b>9</b>   |
| <b>Private Industry:</b>                     |            |            |            |
| Colvilles                                    | —          | 15         | 30         |
| Building Societies                           | 13         | 34         | 39         |
| <b>Total</b>                                 | <b>13</b>  | <b>49</b>  | <b>69</b>  |
| <b>Overseas Assistance:</b>                  |            |            |            |
| Colonial Governments                         | 8          | 23         | 29         |
| Colonial Developmt. Corp.                    | 3          | 6          | 18         |
| Independent countries                        | 31         | 32         | 44         |
| <b>Total</b>                                 | <b>42</b>  | <b>61</b>  | <b>92</b>  |
| <b>"War Claims":</b>                         |            |            |            |
| Repayt. of Post-War Credits                  | 64         | 24         | 18         |
| War Damage                                   | 13         | 9          | 8          |
| <b>Total</b>                                 | <b>77</b>  | <b>32</b>  | <b>26</b>  |
| <b>Other Advances</b>                        | <b>-10</b> | <b>-8</b>  | <b>-4</b>  |
| <b>Total Below-Line (Net)</b>                | <b>700</b> | <b>541</b> | <b>575</b> |
| * Transferred above the line in 1960 budget. |            |            |            |

from the government. This company is still nationalised, but £30 million of government money is also likely to be taken up in the loan to Colvilles. In all, the white paper shows total government finance for private industry, above and below line, at over £400 million in 1961-62. More than half of this is for agriculture, yet this total is actually above the capital advances to nationalised industries, and only about a fifth below the probable total after meeting the railways' current deficit.

In all, net expenditure below-line is put at £575 million in 1961-62, some £34 million more than in 1960-61. This spending should not sensibly be grouped together with current budget spending. It represents, for the most part, the creation of capital assets; and in the past year at least, it has been financed in the most orthodox way, through the gilt-edged market. The latest figures show that net sales of stock to the public in the first three quarters of the fiscal year (i.e., April-December) were about £430 million.

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*'I am a mole, and I live in a hole'*

This is the solemn and melancholy chorus our engineers sing round their drilling rigs. They add that they work longer hours than most moles. Also that mole business is not a risky business, whereas oil-hunting definitely is.

Everything about drilling for oil is a gamble. Our engineers may set up their derricks, their pumps and draw-works eight to ten times in jungle and swamp country. After a few months they might strike a gusher, or not find enough oil to pay for

postcards home. Those are the lumps we get in our porridge, and we have to swallow them. So have our competitors, luckily.

However, all these holes drilled all over the world eventually add up to a lot of oil and oil products. Plenty enough petrol to keep the car you'll buy next year on the road. Enough insecticides to keep the world's harvests healthy. Enough polyethylene to wrap everything that needs to be wrapped. On second thoughts, the mole song is a happy song.

YOU CAN BE SURE OF

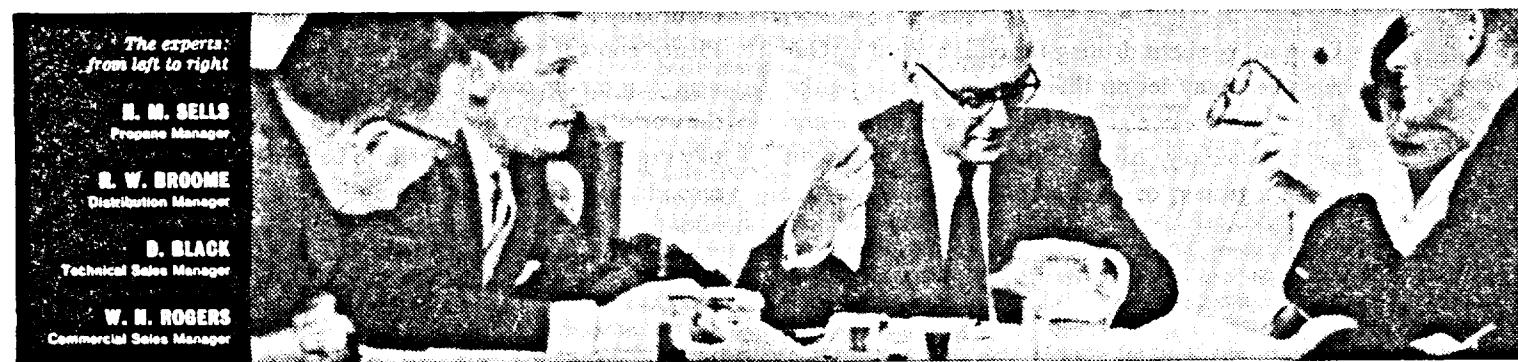






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## PERSONAL SAVING

### A New Record

THIS year's Economic Survey puts personal savings in 1960 at £1,483 million, a sharp rise of £450 million over 1959's total. This is the continuation of a revival in personal saving that began in 1952 after most observers had convinced themselves that the public had abandoned the habit, leaving new saving to the Government and business houses.

Of the latest rise of £450 million, £134 million was fixed investment in houses, stocks and fixed capital by unincorporated businesses. The major contribution to 1960's rise in personal savings came from the sharp fall in dis-saving through hire purchase: the increase in the public's debt of £27 million compares with an increase of £242 million in 1959. Personal bank deposits, after the deduction of personal advances, rose by £64 million more than in 1959. Loans for house purchase from the building societies and local authorities rose by £20 million. This is a good deal less than personal investment in new houses, which seems to be some indication of the size of the mortgage business done through other

#### PERSONAL SAVING

(£ million)

|                                                        | 1959         | 1960         | Change      |
|--------------------------------------------------------|--------------|--------------|-------------|
| <b>Net Increase in Assets:</b>                         |              |              |             |
| Investment in fixed assets plus change in stock values | 460          | 521          | + 61        |
| New dwellings                                          | 368          | 441          | + 73        |
| Life assurance, super-annuation funds, etc.            | 705          | 780          | + 75        |
| Personal bank deposits, less advances                  | 52           | 116          | + 64        |
| National savings                                       | 390          | 338          | - 52        |
| Building societies                                     | 274          | 222          | - 52        |
| Capital transfer payments                              | 172          | 185          | + 13        |
| <b>Total</b>                                           | <b>2,421</b> | <b>2,603</b> | <b>+182</b> |
| <b>Less Net Increase in Debt:</b>                      |              |              |             |
| Hire purchase debt                                     | -242         | -27          | +215        |
| Building society advances                              | -226         | -245         | - 19        |
| Local authorities: house purchase loans                | - 25         | - 26         | - 1         |
| <b>Total</b>                                           | <b>-493</b>  | <b>-298</b>  | <b>+195</b> |
| Identified net saving                                  | 1,928        | 2,305        | +377        |
| Total on "residual" calculation                        | 1,033        | 1,483        | +450        |
| Apparent dissaving                                     | -895         | -822         | + 73        |
| Source: Economic Survey 1961.                          |              |              |             |

channels. Life assurance and super-annuation funds rose still more steeply, by £780 million, which is more than half as large again as in 1956, the inflows into "National" savings and shares and deposits of building societies were in each case £52 million lower than in 1959, as the higher Bank rate reduced their investment attraction.

The "unidentified" item is a commonplace of white papers. Jokes were made when the statisticians lost £500 million some years ago in the difference between total identified personal saving and total

personal saving calculated as a residual of the income and expenditure accounts. This gap is now £822 million of apparent dissaving. The statisticians have never been able to give any real guide to what assets the public has sold or what strange new debts it has contracted. It is hard to retain faith in the total thrown up by the residual calculation: personal saving, in other words, may be still higher than the white papers show.

## MOTORS

### Good-bye to Short Time

THE motor industry has now ended short-time working, rather later than the rise in demand this year might have led one to expect; the last pockets of short-time at the British Motor Corporation and Rootes finally disappeared this week. They seem to have been in the departments producing parts that could easily be stored, where the biggest stocks had been accumulated during the winter. Production is by now rising steadily, though it is still nearly 20 per cent less than it was a year ago—say around 27,000 a week. By May it should be approaching 30,000 a week again; but it is unlikely to reach last year's peak of 34,000 a week so long as sales of saloons in the United States remain depressed. And until the industry can build up its labour force after the dismissals and wastage of the winter—which it does seem in a hurry to do at present—it could not make so many cars. The big five probably have about 11,000 fewer men on their books than they did last summer, a fall of about seven per cent. The losses vary widely. Standard-Triumph International dismissed the most, 2,000, and probably lost another thousand from wastage, in all about 25 per cent of its labour force last autumn. Vauxhall dismissed 1,400 and lost another 600 or so, totalling eight per cent of its labour force. Ford and BMC dismissed none but lost about 2,000 and 3,500 respectively, four and six per cent of their working force. Rootes sacked 150 and, though it has given no figures, may well have lost a thousand altogether, or seven per cent of its workers.

Overtime has been worked for the last month by Ford and Vauxhall, though the latter has not yet re-started its night shift; and other companies are beginning overtime now, though they are only recruiting workers on a scale that does little more than replace men who leave. BMC is starting Saturday morning work for the men on the Minor and Mini-minor lines at Cowley this week, and expects to introduce it at some other factories soon; Rootes and S-TI are working little overtime so far. Supplies of parts seem to be the chief cause of delay in raising output; their producers have to work up output again, after orders were often precipitately cut last autumn, before car production itself can rise. S-TI finds that there are delays on the delivery of some of its cars, as do other makers, while

its works are still well below capacity operation; the public may well be puzzled when it finds that it has to wait for a car so soon after stocks were so big, but when consumers behave as capriciously as they have in the last few months they are liable to put out the best-laid production schedules. Fortunately for the goodwill of the industry, delays are not long; those who are not too fussy about colour schemes should still get delivery from stock.

### More Power for the Herald

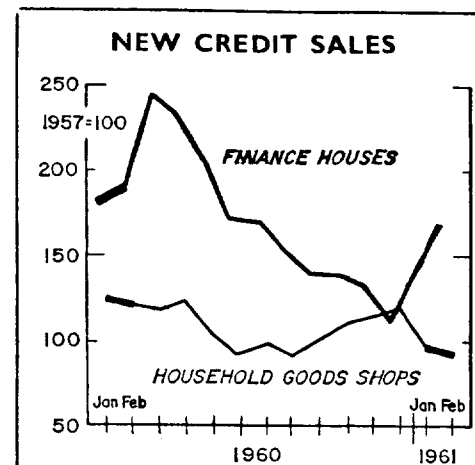
OWNERS of the Triumph Herald have until now been in the embarrassing position of owning a car that—unless it had the optional two-carburettor inlet manifold—gave less performance than its cheaper rivals. The enlarged 1,147 cc engine that is now being fitted to the standard Herald range of saloon, coupé and convertible will spare future buyers this embarrassment; it gives acceleration through the gears that is as good as, if not slightly better than, that of the Anglia and BMC babies, and top gear acceleration that is significantly superior. The price of the more powerful model is only £6 more than that of the old one; interior trim more in the British luxury car tradition—walnut veneer on the dashboard—more comfortable front seats and rubber-covered bumpers are other changes given for the money; on the engineering side, there are also a closer-ratio gearbox and a higher back axle ratio. Enlarging the engine, which has simply been done by boring out the cylinders, has increased its torque, or pulling power, at low speed more than its maximum power—it develops 27 per cent more torque but only 12 per cent more power. This explains why higher gearing is compatible with better top gear acceleration; and the use of higher gearing has prevented the fuel consumption from rising with the performance. A two-carburettor manifold is not available at present, but one will soon be offered as an optional fitting on all three models.

The increased attractions of the standard Herald should help its makers to keep it selling in the market for which it was intended—that for the sporting, rather than sports, small car; but it may soon have to meet more competition in it from Ford. More, one suspects, by accident than by design, a good share of this market has already gone to the BMC babies. The Herald cannot rival such competitors on price; but, by the drastic cuts in the price of the "S" model, which still uses the old 948 cc engine, it has been brought down the price scale to a point where it can compete with other BMC and Ford products, especially for the fleet user market. But the higher volume that should be obtained must be at the expense of lower margins, despite the cost advantages that S-TI's new and bigger assembly building may be providing.

## Presidential Advice

**D**URING his two years as president of the Federation of British Industries Sir William McFadzean has shown himself willing to speak bluntly whenever the occasion required it and to tell industry what he thought was wrong with it. His valedictory presidential address this week, shortly before Mr Cyril Harrison, vice-chairman of English Sewing Cotton Company, was elected to succeed him, was not out of character. After making some remarks about the division of Europe into two trading blocks, which he thought was already solidifying and was starting to create some duplication of industrial investment, but which basically required a political decision to solve it, he spent the greater part of his time dealing with exports.

While the amount of money now going into the expansion and modernisation of industry made him feel in general bullish about this country's capacity to export, he was quite certain that "too little attention is still being given to the tastes and requirements of overseas customers. . . . We are still falling down on delivery and in not notifying customers quickly enough when, often through circumstances beyond our control, delivery is going to be delayed." It may be that other exporting countries do this too, but this should be "our opportunity and must not be our excuse." The number of British salesmen overseas, too, was still too thinly spread compared with



The extension in January of the maximum repayment term from two to three years has had no apparent effect on credit sales by shops, which showed the same movement between January and February this year as last. However, sales through finance houses increased much more than last year; sales of new cars rose by 50 per cent above January and were only 5 per cent less than a year earlier.

Total debt outstanding fell by £6 million during February to £922 million.

## BUSINESS NOTES

those of our principal competitors. To be really effective, he felt, export salesmen should be able to speak the local language so as to "appreciate the requirements and aspirations of the countries to whom they are selling"; and they should have higher status. Sir William said he sometimes wondered if the virtues of being a scientist, a technician, or a production efficiency expert have all been over-boasted compared with those of being a salesman. "Too often . . . the belief is held that any 'dogsbody' will do on the commercial side."

But not all his exhortation was directed at his own members. Any "warm feeling" for Britain overseas was, he reckoned, associated more with our traditions than our modern achievements. Often our publicity was concerned only with our problems: from "leading newspaper reports overseas one gets the impression labour here is constantly on strike, whereas . . . we lose fewer man hours than practically any other western nation". There are too, he added, many factors affecting this country's export performance that are outside industry's control, such as the cost of products and services of state industries, transport and dock facilities, and export credit facilities and credit insurance. Sir William said that he hoped that there is a growing determination among all concerned here "to put their house in order and render the most competitive and effective assistance to the cost of British exports."

## CYCLES

### Contraction

**T**HE closure of four cycle and accessory making factories that Tube Investments announced last Saturday is the latest move in its plans to concentrate bicycle production at the Raleigh works in Nottingham and that of mopeds at the TI works in Birmingham. These moves are being made against the gloomy backcloth of a rapidly falling demand for bicycles on the British market, which brought output down to a record low figure in January—20 per cent below the 1960 level. The factories that will be closed during the next three years are the Norman bicycle and moped works at Ashford, in Kent; the Sun bicycle factory in Birmingham; and two saddle and accessory makers, J. B. Brooks and Wright Saddle, also in Birmingham. Production from the factories closed down will be re-distributed among other factories in the group; the men who lose their jobs will get compensation, and the manner in which the closures are made will be discussed with the works committees before any detailed plans are made.

Home sales of bicycles have been falling cumulatively for more than a year past; as fewer and fewer people want to propel themselves around; the hire purchase restrictions accelerated the fall, but the lengthening of the repayment period has not checked it. Sales are now far below

## THE ECONOMIST APRIL 15, 1961

their previous low point, and there are no signs of a recovery. Exports, however, are running at much the same level as in 1960, a year in which they had risen by 18 per cent. The present level of exports should be maintained for the rest of this year; but the industry feels pessimistic about the long-term prospects, with more and more of its markets preparing to make their own bicycles.

Decline is the only prospect that the cycle industry can now see for its products; so, as well as contracting, it is diversifying. Mopeds were its first new product, but their sales have been disappointing in the past year—though there seemed to be some signs of a recovery with the new year, perhaps a result of the new models that Raleigh has introduced. Lightweight scooters followed from Raleigh last winter, too recently for their impact to be measured; the lengthening of the hire purchase repayment period has done nothing to help sales, for it is the size of the deposit that counts, as it does with appliances. Toys are another new product: as the bicycle sells more and more to a juvenile public, it may seem logical to make such things as toy bicycles and pedal cars. And an increasing part of the work done at the Raleigh factory is now not concerned with any form of bicycle at all, but is sub-contracting for other firms.

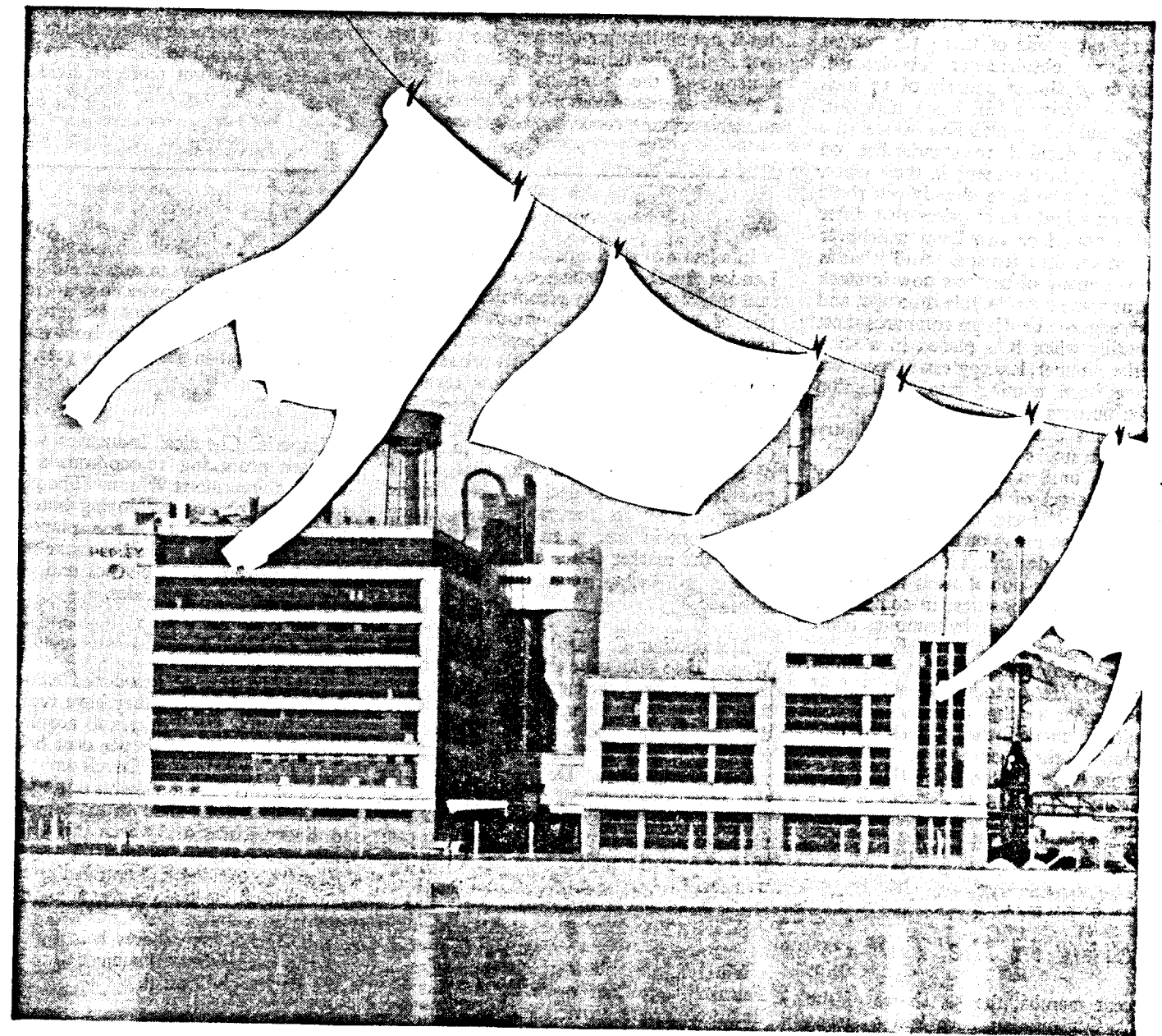
## TELEVISION

### Unloading Stocks

**T**HE General Electric Company, threshing around like a beached whale attempting to regain deep waters, has with one flip of its tail sent flying a substantial number of its junior executives; one of its huge flippers has cut roughly £15 off the price of its cheaper and more off the price of its more expensive television sets in an attempt to clear its factory of obsolete stocks. Most television makers have been accepting for their stocks very much what the retailers will offer them, and retailers have been doing profitable business since before Christmas in selling television receivers for less than £50 that are still officially listed by their manufacturers at more than £60. GEC has now become tired of this farce, and accepted the fact that since the public is never again likely to pay 63 guineas for a painfully ordinary 17-inch television set. A company itself may just as well take what credit can be got from cutting its price down to 49 guineas, and so on up the scale.

Television stocks present the industry with no ordinary headache. At Christmas, when stocks at the factories and the shops had between them reached the staggering figure of 1.2 million, or the equivalent of nine months' sales, it was customary to say that between 500,000 and 600,000 of these sets represented normal trading stock, and that the corner would have been turned once the industry has managed to halve the

## THE ECONOMIST APRIL 15, 1961



## Hedley get dazzling results - on Coal

**F**OR GREAT-GRANDMOTHER, washday meant backbreaking toil, and the energetic use of a scrubbing brush and a bar of soap in a choking atmosphere of billowing steam. For her grand-daughter, washday means the flick of a switch and the amazing cleansing power of soap powders like Oxydol and Fairy Snow, detergents like Tide and Daz—all the result of tireless research and modern manufacturing methods.

The three factories of Thomas Hedley & Co. Limited turn out over 500 million packets of washing products a year. When the choice of fuels was examined,

Hedley engineers chose coal because a careful study of operating and capital costs showed it to be the most economical fuel: because coal—mechanically stoked—is smokeless; and because British coalfields can supply all the coal that industry will need both now and in the foreseeable future.

If your voice is a deciding one in the choice of fuels for your factory, remember Hedley. Beneath their smokeless chimneys lies a wealth of knowledge and applied experience. Hedley say coal. The same decision can give your product a brighter future.

| Here are some key facts and figures about the consumption of coal at the three Hedley factories: |                                       |
|--------------------------------------------------------------------------------------------------|---------------------------------------|
| Boilers:                                                                                         | 8 water tube                          |
| Method of firing:                                                                                | 6 Underfeed and 2 Chain grate stokers |
| Steam pressure:                                                                                  | 475, 460 and 160 p.s.i.               |
| Steam temperature:                                                                               | Saturated and 100° superheat          |
| Annual fuel consumption:                                                                         | Over 45,000 tons of coal              |

**SOLID FUEL—more heat at less cost—and it's British**

PROGRESSIVE INDUSTRY IS GOING FORWARD ON

# COAL

ISSUED BY THE NATIONAL COAL BOARD



numbers then held. This ignored the fact that nearly every one of those 1.2 million receivers was obsolete or obsolescent. They consisted almost entirely of 17 inch and 21-inch receivers which are now out, or going out of production since the industry has decided to standardise on 19-inch and 23-inch screens in their place. Those makers who have already put these new sizes on sale do so at prices that differ by only a pound or two from whichever type of old set they replace. And what is even worse, many of the sets now in stock were made some considerable time ago, and their old, sugar-cube design compares most unfavourably when it is placed in a shop next to the slimmer, less aggressive receivers that have been coming into production since the autumn.

This means that although the industry has run down stocks quite appreciably since last autumn, until it is probably half-way towards its target of 600,000, it still cannot relax when stocks are down to that figure because so many of the sets will still consist of ageing designs. Therefore cutting back production is not of itself an answer to the industry's difficulties; in some ways it merely adds to them by running plant well below design capacity. GEC's price reductions are not intended just to reduce stocks; they are intended to get rid of them altogether so that the company can then start to market the 19-inch designs that it has in the back rooms. Whether the cuts are large enough to do this with a status symbol so potent as the telly is anyone's guess.

#### RANK ORGANISATION

### Sting in the Tail

IN recent months, the 5s. shares of the Rank Organisation have had a strong rise and investors were confident that the company's decision to revert to its former practice of declaring an interim dividend would result in a higher payment. They were right, but the interim statement proved to have a sting in its tail—the announcement of a one-for-five rights issue. The price at which the shares will be issued has not yet been announced, but the market has assumed that the issue will raise between £2½ million and £3 million. An interim dividend of 7½ per cent has been declared and it will be followed by a final of 15 per cent on the capital as increased by the rights issue. Effectively, if the one-for-ten scrip issue in October is left out of the calculation, the total payment will go up from 15 to 22½ per cent.

This announcement was accompanied by the forecast that profits in 1960-61 would amount to about £5 million before tax, against £4 million, and to about £1,300,000 after tax and minority interests, against nearly £720,000. In view of the facts that in the current financial year the group will not pay any entertainments duty on cinema admissions and that it has been making

#### BUSINESS NOTES

strenuous attempts to diversify its interests, this is not all that impressive. One brighter spot is that the tidying-up of the financial structure of the group has resulted in a cut in payments to minority interests. The market was more concerned about the pros-

THE ECONOMIST APRIL 15, 1961

pect that shareholders would have to subscribe more capital to relieve the strain upon the group's liquid resources than about the promise to pay out more in dividend and the 5s. shares immediately lost 1s. 9d. to 31s.

#### SHORTER NOTES

In a letter to all companies quoted on the London Stock Exchange, the Council has said that its previously recommended practice of withholding important announcements about dividends and profits until after the market has closed has not worked satisfactorily. The Council has now reversed its recommendation, for while it recognises that the timing of board meetings is a matter for the convenience and judgment of the directors, it now asks that, where possible, important decisions should be communicated to the Share and Loan Department in time to ensure their release before the market closes at 3.30 o'clock.

Metropolitan-Cammell Carriage and Wagon is to take over the contract for 450 underground rail carriages that Birmingham Rail and Carriage Company had asked London Transport to be released from because it found it could not fulfil the order without making heavy losses. Delivery dates will be the same, starting early next year, and Birmingham Rail and Carriage is to pay virtually the whole of the difference in cost to London Transport arising from this transfer.

Final figures show that retail sales in February were not quite as good as the Board of Trade provisionally thought four weeks ago, principally because the recent slight recovery in sales at durable goods shops was not after all sustained. At 112 (1957=100), instead of 113, the seasonally adjusted index number of the value of total sales in February was the same as the average for the last four months.

Figures published by the Association of Unit Trust Managers covering March show that 4,424,880 units, valued at £1,634,945, were repurchased while 3,447,220 units, valued at £1,275,080, were sold. The rise in equity prices was reflected in a rise of about £11 million in the total value of unit trust funds, which at the end of March, amounted to £229.6 million.

Two of the three British producers, Monsanto and Distillers, have cut the price of polystyrene by 4d. a pound. General purpose crystal grade now costs 1s. 7d. a pound for medium quantities and high-

impact 2s. 1d. Shell Chemical, the third producer, is likely to make similar price cuts soon. These reductions seem aimed at widening the market for polystyrene, not at meeting competition from imports—which have fallen sharply this year.

Imperial Chemical Industries will build a plant producing 10,000 tons a year of maleic anhydride at Wilton. The plant will use a new process employing butene, produced by the ICI olefine plants there. Maleic anhydride is used to make polyester resins for reinforced plastics and paint; it also goes into insecticides.

The directors of Associated Newspapers have announced that they have received an offer from Price Brothers to acquire Associated Newspapers' 51 per cent holding in Anglo Newfoundland Development on the basis of two common shares of no par value credited as fully paid in exchange for 11 ordinary shares of \$5 each of AND. The offer is conditional upon Treasury and Exchange Control consents being obtained. An offer on the same exchange basis will be made to acquire the remaining shares of AND (other than shares held by residents of the United States) subject to consent by the Exchange Control.

Simon-Carves has received orders provisionally valued at £7 million to design high-pressure polythene plants for Czechoslovakia, east Germany, Poland and Rumania. The technical know-how for the process will be supplied by Imperial Chemical Industries for an undisclosed share of the sum.

#### COMPANY AFFAIRS

Comments on pages 268 and 269 on:  
Glaxo British Drug Houses  
Hambros Bank Bank of Scotland  
Trade Indemnity Army and Navy Stores  
Simon Engineering Reyrolle  
C. A. Parsons The Times Furnishing  
New Day (Holdings)

#### LONDON AND NEW YORK

Stock prices, yields and security indices on pages 270 and 271

#### LONDON STOCK EXCHANGE

The week's movements reported on page 269

#### MONEY AND EXCHANGES

Money market report, exchange rates and public finance on page 272

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#### COMPANY MEETINGS

## CO-OPERATIVE INSURANCE SOCIETY LTD



### MR S. LEONARD KASSELL'S REVIEW

At the Ninety-third Annual General Meeting of the Co-operative Insurance Society Limited, held in Manchester on April 11th, Mr S. Leonard Kassel, Chairman, said:

It is my pleasure to submit to you the 93rd Annual Report and the Statement of Accounts and Balance Sheet of this Society for the year ended December 31, 1960.

Although technically the Annual Report is made to the Members of the Co-operative Insurance Society Limited, viz. the Co-operative Wholesale Society Limited and the Scottish Co-operative Wholesale Society Limited who between them own the Society's share capital, there is no doubt that interest in the Society's activities is far more widespread, since CIS policies of one class or another are to be found in a very large proportion of homes in the United Kingdom.

Despite strong competition the CIS continued to make good progress in 1960 and the year's results can be regarded as very satisfactory.

The premium income in 1960 was £56,308,819 against £51,855,863 for 1959 showing a very substantial increase of £4,452,956. The principal increases were in the Industrial Life Section (£1,433,622), the Ordinary Life Section (£859,660) and the Motor Department (£1,818,001). For the first time in the Society's history the total new sums assured in the Life Sections (Ordinary and Industrial) exceeded £100,000,000. The premiums paid in the Ordinary and Industrial Sections of the Life Department, which totalled over £39 million were in respect of 11 million premium paying life policies which were in force. The success of our Life Departments is due not only to the efforts of our Field Staff and the regular Home Service given by our full-time Agents, but also I am sure, to the growing recognition of the advantages of saving through life assurance which couples thrift with the protection which such policies provide.

Protection of a different kind is provided by the Fire, Accident, Motor and Marine Departments and when I tell you that these four Departments between them settled over 330,000 claims during 1960 it is quite evident there is great need for the protection provided by various

types of policy which we issue. Incidents such as the severe flooding which took place last Autumn in various parts of the country emphasise the fact that many persons are still inadequately covered or under-insured and many are not insured at all against the many risks to which a householder and his family are exposed every day.

Turning for a moment to domestic affairs, I am pleased to recall that on July 13, 1960, I had the privilege of laying the Foundation Stone for the Society's new Chief Office building. I am glad to say that good progress is being made with the construction and the steel work is already in position up to the 25th floor, which is in fact the top floor and there is no doubt that in addition to further enhancing the prestige of the Society the completed building will make a very important contribution architecturally to the development of Manchester.

It is expected that the building will be completed by the middle of 1962.

As I have stated in previous years, investment of the Society's ever growing assets, which totalled £260,725,239 as at December 31st last, is a matter to which the Directors devote a great deal of their time. The bulk of our assets relate to the Life Assurance Funds so that in considering the investment policy the Board of Directors have to bear in mind that they are investing the savings of our life policyholders and must follow an investment policy which is in the policyholders' best interests.

From that point of view the year 1960, like the year 1959, was a profitable one since long-term fixed interest yields have remained high and full advantage has been taken of this situation which in my view looks like continuing for some time to come.

In addition to purchasing fixed interest securities, the Society has continued to lend under the House Purchase Scheme and to invest in other larger properties.

Despite the fact that the rate of interest on new House Purchase mortgages was increased from 5½ per cent to 6 per cent as from June 13, 1960, such mortgages are still relatively unattractive as compared with other investments

and whilst not closing the Scheme to new business we have nevertheless felt it desirable to limit considerably the new advances with the result that the net increase in House Purchase mortgages as at the year end was only £944,314. The total amount outstanding under House Purchase loans at the year end was £42,401,513, secured upon 44,062 properties. The average House Purchase mortgage outstanding was £962.

Our investments in freehold and leasehold properties show a substantial further growth and having regard to the forward commitments which we have made on advantageous terms this tendency is likely to continue.

Substantial investments in well-secured Co-operative properties were made during the year.

Investments in British Government and British Government Guaranteed Securities amounted to £51,831,500 as at December 31, 1960, being an increase of approximately £1,300,000 and representing 19.88 per cent of our total assets.

It will also be observed from the Balance Sheet that our investments in other fixed interest stocks and Ordinary Shares show considerable increases. Our past investments in Ordinary Shares have been of inestimable value to our policyholders and if circumstances appear to be favourable we shall undoubtedly continue to make such investments.

#### ADMINISTRATIVE COSTS

In 1960 our overall commission and expense ratio showed a decrease at 24.14 per cent as against 24.44 per cent in 1959.

It must be regarded as very satisfactory that the proportion of the total premium income expended in administrative costs has been reduced, particularly when it is borne in mind that the Accounts are already bearing increased charges in respect of our new Head Office premises and that during the past year the salary scales for most of the administrative grades of the staff were increased.

In the Industrial Section the expense and commission ratio was 27.03 per cent as against 27.31 per cent in 1959.

## LIFE DEPARTMENT

I have already mentioned that for the first time in the Society's history the total new sums assured exceeded £100 million. Of this total £49,748,893 was effected in the Ordinary Life Section and £50,365,039 in the Industrial Life Section.

The average sum assured in the Ordinary Section was £756. About £34 million of the new sums assured in that Section was in respect of policies for sums assured of £1,000 or more.

I am happy to be able to link a year of increased new business production with an increase in the reversionary bonus in the Ordinary Section from 44s. per cent to 48s. per cent. This increase of four shillings follows increases of 2s. per cent in 1959 and 1960, so that in three years the reversionary bonus has increased by 8s. per cent. These increases are, of course, in the main a reflection of the success of our investment policy which enables our policyholders to share in the prosperity which has attended the undertakings in which a proportion of our ever-growing funds are invested and the high rates of interest on other classes of investment which have prevailed for some time past.

MARINE, AVIATION AND TRANSIT  
INSURANCE ACCOUNT

The premium income in this account showed a slight decrease on that recorded in 1959 but with these classes of business a large proportion of premiums as well as claims are received in following years and consequently yearly comparisons cannot readily be made as with other classes of business. Moreover it is generally accepted that Marine insurance premiums reflect to a large extent the trend of export and import trade and some fluctuation is therefore to be expected.

## FIRE DEPARTMENT

The premium income in this Department continues to show steady growth and rose during the year by £116,270 to £2,269,703. During 1960 we were involved in a greater number of large fires than in the previous year and our net claims ratio of 50.2 per cent against 46.8 per cent last year can be regarded as satisfactory. There was a reduction in the commission and expense ratios and a sum of £299,875 has been transferred to Profit and Loss Account.

The high rate of fire wastage in the United Kingdom continued during 1960 and the estimated total of £43½ million was only some £500,000 short of the 1959 figure, which was the highest total on record. In addition to the damage sustained by fire, considerable losses have been experienced in recent years from allied perils which are increasingly being covered as extensions to fire policies. It is estimated that insurers in this country had dealt with over 20,000 claims involving over £1 million for flood damage up to December 1, 1960, and further serious floods have occurred since then. The CIS has, of course, had to bear its share of these claims.

## MOTOR DEPARTMENT

In 1960 the Motor Department premium income exceeded ten million pounds for the first time. Although there have been some very large increases of premium income in recent years, there was a record increase of £1,818,001 last year, and this brought the total to £10,688,831. The rapid growth of this Department has thus been maintained; in 1954 the income was only £3½ million and in the short space of six years the income has trebled.

## COMPANY MEETING REPORTS

In recent years the trading results in this Department have been marginal. Last year it will be recalled there was a small underwriting loss although the account as a whole, taking interest earnings into consideration, showed a surplus. In 1960 I am glad to say there was an underwriting profit of £26,126 which is very small in relation to the total premium income being less than one quarter of one per cent of the premium income. In circumstances less favourable that slender margin could disappear and there can be no relaxation of our standards either of prudent underwriting or of economical management. The total surplus amounted to £190,786 of which £155,225 has been transferred to the Profit and Loss account.

Whilst we are happy to know that more and more motorists look to the CIS to provide them with insurance cover, this account is a constant source of anxiety to the Directors as the results are so unpredictable.

## ACCIDENT DEPARTMENT

Personal Accident premiums increased by £13,064 over those of 1959 and owing to an unusually low claims ratio a sum of £63,950 has been transferred to Profit and Loss Account, as compared with £46,225 in 1959. Many Retail Societies have not increased the amount of Personal Accident insurance cover for members of their Committees, Delegates and Senior Officials, for several years and this matter is commended for their earnest consideration.

Losses due to burglary and theft showed no signs of abating but there was some improvement in the cost of Employers' Common Law claims and in connection with this class of business the substantial reductions in premiums introduced in June last should prove a useful saving to Retail Societies.

## PROFIT AND LOSS ACCOUNT

The sum of £914,200 has been transferred to the Profit and Loss Account from the Departmental Revenue Accounts, of which £250,000 has been added to the General Reserve Fund.

## DISTRIBUTION OF PROFITS

After making this transfer and providing adequate reserves for contingencies we are able to distribute the sum of £9,682,430 as a result of our operations for the year 1960. The whole of this amount will be distributed for the benefit of the Society's policyholders; £9,057,430 will go to our Ordinary Life and Industrial Life policyholders and the balance of £625,000 will be payable to Co-operative Societies as a dividend on the Fire, Accident, Motor and Collective Life premiums paid to the CIS during the year. The rate of dividend on Fire and General premiums has been maintained at 3s. 6d. in £ of premium and this should be ample evidence to the Societies and their members of the advantage of insuring with their own Insurance Society.

## TAXATION

The amount of tax payable by the Society in respect of our transactions for the year was £1,991,866. Of this total £337,846 has been reserved for taxation on the profits of the Fire and General Departments; £106,502 charged to the Industrial Life Account, and the balance was paid during the year by deduction from interest earnings.

## BOARD CHANGES

Since the last Annual Meeting Mr Norman Tattersall has retired from the CIS Board in consequence of his retirement from the Board of the CWS. Mr Tattersall served as a Director of the CIS for a period of over six years and

## THE ECONOMIST APRIL 15, 1961

his wide experience in other fields enabled him to make an important contribution to the work of the Board.

Mr Kenneth Noble has been appointed to fill the vacancy caused by the death of Mr Pedlar to which I referred last year, and Mr R. Byrom has been appointed to take Mr Tattersall's place.

Whilst referring to the Board I am sure you would wish me to congratulate our colleague—formerly Mr J. M. Peddie, MBE, JP, now The Lord Peddie of Kingston-upon-Hull—on the Life Peerage which was conferred upon him in January last.

## CONCLUSION

Year by year I have been able to report further general progress even if there are temporary set-backs in particular Departments for reasons beyond our control. The year 1960 was one of our more successful years but I would not wish the staff to believe that the Directors feel that success is automatic and inevitable. We realise quite well that it is only by constant endeavour by all grades of the staff that these gratifying results are achieved. Naturally we hope and expect that these endeavours will continue but I do take this opportunity of expressing our appreciation of the co-operation and good-will of the staff during 1960, which I am sure will be maintained during 1961 and thereafter.

Once again I wish to thank the Retail Co-operative Societies for their loyal support.

The outstanding success of the CIS must redound to the credit of the Co-operative Movement as a whole and for this and many other reasons I am happy to submit such a satisfactory report for the year 1960.

The Report and Accounts were adopted.

THE RIO DE JANEIRO  
FLOUR MILLS AND  
GRANARIES LTD

The seventy-fifth Ordinary General Meeting was held on April 4th in London.

Mr J. H. Hansard (the chairman) presided and, in the course of his speech, said:

Since my Statement was sent to you on March 13th there have been major changes in the exchange regulations in Brazil which have resulted, *inter alia*, in the free exchange rate being quoted at around Cr\$730 to the £, compared with Cr\$538 at the end of last September when your accounts were closed. Substantially increased prices have been fixed for imported wheat. On the other hand, the Brazilian Government has authorised within the last few days a substantial increase in the selling price of flour—the first increase since February, 1959.

In flour milling our trading results to the end of February were disappointing, mainly because of the shortage of wheat, the increased wages and other costs and the absence during this period of any increase in the price of flour. The price changes now authorised should put our flour milling operations on a reasonably profitable basis; much will depend on the availability of wheat supplies.

Our cotton milling results continue to be satisfactory and the Biscuit Division is now in full and profitable operation.

In the last few days the necessary consent to our scheme of reorganisation has been received from the Treasury and it is hoped to post the whole scheme to stockholders for their approval in two weeks from today.

The report was adopted.

## THE ECONOMIST APRIL 15, 1961

CLAYTON DEWANDRE COMPANY  
LIMITED

Manufacturers of Power Braking Equipment

## RECORD OUTPUT AND SALES

## INCREASED NET PROFIT

## MR A. V. PERRY'S REVIEW

The thirty-second annual general meeting of Clayton Dewandre Company Limited will be held on May 9, 1961, at the company's London Office, Time and Life Building, 156-157 New Bond Street, London, W1.

The following is the Review by the Chairman, Mr A. V. Perry, which has been circulated to Stockholders with the Directors' Report and Statement of Accounts for the year ended December 31, 1960:

## GENERAL

Our output is again a record, being some 20 per cent up on the preceding year, and on the present indications it would be fair to assume that it will increase by almost the same percentage in the current year, our order book is high and in a very healthy condition.

The Plants at Lincoln have been worked to full capacity during the year, but with an excessive amount of overtime, which is neither very good for the company nor for its employees. This is a situation which will gradually remedy itself. I refer below to the progress of our Southampton Works (Power Brakes Limited). Another Works is being erected for us, which we shall lease, but this will not be ready for occupation until the end of the year and, therefore, will not be in production until well on into next year.

## THE BRIDGE FOUNDRY COMPANY LIMITED

The extension of capacity mentioned in my comments last year has now been completed. This unit has been affected by the recession in the Car Industry, roughly about half its output being taken by ourselves and the other half in supply to the Light Car Industry. For the latter part of the year under review we worked a four-day week, but things have now improved and we are on full time.

## POWER BRAKES LIMITED

These Works at the end of the year under review were one-third in full production. At the time of writing this has risen to one-half, and by the autumn of this year the whole of the Southampton Works will be in full occupation, not only on Mot-a-Vacs but on machining components for our main supply, and also on hydraulic braking which is being fitted to the new Routemaster bus introduced by LTE.

Mot-a-Vac has been on the market since about the middle of last year, and whilst initial sales were not as large as we could have hoped for, it has nevertheless made a satisfactory impact, and sales in the current year show a gratifying steady growth.

## OVERSEAS

## UNION OF SOUTH AFRICA

Our South African subsidiary came into active

## COMPANY MEETING REPORTS

The capital needs of the Company are naturally being kept under constant review, and, as I have said above, most of the Company's surplus funds have now been employed in increased stock in trade and in equipping Power Brakes Limited, and the South African Company. If expansion continues at the rate we anticipate it is obvious that the drain on liquid funds will increase. These needs will be judged in the fullness of time in the light of the then state of the business and its prospects.

It is with these facts in mind your Directors have recommended placing to General Reserve the substantial sum of £250,000 but after making provision for that your Directors are enabled to recommend an increase in Dividend to Stockholders, which is 2½ per cent higher than last year on the increased capital and 5 per cent higher than on the capital of the previous year, and it will be noted that, after tax, this Dividend is covered 2.7 times.

## ACCOUNTING PERIOD AND ANNUAL REPORT

As we now have the Accounts of three Subsidiary Companies to consolidate, our present timetable for making a preliminary announcement in early March hardly gives our Accounting Staff sufficient time to complete their work and for the Board to consider fully the results. Next year, therefore, the preliminary figures will be announced in early April and the posting of full Accounts and the Annual General Meeting will be approximately one month later than this year.

## PERSONNEL

Our thanks are once again due to our Management and Executive officials, and all our employees, for the excellent work they have done.

## HENEKEYS LIMITED

## ANOTHER SATISFACTORY YEAR

The forty-first annual general meeting of Henekeys Limited was held on April 11th in London, Sir Bernard D. F. Docker, KBE, JP (the chairman), presiding.

The following is an extract from his circulated statement:

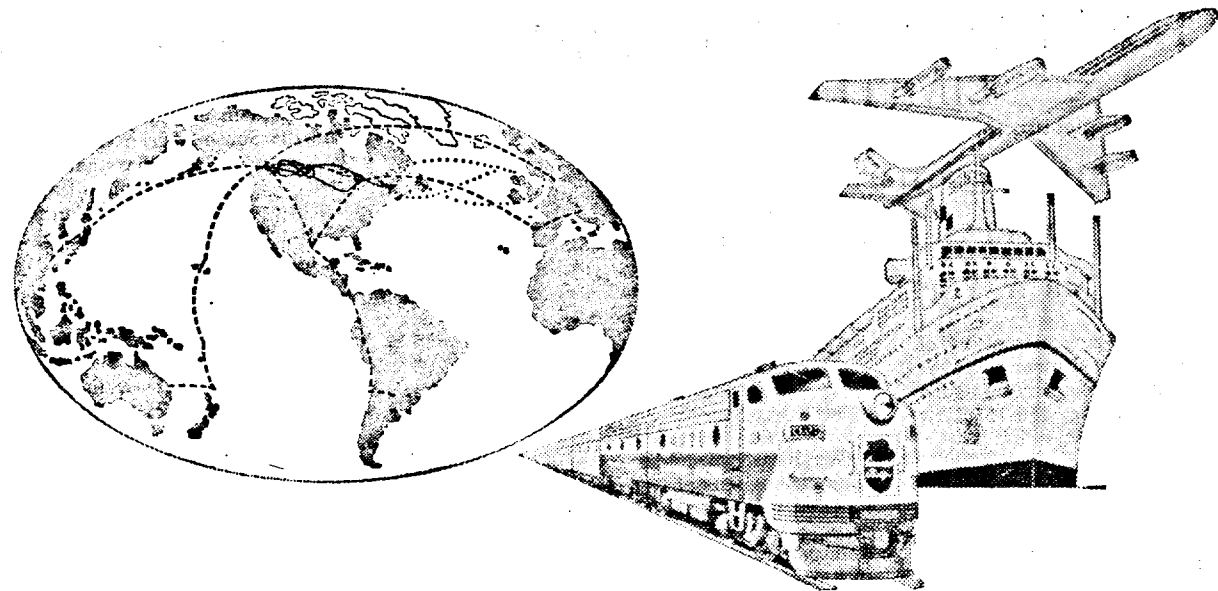
We have had what I think is another satisfactory year. The Profit, before Taxation, at £186,453 shows an increase of £13,500; Taxation this year takes an additional £7,500 at £91,611, leaving a net increase of £6,000. Last year £9,500 was brought in, being excess Taxation no longer required, as against practically nil this year.

Since the end of our financial year sales have continued to increase, so also, unfortunately, have expenses. Steps have been taken in an endeavour to keep these two factors in reasonable harness, and in February, 1961, we increased some of our prices per glass—but anyone studying our price-list will still find that we give outstanding value for the high quality supplied.

Turning to the Balance Sheet, the item of Trade Investments has increased by approximately £10,000, as a result of the taking up, by this Company, of part of the "rights" issue of Tomatin Distillers Co., Ltd. As a result of sales of shares, and of the sale of the remainder of the "rights" issue, the Reserve of Profit not subject to Taxation has increased by £7,356 to £31,888, and your Directors recommend a distribution therefrom of 5 per cent not subject to Taxation, to the "A" Ordinary and Ordinary Stockholders.

The report was adopted.





# 80<sup>TH</sup> Annual Report

## Canadian Pacific RAILWAY COMPANY

### Extracts from the report of the Directors to the Shareholders:

There was a slowing down in the rate of growth of the Canadian economy in 1960. Although the gross national product was about the same as in 1959, industrial production lagged during a good part of the year and construction activity dropped sharply. Notwithstanding current economic difficulties, there is no ground for lack of confidence in the future. Accordingly, your Company pressed forward its program of improving facilities and services. In the transportation field the dieselization program was completed, additions were made to the modern train signalling system already in operation over various stretches of main line track, and piggyback and merchandise services were further expanded. The freight traffic department of your railway was reorganized in order to increase the effectiveness of sales effort. An important international route was added by your Air Lines, and the "Empress of Canada" was launched. In other fields, existing communication services were extended to new areas, a new wire-photo facsimile service was inaugurated, and exploration and development of your oil and gas interests in Western Canada continued.

The MacPherson Royal Commission on Transportation which was appointed in May of 1959 continued its hearings throughout the year and the report of the Commission is expected by March 31, 1961. Any remedial action regarding the statutory rates on grain and grain products will necessarily be delayed until the Commission has made its report to the Government of Canada.

Following the failure of the Conciliation Board to bring about a settlement of the dispute between the railways and the unions representing the non-operating employees, the unions declared their intention to strike on December 3. The strike was averted under an Act of Parliament, expiring May 15, 1961, which provided for the continuation of the operation of the railways.

Railway revenue was 4% below that of 1959. Most of the decrease was in freight revenue but passenger revenue was also lower, reflecting in part the policy of your Company of reducing unprofitable passenger train mileage wherever possible. In view of lower revenues, it was necessary to curtail expenses and a reduction was effected despite increased labour rates and material prices. Net railway earnings, at \$33.7 million, decreased 7% and provided a return of 2.5% on your net investment in railway property.

Income from sources other than the railway amounted, after income taxes, to \$12.4 million, a decrease of \$276,000. Increases in dividends from The Consolidated Mining and Smelting Company of Canada Limited and in earnings from hotels and communications were offset by a loss from your steamships compared with a profit in 1959, an increased loss on your Air Lines, and a decrease in net income from petroleum rents, royalties and reservation fees, partly owing to the transfer of certain mineral rights to your wholly-owned subsidiary, Canadian Pacific Oil and Gas Limited.

Net Income, after fixed charges, totalled \$29.0 million. After providing for dividends of 4% on Preference Stock, income per share of Ordinary Stock amounted to \$1.81, as compared with \$1.97 in 1959. After dividends on Ordinary Stock totalling \$1.50 per share, a balance of \$4.4 million was available for modernization and other corporate purposes.

Capital expenditures totalled \$71 million. Of this, \$53 million was expended on railway plant and equipment, \$9 million on aircraft leased to your Air Lines, \$4 million on steamships, \$3 million on communication facilities, and the balance on hotels and other properties.

(next page please)

# Canadian Pacific

RAILWAYS • STEAMSHIPS • AIRLINES • HOTELS • COMMUNICATIONS • EXPRESS

## Canadian Pacific

### INCOME ACCOUNT

|                                                      | 1960           | 1959           |
|------------------------------------------------------|----------------|----------------|
| Railway Revenue .....                                | \$ 457,105,482 | \$ 477,805,874 |
| Railway Expenses .....                               | 423,430,812    | 441,759,581    |
| Net Earnings ....                                    | \$ 33,674,670  | \$ 36,046,293  |
| Other Income ...                                     | 12,402,177     | 12,677,751     |
|                                                      | \$ 46,076,847  | \$ 48,724,044  |
| Fixed Charges ..                                     | 17,105,571     | 17,435,113     |
| Net Income .....                                     | \$ 28,971,276  | \$ 31,288,931  |
| Dividends:                                           |                |                |
| Preference Stock \$                                  | 3,096,742      | 3,029,053      |
| Ordinary Stock ..                                    | 21,498,684     | 21,497,897     |
|                                                      | \$ 24,595,426  | \$ 24,526,950  |
| Balance transferred to Retained Income Account ..... | \$ 4,375,850   | \$ 6,761,981   |

### HIGHLIGHTS

#### Year-end Position

|                     |               |               |
|---------------------|---------------|---------------|
| Working Capital. \$ | 98,628,477    | \$ 89,960,458 |
| Investments ....    | 164,196,298   | 156,967,926   |
| Properties .....    | 2,360,364,489 | 2,349,479,762 |
| Funded Debt ....    | 172,874,316   | 186,463,477   |

#### Tax Accruals

|                             |            |               |
|-----------------------------|------------|---------------|
| Income Taxes ... \$         | 26,270,000 | \$ 27,260,000 |
| Property and Other Taxes .. | 13,291,594 | 11,715,342    |

#### Traffic

|                                 |            |            |
|---------------------------------|------------|------------|
| Tons of Revenue Freight Carried | 56,923,940 | 57,878,732 |
| Revenue Passengers Carried .... | 7,058,767  | 7,739,503  |
| Revenue per Ton Mile of Freight | 1.52c      | 1.57c      |
| Revenue per Passenger Mile      | 3.03c      | 2.99c      |

#### Employees

|                               |             |                |
|-------------------------------|-------------|----------------|
| Employees, All Services ..... | 74,037      | 79,882         |
| Total Payroll ... \$          | 306,869,026 | \$ 321,985,962 |
| Average Annual Wage .....     | \$ 4,145    | \$ 4,031       |

## Canadian Pacific

• TRUCKING • PIGGYBACK

## LEEK AND MOORLANDS BUILDING SOCIETY

### DISCRIMINATORY TAXATION BURDEN

The one hundred and fourth annual general meeting of Leek and Moorlands Building Society was held on April 10th at Leek, Staffordshire.

Mr Gilbert Tatton (the Chairman) presided, and, in the course of his speech, said:

In the investment department, Investing Shareholders' and Depositors' balances have increased by over £16,500,000 to a record total of almost £60 million.

On the mortgage side total advances to borrowers were £7,900,000, about the same as for 1959, all loaned on carefully selected properties to applicants of good status, the vast majority being owner occupiers.

There is still a very heavy demand for mortgage accommodation and this will undoubtedly continue as the desire for home ownership continues to increase. The total balances now outstanding on mortgage amount to £52 million, an increase of £14,500,000.

Total resources of the Society now stand at £63,329,214 with investments and cash of £10,704,689 and reserves of £2,972,558.

Your General Manager has been appointed to the office of Deputy President of the International Union. I would like to call the attention of the Government and in particular of the Colonial Development Corporation to the fact that the International Union is capable of playing a great part in providing technical assistance to the under-developed countries and it would seem to me that if the funds available for the under-developed countries are to be used to the best advantage, housing, preferably owner occupier housing, should take precedence, for it is obvious that from good housing of occupier owner status will emerge and evolve a truly democratic nation.

### TAXATION

I continue to protest at the burden of profits tax and indeed the taxation of any surplus which Building Societies are able to put to existing reserves. It seems sheer folly that on the one hand the Government is subsidising National Savings, including the Trustee Savings Bank Depositor to the extent of giving tax-free interest at a cost of some £12 million per annum in loss of income tax, whereas Building Societies engaged in the business of national savings through thrift and home ownership are penalised to the extent of having to pay now increased profits tax. In addition we are taxed on the small surplus which is needed to buttress any Society's financial strength and to provide a fund for emergencies. Such utter complacency on the part of the Government, the Treasury and the Revenue, seems to me to be directed against Building Societies and no others. If National Savings such as already mentioned—and life assurance premiums which receive income tax relief—can be given some tax advantage it certainly seems a one-sided bargain that the Building Society Movement of some £3,500 million should be expected indirectly to contribute to the £12 million subsidy given to other forms of National Savings and Life Assurance.

It is very difficult to prophesy what the future holds for us all. I am sure that as far as Leek and Moorlands Building Society is concerned it will continue to go from strength to strength.

The report and accounts were adopted.

## A. & S. HENRY & COMPANY LIMITED

(Manufacturers and Merchants)

### RIISING COSTS ABSORB EXPANSION IN GROSS PROFIT

#### MR FRANK STOCKDALE'S STATEMENT

The seventy-second Annual General Meeting of A. & S. Henry & Company Limited was held on April 12th in Manchester. The following is the statement made by the Chairman, Mr Frank Stockdale, as circulated to the stockholders with the Report and Accounts for the year ended December 31, 1960:

Trading Profit at £854,567 is £44,000 less than the previous year. Group turnover and gross profit expanded, but most of the latter was absorbed by rising costs.

We continue to export to a large number of markets and are still constantly running into difficulties through Government restrictions in many countries; this year Cuba has been an example, where profits have been lost and new business has been stopped.

In our progressive Mail Order businesses we have been unable to avoid substantial extra catalogue and distributing costs. This has eaten into the profits from our steadily increasing sales.

Manufacturing Subsidiaries have worked well and I have no special comment to make on their activities.

I visited our South African factory at Durban during the year, and once again found the position entirely satisfactory.

### VALUE OF STOCK RESERVE

In Dundee we have been faced with exceptional rises in the price of raw jute. The coordinated prices of manufactured goods at present lag well behind the rising costs. The possibility of a decline in the price of raw jute in 1961/62 is bound to make for irregular trading. The stock position is under constant supervision and no undue risks will be taken.

Demand for paper sacks continues to increase. The extension of our Paper Sack factory at Liverpool is now completed and we hope to be in full production this year.

As previously brought to the attention of Stockholders, our trading covers many fluctuating commodities such as paper, jute, cotton, wool. It is for this reason we carry a large Stock and Materials Reserve. We shall, if necessary, utilise this reserve to offset any substantial fall in values of raw materials.

### INCREASED DIVIDEND

The Directors consider the results satisfactory in a difficult year of trading, and feel, that with the strength and liquidity of our cash position and the amount of the Group Reserves, Stockholders are entitled to a substantial portion of the year's earnings. We recommend a final dividend of 20 per cent making, with the 7½ per cent interim dividend already paid, 27½ per cent for the year—an increase of 2½ per cent.

If this recommendation is passed, Group Revenue Reserves will stand at £2,250,312—an increase of £124,369. In addition to the above the Capital Reserve remains at £177,294.

Again on behalf of Stockholders, my colleagues and myself, I express our appreciation to the Managing Director, Mr F. S. Winterbottom, Managers and staff for their efforts during the year.

The Report and Accounts were adopted.

# UNION CORPORATION GROUP

(Incorporated in the Union of South Africa.)

London Office: PRINCES HOUSE, 95, GRESHAM STREET, LONDON, E.C.2.

## ABRIDGED REPORTS of the Gold-Mining Companies, Incorporated in the Union of South Africa, for the year ended 31st December, 1960

(Copies of the full Reports and Accounts can be obtained on application at the London Transfer Office, Princes House, 95, Gresham Street, E.C.2.)

### EAST GEDULD MINES, LIMITED

|                                                                                  | £                | Per ton milled s. d. |
|----------------------------------------------------------------------------------|------------------|----------------------|
| Working Revenue                                                                  | 5,742,317        | 73 5                 |
| Working Costs                                                                    | 2,829,640        | 36 2                 |
| <b>Working Profit</b>                                                            | <b>2,912,677</b> | <b>37 3</b>          |
| Add: Income from Investments and Sundry Revenue                                  | 159,162          |                      |
| Amount transferred from profits appropriated for expenditure on fixed assets     | 45,897           |                      |
| <b>Less: Provision for Government Taxes</b>                                      | <b>1,530,773</b> | <b>£3,117,736</b>    |
| Directors' Fees and Sundry Expenditure                                           | 29,024           |                      |
| <b>Unappropriated profit brought forward from 1959</b>                           | <b>1,557,939</b> | <b>588,049</b>       |
| Dividends Nos. 57 and 58 of 1s. 8d. and 1s. 9-6d. per unit of stock respectively | 1,560,000        | 2,145,988            |
| Amount set aside for European Leave Pay                                          | 13,000           |                      |
| <b>Unappropriated profit carried forward to 1961</b>                             | <b>£572,988</b>  |                      |

Tonnage milled decreased from 1,653,000 tons to 1,564,000 tons and the average yield decreased from 5.98 dwt. to 5.84 dwt. Of the 2,990 feet sampled on the Kimberley Reef, 36% was payable, averaging 183 inch/dwt. The ore reserve was re-estimated at the year-end and showed a decrease of 1,150,000 tons to 6,100,000 tons, assaying 5.8 dwt. over an estimated stopping width of 54 inches.

### MARIEVALE CONSOLIDATED MINES, LIMITED

|                                                                                   | £                | Per ton milled s. d. |
|-----------------------------------------------------------------------------------|------------------|----------------------|
| Working Revenue                                                                   | 3,620,233        | 61 7                 |
| Working Costs                                                                     | 2,106,798        | 35 9                 |
| <b>Working Profit</b>                                                             | <b>1,523,435</b> | <b>25 10</b>         |
| Add: Sundry Revenue and Income from Investments                                   | 49,263           |                      |
| <b>Less: Provision for Government Taxes</b>                                       | <b>733,311</b>   | <b>£1,572,698</b>    |
| Directors' Fees and Sundry Expenditure                                            | 37,412           |                      |
| <b>Unappropriated profit brought forward from 1959</b>                            | <b>801,975</b>   |                      |
| Add: Amount transferred from profits appropriated for expenditure on fixed assets | 6,080            |                      |
| Unappropriated profit brought forward from 1959                                   | 280,948          |                      |
| <b>Dividends Nos. 39 and 40 of 1s. 6d. and 1s. 10-8d. per share respectively</b>  | <b>765,000</b>   | <b>1,089,003</b>     |
| Amount set aside for European Leave Pay                                           | 5,000            |                      |
| <b>Unappropriated profit carried forward to 1961</b>                              | <b>£319,003</b>  |                      |

Tonnage milled increased from 1,135,000 tons to 1,179,000 tons, the average yield was the same at 4.90 dwt. Of the 9,695 feet sampled on the Kimberley Reef 43% was payable, averaging 335 inch/dwt. Of the 5,760 feet sampled on the Main Reef, 33% was payable, averaging 238 inch/dwt. The ore reserve was re-estimated at the year-end and showed an increase of 100,000 tons to 5,500,000 tons, assaying 5.1 dwt. over an estimated stopping width of 47 inches.

### BRACKEN MINES, LIMITED

**CAPITAL:** The authorised and issued capital is £7,000,000 in 14,000,000 shares of 10s. each, of which 3,500,000 are fully paid and the balance of 10,500,000 were 3s. 3d. per share paid at the year-end. Arrangements have been made with the National Finance Corporation of South Africa for a loan of £1,000,000 which will be drawn in multiples of £100,000 between 1st April, 1961, and 31st January, 1962, and is repayable within five years from the date of drawing.

**SHAFT SINKING:** No. 1A Shaft has been sunk to its final depth of 2,642 feet. A total of 2,006 feet of station cutting was done and, at the year-end, the shaft was being equipped. The shaft passed through the Kimberley Reef at a depth of 2,336 feet and sampling around the whole perimeter gave 23.3 dwt. over 37 inches, equivalent to 863

All development values have been discounted to conform with adjustments which are necessary in estimating the ore reserve.

inch/dwt. No. 1 Shaft passed through the Kimberley Reef at a depth of 2,363 feet. Sampling around the whole perimeter gave 22.7 dwt. over 23 inches, equivalent to 521 inch/dwt. In addition 883 feet of station cutting had been completed.

**GENERAL:** One 80 drill and three 40 drill reciprocating compressors are in commission and work is in progress on the installation of a 200 drill rotary compressor. The permanent shaft offices, the store building and the initial change house block have all been completed. The permanent general office block is under construction and work on the erection of the reduction plant with an initial milling capacity of 75,000 tons per month started in October.

**EXPENDITURE:** During the period from the inception of the Company to 31st December, 1960, the sum of £3,456,250 was received on capital account while expenditure on property, shafts, plant and equipment, mine development and general expenses amounted to £2,550,359. Trade investments totalled £230,046. Therefore, at the year-end current assets exceeded current liabilities by £675,845.

### THE GROOTVLEI PROPRIETARY MINES, LIMITED

|                                                                                         | £                | Per ton milled s. d. |
|-----------------------------------------------------------------------------------------|------------------|----------------------|
| Working Revenue                                                                         | 6,855,831        | 52 3                 |
| Working Costs                                                                           | 4,032,669        | 30 9                 |
| <b>Working Profit</b>                                                                   | <b>2,823,162</b> | <b>21 6</b>          |
| Add: Sundry Revenue and Income from Investments                                         | 87,054           |                      |
| <b>Less: Provision for Government Taxes</b>                                             | <b>1,438,302</b> | <b>£2,910,216</b>    |
| Directors' Fees and Sundry Expenditure                                                  | 43,066           |                      |
| <b>Unappropriated profit brought forward from 1959</b>                                  | <b>5,387</b>     | <b>1,481,368</b>     |
| Add: Amount transferred from profits appropriated for expenditure on fixed assets       | 685,183          |                      |
| <b>Dividends Nos. 43 and 44 of 1s. 1d. and 1s. 4-8d. per unit of stock respectively</b> | <b>1,428,848</b> | <b>2,119,418</b>     |
| <b>Unappropriated profit carried forward to 1961</b>                                    | <b>£699,098</b>  |                      |

Tonnage milled increased from 2,555,000 tons to 2,625,000 tons but the average yield decreased from 4.21 dwt. to 4.15 dwt. Of the 15,800 feet sampled on the Main Reef, 61% was payable, averaging 235 inch/dwt. Of the 4,780 feet sampled on the Kimberley Reef, 41% was payable, averaging 248 inch/dwt. The ore reserve was re-estimated at the year-end and showed a decrease of 1,000,000 tons to 11,500,000 tons, assaying 4.4 dwt. over an estimated stopping width of 49 inches.

### VAN DYK CONSOLIDATED MINES, LIMITED

|                                                        | £              | Per ton milled s. d. |
|--------------------------------------------------------|----------------|----------------------|
| Working Revenue                                        | 1,802,219      | 40 9                 |
| Working Costs                                          | 1,699,566      | 38 5                 |
| <b>Working Profit</b>                                  | <b>102,653</b> | <b>2 4</b>           |
| Add: Sundry Revenue and Income from Investments        | 41,128         |                      |
| <b>Less: Directors' Fees and Sundry Expenditure</b>    | <b>17,509</b>  | <b>£143,781</b>      |
| Provision for Government Taxes                         | 13,389         |                      |
| <b>Unappropriated profit brought forward from 1959</b> | <b>112,883</b> | <b>264,073</b>       |
| <b>Repayment of Capital of 1s. 6d. per share</b>       | <b>414,900</b> | <b>376,956</b>       |
| Less: Recoupment during year of fixed assets           | 72,420         |                      |
| <b>Add: Amount set aside for European Leave Pay</b>    | <b>342,480</b> | <b>350,480</b>       |
| <b>Unappropriated profit carried forward to 1961</b>   | <b>8,000</b>   | <b>£26,476</b>       |

Tonnage milled decreased from 891,000 tons to 885,000 tons and the average yield from 3.75 dwt. to 3.24 dwt. Of the 5,345 feet sampled on the Main Reef, 54% was payable, averaging 273 inch/dwt. Of the 935 feet sampled on the Kimberley Reef, 18% was payable, averaging 220 inch/dwt. The ore reserve was re-estimated at the year-end and showed a decrease of 25,000 tons to 225,000 tons, assaying 3.9 dwt. over an estimated stopping width of 50 inches.

All development values have been discounted to conform with adjustments which are necessary in estimating the ore reserve.

## UNION CORPORATION GROUP—continued

### WINKELHAAK MINES, LIMITED

|                                                                      | £                | Per ton milled s. d. |
|----------------------------------------------------------------------|------------------|----------------------|
| Working Revenue                                                      | 4,341,945        | 81 7                 |
| Working Costs                                                        | 2,386,638        | 48 7                 |
| <b>Working Profit</b>                                                | <b>1,755,307</b> | <b>33 0</b>          |
| Add: Sundry Revenue and Income from Investments                      | 24,129           |                      |
| <b>Less: Directors' Fees and Sundry Expenditure</b>                  | <b>18,826</b>    | <b>£1,779,436</b>    |
| Interest on Loans                                                    | 60,277           |                      |
| <b>Unappropriated profit brought forward from 1959</b>               | <b>1,700,333</b> | <b>208,553</b>       |
| <b>Amount transferred to reserve for expenditure on fixed assets</b> | <b>1,465,000</b> | <b>1,908,886</b>     |
| <b>Amount set aside for European Leave Pay</b>                       | <b>7,600</b>     | <b>1,472,600</b>     |
| <b>Dividend No. 1 of 4d. per share</b>                               | <b>436,286</b>   | <b>200,000</b>       |
| <b>Unappropriated profit carried forward to 1961</b>                 | <b>£236,286</b>  |                      |

Tonnage milled increased from 908,000 tons to 1,065,000 tons and the average yield from 5.18 dwt. to 6.47 dwt. Of the 23,585 feet sampled, 88% was payable, averaging 535 inch/dwt. The ore reserve was re-estimated at the year-end and showed an increase of 900,000 tons to 2,700,000 tons, assaying 7.2 dwt. over an estimated stopping width of 60 inches. During the year it was decided to sink No. 2 Shaft some 6,000 feet to the north-east of No. 3 Shaft. Preliminary sinking has started and at the end of the year a depth of 45 feet had been reached. The extensions to the reduction plant were completed in June and the addition of two further filters and a number of minor accessories during the current year is expected to raise the mill capacity to 105,000 tons per month.

### ST. HELENA GOLD MINES, LIMITED

|                                                                              | £                 | Per ton milled s. d. |
|------------------------------------------------------------------------------|-------------------|----------------------|
| Working Revenue                                                              | £612,487          | 85 11                |
| Working Costs                                                                | 4,303,562         | 42 11                |
| <b>Working Profit</b>                                                        | <b>4,308,925</b>  | <b>43 0</b>          |
| Add: Sundry Revenue and Income from Investments                              | 75,890            |                      |
| <b>Less: Provision for Government Taxes</b>                                  | <b>47,076</b>     | <b>£4,384,815</b>    |
| Directors' Fees and Sundry Expenditure                                       | 93,533            |                      |
| <b>Unappropriated profit brought forward from 1959</b>                       | <b>140,609</b>    | <b>4,244,206</b>     |
| <b>Net expenditure during year on fixed assets</b>                           | <b>581,458</b>    | <b>999,262</b>       |
| <b>Amount set aside for European Leave Pay</b>                               | <b>6,000</b>      | <b>5,243,468</b>     |
| <b>Dividends Nos. 9 and 10 of 2s. 3d. and 2s. 9d. per share respectively</b> | <b>2,406,250</b>  | <b>2,993,708</b>     |
| <b>Unappropriated profit carried forward to 1961</b>                         | <b>£2,249,760</b> |                      |

Tonnage milled increased from 1,810,000 tons to 2,004,000 tons and the average yield from 6.17 dwt. to 6.84 dwt. Of the 28,890 feet sampled on the Bosal Reef, 57% was payable, averaging 700 inch/dwt. The ore reserve was re-estimated at the year-end and showed an increase of 1,000,000 tons to 5,000,000 tons, assaying 8.0 dwt. over an estimated stopping width of 56 inches. By the end of June, No. 7 Shaft had been sunk 2,091 feet to its final depth of 5,338 feet.

All development values have been discounted to conform with adjustments which are necessary in estimating the ore reserve.

### GEDULD PROPRIETARY MINES, LIMITED

|                                                                                 | £              | Per ton milled s. d. |
|---------------------------------------------------------------------------------|----------------|----------------------|
| Working Revenue                                                                 | 1,977,263      | 43 8                 |
| Working Costs                                                                   | 1,685,397      | 36 9                 |
| <b>Working Profit</b>                                                           | <b>311,866</b> | <b>6 11</b>          |
| Add: Income from Investments and Sundry Revenue                                 | 715,263        |                      |
| <b>Less: Provision for Government Taxes</b>                                     | <b>122,394</b> | <b>£1,027,129</b>    |
| Directors' Fees and Sundry Expenditure                                          | 20,991         |                      |
| <b>Unappropriated profit brought forward from 1959</b>                          | <b>883,744</b> | <b>2,961</b>         |
| <b>Amount written off investments</b>                                           | <b>886,705</b> | <b>20,000</b>        |
| <b>Amount transferred to General Reserve</b>                                    | <b>866,705</b> | <b>360,000</b>       |
| <b>Dividends Nos. 91 and 92 of 3s. 4d. and 3s. 7-2d. per share respectively</b> | <b>506,705</b> | <b>506,430</b>       |
| <b>Unappropriated profit carried forward to 1961</b>                            | <b>£275</b>    |                      |

Tonnage milled increased from 879,000 tons to 906,000 tons but the average yield decreased from 3.77 dwt. to 3.46 dwt. Of the 4,370 feet sampled on the Black Reef, 35% was payable, averaging 258 inch/dwt. The ore reserve was re-estimated at the year-end and showed a decrease of 50,000 tons to 350,000 tons, assaying 3.7 dwt. over an estimated stopping width of 57 inches.

### LESLIE GOLD MINES, LIMITED

**CAPITAL:** The authorised and issued capital is £8,000,000 in 16,000,000 shares of 10s. each, of which 3,000,000 are fully paid and the balance of 13,000,000 were 3s. 9d. per share paid at the year-end. Arrangements have been made with the National Finance Corporation of South Africa for a loan of £1,000,000 which will be drawn in multiples of £100,000 between 1st April, 1961, and 31st January, 1962, and is repayable within five years from the date of drawing.

**SHAFT SINKING:** No. 1A Shaft has been sunk to its final depth of 2,055 feet. A total of 1,870 feet of station cutting was done and the excavation of the loading station has been completed. A start has been made on equipping the shaft with permanent buntlines and guides. The shaft passed through the Kimberley Reef at a depth of 1,476 feet and sampling around the whole perimeter yielded an average value of 80.9 dwt. over 5.6 inches, equivalent to 433 inch/dwt. At the end of the year No. 1 Shaft had been sunk to a depth of 1,602 feet and 577 feet of station cutting had been completed. The shaft passed through the Kimberley Reef at a depth of 1,487 feet and sampling around the whole perimeter gave 16.5 dwt. over 13.6 inches, equivalent to 224 inch/dwt.

**GENERAL:** Reciprocating compressors with an aggregate output of 185 drills are in commission and work on the erection of a 200 drill rotary compressor is in progress. The permanent shaft offices, the store building and the initial change house block have all been completed. In October work started on the erection of the reduction plant with an initial milling capacity of 75,000 tons per month.

**EXPENDITURE:** During the period from the inception of the Company to 31st December, 1960, the sum of £3,937,500 was received on capital account while expenditure on property, shafts, plant and equipment, mine development and general expenses amounted to £3,068,154. Trade investments totalled £230,141. Therefore, at the year-end current assets exceeded current liabilities by £639,205.

## WESLEYAN & GENERAL ASSURANCE SOCIETY

The 120th Annual General Meeting was held on April 11th. Mr A. H. Sayer, MC, JP, the Society's Chairman, in moving the adoption of the Reports and Statement of Accounts for the year ended December 31, 1960, said:

A new middle class has come into being, with money to spend on the refinements of modern living, including holidays abroad.

There is evidence that this new middle class is beginning to sense the responsibility of its status—the need for provision for dependants in addition to that provided by the Welfare State. May I call your attention to our New

Business figures for the last three years—

| Year | New Sums Assured Ordinary Department and Industrial Department together | Average Sum Assured per policy |            |
|------|-------------------------------------------------------------------------|--------------------------------|------------|
|      |                                                                         | Ordinary                       | Industrial |
| 1958 | £9,458,000                                                              | £915                           | £58        |
| 1959 | 11,449,000                                                              | 1,041                          | 65         |
| 1960 | 12,752,000                                                              | 1,100                          | 70         |

The New Life Premium Income in 1960 at the record total of £522,000 shows an increase of 6.9 per cent over that for 1959.

The Total Premium Income from all Departments for the year 1960 was £5,104,000, being £231,000 or 4.7 per cent greater than that for 1959.

The Balance Sheet shows that the Ordinary

Department Fund is £16,847,500 and that the Industrial Department Fund is £19,412,500.

The Funds are covered by Assets standing in the Balance Sheet at over £40,000,000.

The Gross Interest Income has increased from £1,748,000 to £1,929,000, while the Gross Rate of Interest earned has risen from £5 4s. 10d. per cent to £5 9s. 9d. per cent, an all-time record.

The Valuation Surplus in the Ordinary Department was £641,000. This enabled a Reversionary Bonus of £2 4s. 0d. per £100 original sum assured to be declared compared with £2 2s. 0d. a year ago.

In the Industrial Department, for the first time, full Reversionary Bonuses are being declared, instead of merely additions to claims occurring before the next Annual General Meeting.

The premium income of the Fire and Accident Departments now totals £385,000 showing a 9 per cent increase in the year.



## SCOTTISH AMICABLE LIFE ASSURANCE SOCIETY

### ANOTHER VERY SUCCESSFUL QUINQUENNIAL

### PERIOD OF UNPRECEDENTED EXPANSION

The One Hundred and Thirty-fifth Annual General Meeting of the Scottish Amicable Life Assurance Society was held in Glasgow on April 12th, Mr J. T. Dowling, CA (Chairman of the Ordinary Directors), presiding.

In moving the adoption of the Report and Accounts, the Chairman said that last year over 10,000 individual assurances had been issued for sums assured of £18,500,000—a figure which exceeded the previous record by more than £3,000,000. In addition, new group pension and life assurance schemes placed with the Society had provided sums assured of £8,250,000 and pension benefits of £500,000 per annum. Premium revenue had increased during 1960 by more than £750,000 and this represented growth of a very substantial order. The new business figures for the past year included a very creditable contribution from the Society's newly established Australian Branches. The Society's total funds had increased by more than £10,000,000, more than one-half of which had been invested in first-class fixed interest securities so as to take

## COMPANY MEETING REPORTS

full advantage of the current high interest rates. The other major investment during the past year had been a sum of approximately £3,000,000 in carefully selected ordinary shares.

### RECORD SURPLUS

Turning to the quinquennial investigation made as at December 31, 1960, the Chairman said that the valuation disclosed a record surplus in the life assurance and annuity fund of £8,763,805, which compared with a surplus of rather less than £3,250,000 for the previous quinquennium. This increase of over £5,500,000 was, of course, an indication of the very considerable growth which had taken place in the Society's business and profit earnings over the past five years. As had already been announced, a compound reversionary bonus of 52/6% per annum had been declared for policies issued in the United Kingdom, which was 10/-% above the record rate for the previous quinquennium. In the continuance of present conditions, the Society's bonus prospects had never been better than they were today. In these circumstances the Directors had felt justified in giving expression to their confidence in the Society's continued high bonus earning power by fixing the rate of interim bonus payable on claims arising after January 1, 1961, at the same rate as had been declared for the past quinquennium, namely 52/6% per annum. The rate of bonus declared on participating policies on the Australian Register at December 31, 1960, and the rate of interim bonus had both been fixed at 42/-% per annum.

Our Sales Offices in London, Birmingham, Coventry, Manchester, and Bristol, and representatives throughout Great Britain, have worked in close co-operation with our Head Office sales and production staffs and will lose no available opportunities if more difficult times lie ahead.

Our reputation for first-class production facilities, quality and service stands very high and we are very jealous to maintain it so.

While on the one hand catering for the increasingly exacting requirements of our customers, we have at the same time been able to achieve a higher overall quality level than in any recent year.

As at December 31, 1960, I retired from the post of Managing Director, after 41 years' service. I have agreed to continue as a Director and as Chairman of the Board, and also to serve the Company in an executive capacity.

My colleagues, Mr P. R. Brierley and Mr F. A. H. Frey, have signed service agreements as Joint Managing Directors for a further five years.

I wish to express my heartfelt thanks to all concerned for the support I have received not only in the past year but throughout all the years of existence of your Company.

### MR FREY'S SUPPLEMENTARY STATEMENT

The following is a summary of the Chairman's statement made at the meeting:

I have already said our order book reached a peak in October which meant November-December sales exceeded new orders.

This trend has continued, but three months later the order book is only 5 per cent less so there is no great cause for concern in this respect.

## THE ECONOMIST APRIL 15, 1961

### WITH-PROFITS PENSIONS

This was the first occasion on which a substantial share in the surplus had been allotted to policyholders under the Society's with-profit group pension schemes. This new type of policy had met with great success, its outstanding feature being that it was entitled to share in all the distributable profits of the Society, a compound bonus being added at the same rate of bonus as for life assurance contracts. The new with-profit policyholders in this branch of the Society's business had every reason to be satisfied with the results of their first quinquennium as fully participating members of the Society. These comments applied with equal force to the special pension policies issued for the "self-employed"; this rather special class of new business had been very well maintained.

The year had brought to a close another very successful quinquennium during which there had been an unprecedented expansion in almost every aspect of the Society's affairs. Since 1955 premium income had increased from rather less than £6,500,000 to more than £12,000,000, gross investment income from £2,000,000 to £4,500,000 and the Society's total funds from £44,000,000 to £84,000,000. The growth denoted by these figures arose from the great increase, compared with only a few years ago, in the number of people who, either as individuals assured under ordinary life assurances, or as members of pension schemes, had come to be associated with the Society.

The Report and Accounts were adopted.

Sales for the first quarter of 1961 were 10 per cent up on the corresponding period, even though they were 5 per cent below those of the last quarter of 1960.

Profit Ratio in mass production depends greatly on volume so that a lower output with higher wages and other costs has resulted in a reduction for this first quarter compared with the 1960 average.

Last September I described 1960 as exceptional. We had then been under continuous pressure whereas now we cannot always deliver as fast as we can produce, industry being in a cautious frame of mind.

Qualifying optimism with caution, on present form I think the outturn of 1961 should be satisfactory without being so exceptional.

The Report and Accounts were adopted and a Special Resolution was passed adopting a revised Article restricting the borrowing powers of subsidiary companies.

*Orders and copy for the insertion of  
Company Meeting reports must reach  
this office not later than Wednesday of  
each week and should be addressed to:*

*The Company Meetings Department,  
The Economist,*

*22 Ryder Street, S.W.1.*

## THE ECONOMIST APRIL 15, 1961

## GRAND HOTELS (Mayfair) LIMITED



### increased dividend forecast

|                        | 1960      | 1959      | 1958      |
|------------------------|-----------|-----------|-----------|
| Issued Capital ...     | £ 511,833 | £ 511,833 | £ 400,000 |
| Group Net Assets ...   | 1,735,070 | 835,846   | 469,108   |
| Net Trading Profit ... | 431,717   | 303,904   | 126,331   |
| Taxation ...           | 207,966   | 171,766   | 74,029    |
| Dividends (Net) ...    | 86,211    | 61,189    | 30,250    |

*Summary of Mr. Maxwell Joseph's review for the year ended 30th September, 1960.*

### policy of expansion and modernisation continues

All interests of your Group achieved satisfactory results during the year and our latest venture, **The Londoner**, which opened last June, was extremely well received and should be making its full contribution towards your Group's income for the first time in the current year. Extensions or modernisation are under way or about to be commenced at the **Green Park, Clifton-Ford, Mandeville, Mostyn** and **St. Ermin's** hotels. Some £120,000 was spent in keeping the Group's properties and equipment in an excellent state of repair. Numerous leases of the office block adjoining **St. Ermin's Hotel** are due to expire and we can anticipate an increased income from this source over the next three years.

### capital changes

We are recommending a free issue of one share for every two now held, thereby increasing the issued capital to £767,750 and we are further recommending an increase in the Nominal Capital of £1,000,000 by the creation of 2,500,000 shares of 4s. each and 500,000 7½ per cent. cumulative redeemable preference shares of £1 each.

Preliminary arrangements have been made to raise additional permanent capital in the form of the cumulative redeemable preference shares. The Directors do not have at present any intentions concerning the new 4s. shares.

### outlook

Turnover to date shows an increase over the same period of last year and providing no unforeseen circumstances intervene I expect your Group to enjoy another successful year. In this event after allowing for the dividend on the proposed redeemable preference shares, your Board would recommend dividends totalling not less than 22½ per cent. on the ordinary share capital as increased by the proposed bonus issue, which compares with an equivalent of 18½ per cent. recommended for the year ended 30th September, 1960.

Mr. Joseph concluded his review by congratulating all members of the Staff in achieving record results.

### the group interests in London

|                     |                       |
|---------------------|-----------------------|
| THE MOSTYN HOTEL    | THE LONDONER HOTEL    |
| GREEN PARK HOTEL    | STRATFORD COURT HOTEL |
| ST. ERMIN'S HOTEL   | FLEMINGS HOTEL        |
| CLIFTON-FORD HOTEL  | WASHINGTON HOTEL      |
| MANDEVILLE HOTEL    | BEVERLEY COURT        |
| MANETTAS RESTAURANT | MERMAIDEN RESTAURANT  |

## COMPANY MEETING REPORTS

## APPOINTMENTS

### CHALLENGE

to gentlemen age 30 to 50 years, good background and with wide experience, interested in arduous job requiring intelligence and initiative. Merit only will determine Prospects.—Write Box 1494.

### THE UNIVERSITY OF MANCHESTER

Applications are invited for two full-time posts of ASSISTANT in the Research Section of the Faculty of Economics and Social Studies. The persons appointed will be expected to carry out research in (for one post) Industrial Economics and for the other) Econometrics. The vacancies are in either Grade II (which carries the status of Assistant Lecturer) or Grade III. The salary scales are as follows: Grade II—£300 to £350 per annum; Grade III—£275 to £325 per annum. Applications should be sent not later than May 1, 1961, to the Registrar, the University, Manchester, 13, from whom further particulars and forms of application may be obtained.

### UNIVERSITY OF DURHAM

#### DAVID DALE CHAIR OF ECONOMICS

APPLICATIONS are invited for the David Dale Chair of Economics tenable in the Newcastle Division of the University which becomes vacant on September 1, 1961 by the resignation of Professor D. T. James who has been appointed Chairman of the Air Licensing Board. Salary in accordance with the Professorial scale (£2,600—£3,000 a year), with family allowance and membership of F.S.S.U. Further particulars may be obtained from the undersigned with whom applications (12 copies) must be lodged not later than May 30, 1961. (Candidates outside the British Isles may submit one copy only.)

Registrar,  
University Office,  
46 North Bailey,  
Durham.

April 11, 1961.

D.S.J.R. requires statistician as Scientific Officer, S.O., at Forest Research Laboratory, Princes Risborough, Bucks to advise biological, engineering and other sections of Laboratory on design of experiments and sample surveys, undertaking analysis and interpretation of results, and possibly research into application of statistical methods to forestry problems. Qualifications: 1st or 2nd Hons. degree, or equivalent in statistics with experience in some branch of science or engineering, or mathematics and appropriate qualifications in statistics and some practical science or engineering experience. Interim salaries: S.O. £1,100—£1,180; S.S.O. (at least 3 years' experience) £1,100—£1,180. Appointment upon established initially. Forms from Ministry of Labour, Technical and Scientific Register (K), 26 King Street, London, S.W.1, quoting A.151/1A. Closing date May 1, 1961.

### UNIVERSITY COLLEGE OF THE WEST INDIES

Applications are invited for:—  
(1) Senior Lectureship or Lectureship in Economic Statistics. Duties may include teaching of both elementary and advanced statistical theory and techniques for B.Sc.(Econ) degree.  
(2) Lectureship or Assistant Lectureship in Economics. Duties include teaching for B.A. (General) and B.Sc.(Econ) degrees. Applicants are requested to state their qualifications and interest in the fields of public finance and of the structure and problems of industry.  
Salary scale: Senior Lecturer £1,500 x £75—£2,425 p.a.; Lecturer £1,050 x £50—£1,400 x £75—£1,850 p.a.; Assistant Lecturer £800 x £50—£950 p.a. All pay includes allowance and £250 p.a. (pensionable). Entry point determined by qualifications and experience. Child allowance, F.S.S.U. Unfurnished accommodation at rental of 10 per cent of basic salary. Up to five full passages on appointment, normal termination and furlough leave. Detailed applications (six copies) naming 3 referees by May 10, 1961, to Secretary, Inter-University Council for Higher Education Overseas, 29 Woburn Square, London, W.C.1, from whom further particulars may be obtained.

### AUSTRALIAN NATIONAL UNIVERSITY

Applications are invited for the following appointments, all of which are new posts, in the School of General Studies of the University. Appointees will be required to take up duty on January 1, 1962, or as soon as possible thereafter.

IN THE FACULTY OF ARTS  
Senior Lecturer or Lecturer in English.  
Senior Lecturer or Lecturer in Pure Mathematics.  
Senior Lecturer or Lecturer in Greek.

IN THE FACULTY OF ECONOMICS  
Senior Lecturer or Lecturer in Accountancy.  
Senior Lecturer or Lecturer in Economic History.  
Lecturer in Economics.  
Lecturer in Political Science.

Senior Lecturer in Statistics\*.  
Senior Tutor or Tutor in Statistics\*.

\*Mathematical Statistics or Economic Statistics.  
The salary range for Research Fellows is £1,437—£2,152, with increments of £65 per annum; initial salary will depend on qualifications and experience. Appointment is for three years, with possible extension to a maximum of five years.  
Salaries are under review. Superannuation is on the F.S.S.U. pattern. Reasonable travel expenses are paid, and assistance with housing is provided.

Further details are available from the Secretary, Association of Universities of the British Commonwealth, 36 Gordon Square, London, W.C.1.  
Applications close in Australia and London on May 20, 1961.

## CITY OF OXFORD EDUCATION COMMITTEE COLLEGE OF TECHNOLOGY POST OF LECTURER IN ACCOUNTANCY FOR MANAGEMENT STUDIES

Applications are invited for the new post as Lecturer in Management Studies to be primarily concerned with teaching to the new Diploma. The essential qualifications are a university degree or its equivalent in accountancy and three or more years' experience in industry or commerce. The ability to carry out research work in industry would be an additional qualification. Salary in accordance with the Burgham Technical scale—£1,370 by £35 to £1,850.  
Further particulars and forms of application (stamped addressed envelope) can be obtained from the Principal, College of Technology, Headington Road, Oxford, to whom applications must be returned by May 1, 1961.

THE JOHN LEWIS PARTNER-  
SHIP invites applications for a new  
post in its

### ORGANISATION AND METHODS

department. Candidates, preferably in the age group 27/35, must have had practical experience in the field of operational research, work study and organisation and methods.

The appointment will involve investigation of wide range of problems connected with retailing, warehousing and transport. Starting pay in range £1,000—£1,800, according to experience. All workers are partners and share all profits, with good holidays, sick pay, pensioning discount, subsidised meals and non-contributory pension scheme.

Applications, giving full details of age, education, training and posts held, should be sent to Director of Personnel, John Lewis & Co., Ltd., Oxford Street, W.1.

### UNIVERSITY COLLEGE OF WALES ABERYSTWYTH

Applications are invited for the post of Assistant Lecturer in the Department of International Politics, to take up duties on October 1, 1961. Training in Political Science will be an advantage. Further particulars and forms of application can be obtained from the Registrar, to whom applications should be sent not later than Saturday, May 6, 1961.

For further appointments and other  
classified advertisements see pages  
274 and 275

### UNIVERSITY COLLEGE OF GHANA

Applications are invited for Resident Tutorship in the Institute of Extra-Mural Studies. Candidates must have qualification in Economics, Politics, Public Administration, Modern History or International Affairs. Secondment will be considered and there will be opportunity for research. Salary scale (under review): £1,000 x £50—£1,350; x £75—£1,700; £1,850 p.a., entry point according to qualifications and experience. F.S.S.U. Quota family and other allowances. Passages for appointment and family on appointment, leave and normal termination. Part-furnished accommodation at charge not exceeding 7.5 per cent of salary. Detailed applications (6 copies) naming 3 referees by May 15, 1961, to Secretary, Inter-University Council for Higher Education Overseas, 29 Woburn Square, London, W.C.1, from whom further particulars may be obtained.

### AUSTRALIAN NATIONAL UNIVERSITY

INSTITUTE OF ADVANCED STUDIES  
POSTS IN INTERNATIONAL RELATIONS

Applications are invited for appointments as Fellow and Research Fellow in the Department of International Relations, Research School of Pacific Studies.

The Department of International Relations has studied chiefly the contemporary international politics of the Indian, the South-East Asian and the Far Eastern regions. For the Fellowship, preference will be given to candidates who have had experience of research into the international politics of the Far East, especially China, and of South-East Asia.

For the Research Fellowship, preference will be given to candidates who have had experience of research on the Indian or South-East Asian regions, or on International Organisations.

The salary range of a Fellowship is from £1,832—£2,602; increments are £70 per annum. The successful applicant will, in the first place, be appointed at a salary and an incremental limit fixed by reference to his standing and experience. Appointment is made for an initial period of five years; thereafter it may be made permanent. The Fellow will be entitled to one year's study leave on full pay, plus contribution towards travel and other expenses, in every seven years.

The salary range for Research Fellows is £1,437—£2,152, with increments of £65 per annum; initial salary will depend on qualifications and experience. Appointment is for three years, with possible extension to a maximum of five years.

Salaries are under review. Superannuation is on the F.S.S.U. pattern. Reasonable travel expenses are paid, and assistance with housing is provided.

Further details are available from the Secretary, Association of Universities of the British Commonwealth, 36 Gordon Square, London, W.C.1.

Applications close in Australia and London on May 19, 1961.

# COMPANY AFFAIRS

## Glaxo and BDH

THE 10s. ordinary shares of Glaxo, currently yielding only 2½ per cent on a forecast dividend of 15 per cent, have been regarded as growth stocks for many years, and the setback in the company's interim results came as a shock to the market. The shares were immediately marked down by 6s. 10½d. to 66s. 10½d. and now stand at 65s. 6d. Last year the chairman spoke of "the special hazards of the business," but he had done so on other occasions in the past and the market had assumed that the group would once again overcome them successfully. But, in fact, Glaxo's trading profits in the second half of last year fell to £3,048,000, compared with £3,181,000 in the second half of 1959, and a slightly higher tax charge reduced net profits by about 8 per cent, from £1,668,000 to £1,538,000.

This setback obviously reflects narrower profit margins, for sales rose by 3 per cent in value and to an even greater extent by volume. Competition is particularly keen in export markets, where the group does much of its trading. The directors say that the competitive conditions are likely to continue to prevail. Disappointment with the latest results is all the keener because profits in the first half of 1960 were good, being about £600,000 higher than those earned in the last half of that year. On the assumption that conditions do not improve in the current six months, the fall in gross profits for the year to June 30th could be as much as 11 per cent.

The interim dividend of 6 per cent is being paid on the capital as increased by the scrip issue and the shares issued at the time of the acquisition of Evans Medical. The inclusion of Evans Medical's profits may help to offset the decline in profits earned from Glaxo's other interests. Its directors have estimated that gross profits in 1960 amounted to about £487,000, against £398,000 in 1959. Eighteen months of Evans' profits will be consolidated into the Glaxo's accounts for 1960-61, so that if the estimate for 1960 is projected forward to cover 18 months' trading their inclusion may limit the fall in the gross profits of the Glaxo group as a whole to less than £100,000. But in view of the price Glaxo paid for Evans Medical this is not much comfort to investors who have bought Glaxo shares for growth.

Narrowing profit margins also seem to have affected the results of British Drug Houses, which sold about 40 per cent of its output abroad in 1959. Gross profits in 1960 fell by 10½ per cent from £647,000 to £579,000 and net profits after a higher interest charge, reflecting the group's development programme, fell by 20 per cent from £321,000 to £256,000. Allowing for

the 50 per cent scrip issue, the ordinary dividend has been effectively maintained at 16 per cent, but the earnings cover has been reduced to 1.3 times. These results, like those of Glaxo, disappointed the stock market, where the 5s. shares were marked down by 3s. 9d. to 20s. 9d., to yield 3.9 per cent.

## Hambros and Laidlaw

FORMAL ties with New York are becoming increasingly common among London's merchant banks, and last week Hambros Bank announced a link with Laidlaw and Company of New York, a brokerage and banking house whose fortunes were founded on financing expeditions to the 1849 Californian gold rush. The link will cost Hambros \$5 million; this is the price for a 65 per cent interest in the banking side of Laidlaw's business which has until now accounted for only 10 per cent of that firm's interests. Hambros will be a limited partner and cannot therefore have any connection with Laidlaw's brokerage business which demands unlimited liability from the partners under the New York Stock Exchange rules. The aim of the new partnership is to provide wider financial facilities for Hambros's existing European customers and at the same time to gain the business of American firms that are taking an increasing interest in Europe. Hambros felt that the time was ripe for it "to operate free of restrictions in both currencies" and to offer merchant banking services on both sides of the Atlantic.

## Bank of Scotland

DESPITE a substantial increase in the Bank of Scotland's main earning assets—advances having risen by £16 million to £75 million, hire purchase debt by just under £2 million to £5 million, and acceptances by over £2 million to £33.5 million—the increase in the bank's disclosed profits of 14 per cent from £915,000 to £1,042,000 for the year to February 28th, is only modest when compared with the experience of the other two large Scottish banks and the seven big English banks which reported an average increase of nearly 33 per cent. A recent survey of the shares of these ten banks, carried out by a leading firm of stockbrokers, made the Bank of Scotland the least profitable to an investor on the basis of the income received from £100 invested in January, 1950. But the bank's latest dividend increase, from an equivalent of 14½ per cent to 17 per cent has put it above the Royal Bank of Scotland in this particular league table.

The governor of the bank, Lord Bilsland, in his annual address, criticises special deposits and he suggests that to aid exports the Government should find some workable way of providing incentives to those manufacturers with good export records. But he made no mention of one

### SCOTTISH BANKS

|                                         | Dis-<br>closed<br>profits | Advances       | Dividend<br>rates |           |
|-----------------------------------------|---------------------------|----------------|-------------------|-----------|
|                                         | 1960<br>£000's            | 1960<br>£000's | 1959<br>%         | 1960<br>% |
| Nat. Com. Bk. Scot.<br>(Oct. 31, 1960)* | 1,232                     | 101,000        | 14.4              | 16½       |
|                                         | +39%                      | +5%            |                   |           |
| Royal Bk. Scotland<br>(Dec. 31, 1960)*  | 1,537                     | 155,000        | 15.7              | 18½       |
|                                         | +31%                      | +7%            |                   |           |
| Bank of Scotland<br>(Feb. 28, 1961)*    | 1,042                     | 75,000         | 14½               | 17        |
|                                         | +14%                      | +27%           |                   |           |

\* Date of latest balance-sheet.

of the year's most interesting developments in hire purchase. Last year North West Securities, the bank's subsidiary, advertised a scheme for obtaining income tax relief on interest payments made under a hire purchase agreement. This could have been a profitable line of business for the bank and it would be interesting to know how it developed.

## Trade Indemnity

THE fortunes of Trade Indemnity, Britain's leading insurers of trade credit, are tied closely to general trading conditions. Credit restrictions are bad for credit insurers. In the second half of 1960 the restrictions imposed in April and June spread through the economy and as sales fell there was a marked rise in the number of claims and collections notified to Trade Indemnity and an increase in the number of new insurance enquiries. Trade Indemnity's financial year ends on December 31st but more recent figures given by the company take the story on to the end of March, and in the first quarter of this year the company was called upon to collect debts in 1,743 cases involving £239,365—both record figures. Clothing, furniture and timber distributors, and electric appliance retailers appear as the principal offenders.

The nature of the business necessitates a three-year accounting period and while in 1960 claims paid were materially lower than in 1959, this reflects the easier trading conditions of 1958 and 1959. Profits after tax have risen from £110,000 to £138,000 and the dividend has been raised from 15 to 17½ per cent. But the difficulties of 1960, with higher than usual claims, will not be fully apparent until the present account is closed in 1962.

## Army and Navy Stores

MR DESMOND WAINWRIGHT, the chairman of Army and Navy Stores, says that this department store enjoyed a "satisfactory increase in sales" in 1960-61 when trading profits rose from £440,000 to £556,000 but that the full impact of rising costs, including higher wages, will be felt

this year. But it is not so much the recent or the immediately prospective record of profits that is of interest to shareholders as the fact that the company's valuable Victoria Street premises are scheduled for rebuilding. A development plan has been submitted to the London County Council in conjunction with other large freeholders on the south side of Victoria Street (including the Church Commissioners and the Crown Commissioners). The LCC has welcomed the plan in principle and it is now under discussion, but Mr Wainwright says that while the intention is to build a "modern store of the greatest efficiency," retaining the character of the old one as far as possible, the plan as yet is not definite enough "to determine whether or not it would be economically practicable".

The ordinary dividend has been maintained at 15 per cent on the capital as increased by the one-for-five rights issue and it is covered 1.4 times by earnings, and at 46s. 6d. the 10s. ordinary shares yield 3.2 per cent. This yield is not particularly low in comparison with other department store equities but clearly it looks forward to the successful development of the Victoria Street site.

## Simon Engineering

SIMON ENGINEERING is the product of last year's merger between Henry Simon (Holdings) and Simon-Carves, and its interests in engineering range from fertiliser plants to nuclear power contracts. Last year its trading profits amounted to £3,428,000, 6½ per cent higher than the adjusted aggregate profit of £3,219,000 for Henry Simon and Simon-Carves trading as separate entities in 1959. A heavier depreciation charge and a smaller tax rebate have reduced the net profit for 1960 to £1,345,000, compared with £1,456,000.

At the time of the merger the directors forecast a total dividend of 26½ per cent but they have now declared a final dividend of 17½ per cent, to make the total 27½ per cent. If exceptional expenditure is excluded, this dividend is covered about twice by earnings. It is equivalent to 41½ per cent on the shares held before the merger and compares with a dividend of 35 per cent paid by both companies for 1959. The announcement of a bigger dividend added 2s. to the price of the 5s. shares which at 39s. 6d., yield 3½ per cent.

## Reyrolle

INTENSE competition in the electrical engineering industry has in recent years cut profit margins and in 1959 the trading profits of A. Reyrolle fell back to £2,586,000. But now the preliminary statement for 1960 shows a good recovery, with trading profits rising by 11½ per cent to £2,883,000, the highest figure recorded since 1955. A heavier tax charge has limited the increase in net profits to 9 per cent from £1,428,000 to £1,560,000. For the first time since 1956 the ordinary divi-

dend has been raised—from 8½ per cent to 9½ per cent, covered 2½ times by earnings. After this announcement the £1 shares rose by 3s. 6d. to 49s. to yield 4 per cent.

## C. A. Parsons

THIS company, in which both Associated Electrical Industries and Reyrolle now have a substantial shareholding following their agreement last year to engage on joint research and to exchange technical information, fared even better than Reyrolle did last year. Its trading profits jumped very sharply from £3,479,000 to £5,267,000 and after a substantially increased tax charge its net profits rose from £2,209,000 to £2,700,000. The sharpness of this increase in profits may be related to the dates on which particular contracts were completed, but recent results from other electrical engineering companies suggest that margins in the heavy end of the industry were rather more favourable last year.

The stock market was pleased with C. A. Parsons' record profit and it was even more pleased with the dividend, which has been raised from 9½ to 12½ per cent. That dividend is covered about four times by earnings, so that some increase was clearly justified. But the size of the increase suggests that the directors are confident about the course of future trading. The £1 shares jumped by 8s. 6d. to 70s. after the dividend had been announced and now yield just over 3½ per cent.

## Furnishers' Results

LAST year the trading profits of The Times Furnishing (Holdings) rose by 28 per cent from £925,000 to £1,184,000, as the group benefited from an increase in its cash and short-term credit sales. This helped to offset the decline in hire-purchase sales, which fell below the 1959 level. Hire purchase accounts have fallen from £5.3 million to £4.9 million but the fall in unrealised profits is only about £100,000 to £1.7 million, so that future results should not be much affected. The chairman, Mr Henry Jacobs, says that in spite of the current restrictions the group's turnover in the first quarter of this year was as high as it was in the first quarter of last year before the credit squeeze, and that total sales in 1961 should be higher than in 1960. The ordinary dividend is maintained at 13½ per cent, covered 1¼ times, so that at 15s. 9d. the 5s. ordinary shares yield 4.1 per cent.

The interim report from New Day (Holdings) suggests that it has been harder hit than the Times Furnishing by hire purchase restrictions. The chairman, Mr Oliver Frost, says that the full effect of substantial reductions made in those sections of the business engaged in hire purchase will not be felt for several months and that furniture sales for the year to June 30th will be disappointing. The interim dividend has been cut from 20.8 per cent to 12½ per cent and the 2s. shares have lost 1s. 9d. to 9s. 6d.

## London Stock Exchange

|                 |          |          |          |
|-----------------|----------|----------|----------|
| FIRST DEALINGS: | Mar. 20  | April 10 | April 24 |
| LAST DEALINGS:  | April 7  | April 21 | May 5    |
| ACCOUNT DAY:    | April 18 | May 2    | May 18   |

THE stock market was very busy in the last days of the long Easter account and at the opening on Monday of the new account that will cover the budget. The number of bargains marked rose to a peak of 25,899 on Monday—the highest figure since the end of 1959. Equity prices rose steeply towards the end of the old account; profit-taking was more than offset by the high level of buying for the new account and the market seemed to be unaffected by the fall in the gold reserves in March or the guarded tone of the Economic Survey. But on Tuesday the level of business declined and prices fell slightly; on Wednesday further profit-taking after the recent rises brought prices down a little more. Even so, over the week to Wednesday, *The Economist* indicator gained 2.8 points to 413.5.

The gilt-edged market has been rather subdued, overshadowed by the high level of activity in the industrial market. Immediately before and after the week end small gains were made by the short dated stocks while the long dated and irredeemable stocks lost small amounts. On Tuesday the long dated stocks held steady and then made small gains on Wednesday. Over the week, Conversion 4½ per cent 1964 gained ¼ to 97½, but long dated stocks showed small net losses and both 3½ per cent War Loan and 2½ per cent Consols lost small amounts.

There was a firm demand for store shares until Tuesday when profit-taking developed; Marks and Spencer lost 1s. 3d. over the week to 105s., and United Drapery lost 3s. 9d. to 62s. 6d. Insurance share prices rose ahead of forthcoming results but in spite of profit-taking Pearl showed a net gain of 10s. to 206s. 3d., following its dividend announcement. Decca Record made early gains but lost them on profit-taking, ending 9d. lower at 71s. Unilever gained 1s. 6d. to 161s. 6d. xd following the full report.

The high level of orders for British cars at the New York motor show was reflected in motor share prices; Jaguar "A" continued to rise, gaining 2s. 7½d. to 81s. BMC rose 5½d. to 18s. 3½d. while Leyland advanced 3s. 3d. to 96s. 6d. Several textile share prices rose, Coats, Patons gaining 2s. 9d. to 50s. 6d. and Courtaulds 2s. 4½d. to 44s. 3d. Local demand for oil shares pushed their prices up before the weekend; BP gained 3s. 3d. to 60s. 6d. and Shell 2s. 6d. to 160s. 6d., and the good results from Lobitos pushed its shares up by 1s. 4½d. to 21s. 9d. There was a heavy fall in Kaffir prices before the weekend but Johannesburg buying increased afterwards and some recovery took place. Over the week Anglo-American lost 7s. 1½d. to 128s. 1½d. xd, having touched 125s. at one point.



## LONDON AND NEW

| Prices, 1961 |         | BRITISH FUNDS AND GUARANTEED STOCKS |  | Price, April 5, 1961 | Price, April 12, 1961 | Net Yield, April 12, 1961 | Gross Yield, April 12, 1961 | Prices, 1961 |        | Last Two Dividends (a) (b) (c) |  | ORDINARY STOCKS |        | Price, Apr. 5, 1961 | Price, Apr. 12, 1961 | Yield, Apr. 12, 1961 | Cover |
|--------------|---------|-------------------------------------|--|----------------------|-----------------------|---------------------------|-----------------------------|--------------|--------|--------------------------------|--|-----------------|--------|---------------------|----------------------|----------------------|-------|
| High         | Low     |                                     |  |                      |                       |                           |                             | High         | Low    |                                |  | High            | Low    |                     |                      |                      |       |
| 91 1/8       | 89 1/8  | Savings Bonds 3% 1955-65            |  | 90 1/8               | 90 1/8                | 4 1/10                    | 5 7/8                       | 79 1/8       | 65 1/8 | BANKS, DISCOUNT & HP           |  | 79 1/8          | 78 3/8 | 3 3/8               | 3 3/8                | 3 3/8                | ...   |
| 99 1/8       | 98 1/8  | Funding 2 1/2% Assented 1956-61     |  | 99 1/8               | 99 1/8                | 4 1/10                    | 5 7/8                       | 79 1/8       | 65 1/8 | Barclays                       |  | 79 1/8          | 78 3/8 | 3 3/8               | 3 3/8                | 3 3/8                | ...   |
| 99 1/8       | 98 1/8  | Conversion 4 1/2% 1962              |  | 99 1/8               | 99 1/8                | 4 1/10                    | 5 7/8                       | 79 1/8       | 65 1/8 | District                       |  | 79 1/8          | 78 3/8 | 3 3/8               | 3 3/8                | 3 3/8                | ...   |
| 96 1/8       | 95 1/8  | Exchequer 3 1/2% 1962-63            |  | 96 1/8               | 96 1/8                | 4 1/10                    | 5 7/8                       | 79 1/8       | 65 1/8 | Lloyds                         |  | 79 1/8          | 78 3/8 | 3 3/8               | 3 3/8                | 3 3/8                | ...   |
| 101 1/8      | 100 1/8 | Treasury 5 1/2% 1962                |  | 101 1/8              | 101 1/8               | 4 1/10                    | 5 7/8                       | 79 1/8       | 65 1/8 | Midland                        |  | 79 1/8          | 78 3/8 | 3 3/8               | 3 3/8                | 3 3/8                | ...   |
| 92 1/8       | 91 1/8  | Exchequer 2 1/2% 1963-64            |  | 92 1/8               | 92 1/8                | 4 1/10                    | 5 7/8                       | 79 1/8       | 65 1/8 | Nat. Provincial                |  | 79 1/8          | 78 3/8 | 3 3/8               | 3 3/8                | 3 3/8                | ...   |
| 99 1/8       | 98 1/8  | Conversion 4 1/2% 1963              |  | 99 1/8               | 99 1/8                | 4 1/10                    | 5 7/8                       | 79 1/8       | 65 1/8 | Westminster                    |  | 79 1/8          | 78 3/8 | 3 3/8               | 3 3/8                | 3 3/8                | ...   |
| 99 1/8       | 98 1/8  | Conversion 4 1/2% 'A' 1963          |  | 99 1/8               | 99 1/8                | 4 1/10                    | 5 7/8                       | 79 1/8       | 65 1/8 | Australia & N.Z. £1 p.p.       |  | 79 1/8          | 78 3/8 | 3 3/8               | 3 3/8                | 3 3/8                | ...   |
| 97 1/8       | 96 1/8  | Conversion 4 1/2% 1964              |  | 97 1/8               | 97 1/8                | 4 1/10                    | 5 7/8                       | 79 1/8       | 65 1/8 | Bk. Lond. & S. Amer. £10       |  | 79 1/8          | 78 3/8 | 3 3/8               | 3 3/8                | 3 3/8                | ...   |
| 99 1/8       | 98 1/8  | Exchequer 3 1/2% 1959-69            |  | 99 1/8               | 99 1/8                | 4 1/10                    | 5 7/8                       | 79 1/8       | 65 1/8 | Bank of New S. Wales £20       |  | 79 1/8          | 78 3/8 | 3 3/8               | 3 3/8                | 3 3/8                | ...   |
| 89 1/8       | 88 1/8  | Funding 3 1/2% 1960-70              |  | 89 1/8               | 89 1/8                | 4 1/10                    | 5 7/8                       | 79 1/8       | 65 1/8 | Barclays D.C.O. £1             |  | 79 1/8          | 78 3/8 | 3 3/8               | 3 3/8                | 3 3/8                | ...   |
| 79 1/8       | 77 1/8  | Savings Bonds 3% 1960-70            |  | 79 1/8               | 79 1/8                | 4 1/10                    | 5 7/8                       | 79 1/8       | 65 1/8 | Chartered                      |  | 79 1/8          | 78 3/8 | 3 3/8               | 3 3/8                | 3 3/8                | ...   |
| 84 1/8       | 82 1/8  | Savings Bonds 2 1/2% 1964-67        |  | 84 1/8               | 84 1/8                | 4 1/10                    | 5 7/8                       | 79 1/8       | 65 1/8 | Hongkong & Shanghai            |  | 79 1/8          | 78 3/8 | 3 3/8               | 3 3/8                | 3 3/8                | ...   |
| 71 1/8       | 70 1/8  | Savings Bonds 3% 1965-75            |  | 71 1/8               | 71 1/8                | 4 1/10                    | 5 7/8                       | 79 1/8       | 65 1/8 | Nat. Com. Bk. Scot. £10        |  | 79 1/8          | 78 3/8 | 3 3/8               | 3 3/8                | 3 3/8                | ...   |
| 83 1/8       | 81 1/8  | Funding 3% 1966-68                  |  | 83 1/8               | 83 1/8                | 4 1/10                    | 5 7/8                       | 79 1/8       | 65 1/8 | Royal Bk. Canada £10           |  | 79 1/8          | 78 3/8 | 3 3/8               | 3 3/8                | 3 3/8                | ...   |
| 96 1/8       | 95 1/8  | Victory 4 1/2% 1920-76              |  | 96 1/8               | 96 1/8                | 4 1/10                    | 5 7/8                       | 79 1/8       | 65 1/8 | Royal Bk. of Scotland £1       |  | 79 1/8          | 78 3/8 | 3 3/8               | 3 3/8                | 3 3/8                | ...   |
| 84 1/8       | 83 1/8  | Conversion 3 1/2% 1969              |  | 84 1/8               | 84 1/8                | 4 1/10                    | 5 7/8                       | 79 1/8       | 65 1/8 | Stand. Bk. S. Africa £1        |  | 79 1/8          | 78 3/8 | 3 3/8               | 3 3/8                | 3 3/8                | ...   |
| 92 1/8       | 91 1/8  | Conversion 3 1/2% 1974              |  | 92 1/8               | 92 1/8                | 4 1/10                    | 5 7/8                       | 79 1/8       | 65 1/8 | Hambros                        |  | 79 1/8          | 78 3/8 | 3 3/8               | 3 3/8                | 3 3/8                | ...   |
| 92 1/8       | 91 1/8  | Conversion 3 1/2% 1974              |  | 92 1/8               | 92 1/8                | 4 1/10                    | 5 7/8                       | 79 1/8       | 65 1/8 | Schroders                      |  | 79 1/8          | 78 3/8 | 3 3/8               | 3 3/8                | 3 3/8                | ...   |
| 72 1/8       | 70 1/8  | Treasury 3 1/2% 1977-80             |  | 72 1/8               | 72 1/8                | 4 1/10                    | 5 7/8                       | 79 1/8       | 65 1/8 | Union Discount                 |  | 79 1/8          | 78 3/8 | 3 3/8               | 3 3/8                | 3 3/8                | ...   |
| 71 1/8       | 69 1/8  | Treasury 3 1/2% 1979-81             |  | 71 1/8               | 71 1/8                | 4 1/10                    | 5 7/8                       | 79 1/8       | 65 1/8 | Bowmaker                       |  | 79 1/8          | 78 3/8 | 3 3/8               | 3 3/8                | 3 3/8                | ...   |
| 96 1/8       | 94 1/8  | Funding 5 1/2% 1982-84              |  | 96 1/8               | 96 1/8                | 4 1/10                    | 5 7/8                       | 79 1/8       | 65 1/8 | Lombard Banking                |  | 79 1/8          | 78 3/8 | 3 3/8               | 3 3/8                | 3 3/8                | ...   |
| 59 1/8       | 57 1/8  | Redemption 3% 1986-96               |  | 59 1/8               | 59 1/8                | 4 1/10                    | 5 7/8                       | 79 1/8       | 65 1/8 | Mercantile Credit              |  | 79 1/8          | 78 3/8 | 3 3/8               | 3 3/8                | 3 3/8                | ...   |
| 88 1/8       | 85 1/8  | Treasury 5% 1986-89                 |  | 88 1/8               | 88 1/8                | 4 1/10                    | 5 7/8                       | 79 1/8       | 65 1/8 | Interim Domin. Tst. £1         |  | 79 1/8          | 78 3/8 | 3 3/8               | 3 3/8                | 3 3/8                | ...   |
| 63 1/8       | 61 1/8  | Funding 3 1/2% 1999-2004            |  | 63 1/8               | 63 1/8                | 4 1/10                    | 5 7/8                       | 79 1/8       | 65 1/8 |                                |  | 79 1/8          | 78 3/8 | 3 3/8               | 3 3/8                | 3 3/8                | ...   |
| 94 1/8       | 90 1/8  | Treasury 5 1/2% 2008-12             |  | 94 1/8               | 94 1/8                | 4 1/10                    | 5 7/8                       | 79 1/8       | 65 1/8 |                                |  | 79 1/8          | 78 3/8 | 3 3/8               | 3 3/8                | 3 3/8                | ...   |
| 65 1/8       | 63 1/8  | Consols 4% after Feb. 1952          |  | 65 1/8               | 65 1/8                | 4 1/10                    | 5 7/8                       | 79 1/8       | 65 1/8 |                                |  | 79 1/8          | 78 3/8 | 3 3/8               | 3 3/8                | 3 3/8                | ...   |
| 59 1/8       | 57 1/8  | War Loan 3 1/2% after Apr. 1957     |  | 59 1/8               | 59 1/8                | 4 1/10                    | 5 7/8                       | 79 1/8       | 65 1/8 |                                |  | 79 1/8          | 78 3/8 | 3 3/8               | 3 3/8                | 3 3/8                | ...   |
| 50 1/8       | 48 1/8  | Treasury 3 1/2% after Apr. 1966     |  | 50 1/8               | 50 1/8                | 4 1/10                    | 5 7/8                       | 79 1/8       | 65 1/8 |                                |  | 79 1/8          | 78 3/8 | 3 3/8               | 3 3/8                | 3 3/8                | ...   |
| 44 1/8       | 41 1/8  | Consols 2 1/2% 1977-80              |  | 44 1/8               | 44 1/8                | 4 1/10                    | 5 7/8                       | 79 1/8       | 65 1/8 |                                |  | 79 1/8          | 78 3/8 | 3 3/8               | 3 3/8                | 3 3/8                | ...   |
| 43 1/8       | 40 1/8  | Treasury 2 1/2% after Apr. 1975     |  | 43 1/8               | 43 1/8                | 4 1/10                    | 5 7/8                       | 79 1/8       | 65 1/8 |                                |  | 79 1/8          | 78 3/8 | 3 3/8               | 3 3/8                | 3 3/8                | ...   |
| 91 1/8       | 89 1/8  | British Electric 4 1/2% 1967-69     |  | 91 1/8               | 91 1/8                | 4 1/10                    | 5 7/8                       | 79 1/8       | 65 1/8 |                                |  | 79 1/8          | 78 3/8 | 3 3/8               | 3 3/8                | 3 3/8                | ...   |
| 73 1/8       | 71 1/8  | British Electric 3 1/2% 1968-73     |  | 73 1/8               | 73 1/8                | 4 1/10                    | 5 7/8                       | 79 1/8       | 65 1/8 |                                |  | 79 1/8          | 78 3/8 | 3 3/8               | 3 3/8                | 3 3/8                | ...   |
| 70 1/8       | 68 1/8  | British Electric 3 1/2% 1974-77     |  | 70 1/8               | 70 1/8                | 4 1/10                    | 5 7/8                       | 79 1/8       | 65 1/8 |                                |  | 79 1/8          | 78 3/8 | 3 3/8               | 3 3/8                | 3 3/8                | ...   |
| 81 1/8       | 80 1/8  | British Electric 4 1/2% 1974-79     |  | 81 1/8               | 81 1/8                | 4 1/10                    | 5 7/8                       | 79 1/8       | 65 1/8 |                                |  | 79 1/8          | 78 3/8 | 3 3/8               | 3 3/8                | 3 3/8                | ...   |
| 73 1/8       | 71 1/8  | British Electric 3 1/2% 1974-79     |  | 73 1/8               | 73 1/8                | 4 1/10                    | 5 7/8                       | 79 1/8       | 65 1/8 |                                |  | 79 1/8          | 78 3/8 | 3 3/8               | 3 3/8                | 3 3/8                | ...   |
| 84 1/8       | 81 1/8  | British Gas 3 1/2% 1969-72          |  | 84 1/8               | 84 1/8                | 4 1/10                    | 5 7/8                       | 79 1/8       | 65 1/8 |                                |  | 79 1/8          | 78 3/8 | 3 3/8               | 3 3/8                | 3 3/8                | ...   |
| 79 1/8       | 77 1/8  | British Gas 3 1/2% 1973-76          |  | 79 1/8               | 79 1/8                | 4 1/10                    | 5 7/8                       | 79 1/8       | 65 1/8 |                                |  | 79 1/8          | 78 3/8 | 3 3/8               | 3 3/8                | 3 3/8                | ...   |
| 59 1/8       | 56 1/8  | British Gas 3 1/2% 1990-95          |  | 59 1/8               | 59 1/8                | 4 1/10                    | 5 7/8                       | 79 1/8       | 65 1/8 |                                |  | 79 1/8          | 78 3/8 | 3 3/8               | 3 3/8                | 3 3/8                | ...   |
| 75 1/8       | 73 1/8  | British Transport 3 1/2% 1968-73    |  | 75 1/8               | 75 1/8                | 4 1/10                    | 5 7/8                       | 79 1/8       | 65 1/8 |                                |  | 79 1/8          | 78 3/8 | 3 3/8               | 3 3/8                | 3 3/8                | ...   |
| 80 1/8       | 78 1/8  | British Transport 3 1/2% 1972-77    |  | 80 1/8               | 80 1/8                | 4 1/10                    | 5 7/8                       | 79 1/8       | 65 1/8 |                                |  | 79 1/8          | 78 3/8 | 3 3/8               | 3 3/8                | 3 3/8                | ...   |
| 61 1/8       | 59 1/8  | British Transport 3 1/2% 1978-88    |  | 61 1/8               | 61 1/8                | 4 1/10                    | 5 7/8                       | 79 1/8       | 65 1/8 |                                |  | 79 1/8          | 78 3/8 | 3 3/8               | 3 3/8                | 3 3/8                | ...   |

| Prices, 1961    |        | DOMINION AND CORPORATION STOCKS    |            | Price, Apr. 5, 1961 | Price, Apr. 12, 1961 | Yield, Apr. 12, 1961 | 170/-     | 153/-    | 71 1/2 b | 71 1/2 a                    | Wall Paper Deld.....£1 | 162/6    | 160/3 | 3 1/2 | 3 1/4 |  |  |
|-----------------|--------|------------------------------------|------------|---------------------|----------------------|----------------------|-----------|----------|----------|-----------------------------|------------------------|----------|-------|-------|-------|--|--|
| High            | Low    |                                    |            |                     |                      |                      |           |          |          |                             |                        |          |       |       |       |  |  |
| <b>CHEMICAL</b> |        |                                    |            |                     |                      |                      |           |          |          |                             |                        |          |       |       |       |  |  |
| 81 1/8          | 79 1/8 | Australia 3 1/2% .....             | 1965-69    | 81 1/8              | 81 1/8               | 28/6                 | 25/3      | 6 a      | 14 b     | Aldrich & Wilson.....5/-    | 27/3                   | 27/6     | 3-64  | 2 1/2 |       |  |  |
| 70 1/8          | 68 1/8 | Australia 6% .....                 | 1974-76    | 70 1/8              | 70 1/8               | 22/-                 | 17 10 1/2 | 4 1/2    | 8 1/2 b  | Borax Deld.....5/-          | 19/3                   | 19 7 1/2 | 2-93  | 3     |       |  |  |
| 101 1/8         | 98 1/8 | Ceylon 4% .....                    | 1973-75    | 101 1/8             | 101 1/8              | 58/9                 | 43/9      | 4 a      | 7 b      | Fisons.....5/-              | 53/3                   | 54/3     | 4-06  | 1 3/4 |       |  |  |
| 101 1/8         | 98 1/8 | New Zealand 6% .....               | 1976-80    | 101 1/8             | 101 1/8              | 72 10 1/2            | 63 1/2    | 4 1/2    | 7 1/2 b  | Fisons.....£1               | 72 10 1/2              | 72 3/8   | 3-81  | 2     |       |  |  |
| 60 1/8          | 58 1/8 | Rhodesia and Nyasaland 6% .....    | 1978-81    | 60 1/8              | 60 1/8               | 26 10 1/2            | 23/3      | 5 a      | 10 b     | Monsanto.....5/-            | 25/-                   | 25/-     | 3-00  | 2 1/2 |       |  |  |
| 81 1/8          | 79 1/8 | South Africa 3 1/2% .....          | 1965-67    | 81 1/8              | 81 1/8               | 18 17 1/2            |           |          |          | <b>DRAPERY &amp; STORES</b> |                        |          |       |       |       |  |  |
| 59 1/8          | 56 1/8 | Southern Rhodesia 4 1/2% .....     | 1987-92    | 59 1/8              | 59 1/8               | 36/-                 | 24/-      | 10 1/2 c | 4 a      | Boots Pure Drug.....5/-     | 33/-                   | 32/6     | 1-62  | 2 1/4 |       |  |  |
| 94 1/8          | 93     | Agricultural Mortgage 5 1/2% ..... | 1980-85    | 94 1/8              | 94 1/8               | 72 9/9               | 58/6      | 7 1/2 a  | 20 b     | Montague Burton.....10/-    | 72/3                   | 72/6     | 3-79  | 2     |       |  |  |
| 88 1/8          | 86 1/8 | Birmingham 4 1/2% .....            | 1967-70    | 88 1/8              | 88 1/8               | 66/9                 | 48/-      | 5 1/2 a  | 13 1/2 b | Debenhams.....10/-          | 66/3                   | 62/6     | 3-07  | 1 1/2 |       |  |  |
| 92 1/8          | 90 1/8 | Bristol 5% .....                   | 1971-73    | 92 1/8              | 92 1/8               | 56/-                 | 45/-      | 30 b     | 12 1/2 a | G.U.S. 'A'.....5/-          | 54 10 1/2              | 55 4 1/2 | 3-86  | 1 1/4 |       |  |  |
| 92 1/8          | 90 1/8 | Corporation of London 5 1/2% ..... | 1976-79    | 92 1/8              | 92 1/8               | 60/6                 | 50/-      | 25 b     | 20 a     | House of Fraser.....5/-     | 60/3                   | 58 28/8  | 2-57  | 2 1/2 |       |  |  |
| 92 1/8          | 90 1/8 | L.C.C. 3% .....                    | after 1920 | 92 1/8              | 92 1/8               | 32/9                 | 28/9      | 7 1/2 b  | 11 a     | Lewis's Interst. A.....5/-  | 30/3                   | 30/3     | 3-04  | 1 1/2 |       |  |  |
| 46 1/8          | 44 1/8 | L.C.C. 5% .....                    | 1980-83    | 46 1/8              | 46 1/8               | 63 7/7 1/2           | 27/-      | 27 1/2   | 15 b     | Marks & Spencer A.....5/-   | 106/3                  | 104/9    | 2-03  | 1 1/2 |       |  |  |
| 89 1/8          | 87     | L.C.C. 5% .....                    | 1980-83    | 89 1/8              | 89 1/8               | 52/3                 | 52/3      | 25 b     | 11 a     | United Drapery.....5/-      | 65/6                   | 65/6     | 3-05  | 2     |       |  |  |
| 93 1/8          | 90 1/8 | Middlesex 5 1/2% .....             | 1980       | 93 1/8              | 93 1/8               | 60 7 1/2             | 55/9      | 10 7/8   | 25 b     | Woolworth.....5/-           | 57 4 1/2               | 58/9     | 3-34  | 1 1/2 |       |  |  |

## Money and Exchanges

## EXCHEQUER RETURNS

For the 8 days ended April 8, 1961, there was an "above-line" deficit (after allowing for sinking funds) of £37,929,000 compared with a deficit of £45,415,000 in the previous 13 days and a deficit of £26,077,000 in the corresponding period of last year. There was a net expenditure "below-line" of £21,850,000 leaving a total cumulative deficit to date of £39,749,000 compared with £46,008,000 in 1960-61.

| £'000                                  | Estimate 1960-61 | April 1, 1959, to Mar. 31, 1960 | April 1, 1960, to Mar. 31, 1961 | April 1, 1961, to Apr. 8, 1961 | April 1, 1961, to Apr. 8, 1961 |
|----------------------------------------|------------------|---------------------------------|---------------------------------|--------------------------------|--------------------------------|
| <b>Ord. Revenue</b>                    | <b>2,478,000</b> | <b>2,442,602</b>                | <b>2,433,062</b>                | <b>32,542</b>                  | <b>17,897</b>                  |
| Income Tax                             | 1,900,000        | 1,813,300                       | 1,899,400                       | 5,800                          | 5,300                          |
| Death Duties                           | 249,000          | 236,500                         | 235,600                         | 7,000                          | 5,400                          |
| Stamps                                 | 110,000          | 97,300                          | 90,200                          | 2,900                          | 2,100                          |
| Profits tax, EPT and EPL               | 256,000          | 261,800                         | 263,100                         | 6,100                          | 5,300                          |
| Other Inland Revenue Duties            | ...              | 560                             | 450                             | ...                            | ...                            |
| <b>Total Inland Revenue</b>            | <b>3,273,000</b> | <b>3,210,062</b>                | <b>3,211,812</b>                | <b>54,362</b>                  | <b>35,997</b>                  |
| Customs                                | 1,408,610        | 1,373,305                       | 1,456,523                       | 36,999                         | 34,237                         |
| Excise                                 | 950,150          | 908,535                         | 933,260                         | 11,065                         | 6,275                          |
| <b>Total Customs and Excise</b>        | <b>2,408,780</b> | <b>2,381,890</b>                | <b>2,389,783</b>                | <b>43,064</b>                  | <b>40,512</b>                  |
| Motor Duties                           | 113,000          | 108,409                         | 126,005                         | 3,876                          | 2,502                          |
| PO (Net Receipts)                      | 8,450            | 36,100                          | 37,900                          | ...                            | ...                            |
| Broadband Licences                     | 30,000           | 33,923                          | 41,288                          | 5,655                          | 6,636                          |
| Miscellaneous                          | 110,000          | 151,715                         | 126,377                         | ...                            | ...                            |
| <b>Total</b>                           | <b>5,775,780</b> | <b>5,630,529</b>                | <b>5,733,665</b>                | <b>111,957</b>                 | <b>85,647</b>                  |
| <b>Ord. Expenditure</b>                | <b>640,000</b>   | <b>614,736</b>                  | <b>600,795</b>                  | <b>32,670</b>                  | <b>31,990</b>                  |
| Debt Interest                          | ...              | ...                             | ...                             | ...                            | ...                            |
| Payments to Northern Ireland Exchequer | 81,000           | 80,202                          | 88,994                          | 2,678                          | 3,028                          |
| Other Consolidated Funds               | 8,000            | 8,461                           | 8,672                           | 395                            | 398                            |
| Supply Services                        | 504,017          | 450,179                         | 498,808                         | 10,000                         | 87,700                         |
| <b>Total</b>                           | <b>5,793,017</b> | <b>5,205,188</b>                | <b>5,747,169</b>                | <b>137,743</b>                 | <b>123,116</b>                 |
| Sinking Funds                          | 40,000           | 38,724                          | 39,392                          | 311                            | 460                            |
| <b>"Above-line" Surplus or Deficit</b> | <b>386,617</b>   | <b>147,104</b>                  | <b>164,097</b>                  | <b>73,229</b>                  | <b>37,329</b>                  |
| <b>"Below-line" Net Expenditure*</b>   | <b>700,208</b>   | <b>541,422</b>                  | <b>19,911</b>                   | <b>21,850</b>                  | <b>...</b>                     |
| <b>Total Surplus or Deficit</b>        | <b>313,591</b>   | <b>394,318</b>                  | <b>44,008</b>                   | <b>59,779</b>                  | <b>...</b>                     |
| <b>Net receipts from:</b>              | <b>34,340</b>    | <b>27,195</b>                   | <b>6,975</b>                    | <b>4,615</b>                   | <b>...</b>                     |
| Tax Reserve Certificates               | 66,900           | 56,900                          | 900                             | 4,600                          | ...                            |
| Savings Certificates                   | 143,841          | 105,640                         | 3,980                           | 89                             | ...                            |
| Defence Bonds                          | 41,030           | 55,510                          | 590                             | 400                            | ...                            |
| <b>Total</b>                           | <b>217,384</b>   | <b>240,393</b>                  | <b>12,345</b>                   | <b>504</b>                     | <b>...</b>                     |

\* Net receipt of the Civil Contingencies Fund of £5 million in 1961-62 compared with £10 million in 1960-61.

## FLOATING DEBT

| £ million   | Treasury Bills | Wars and Means Advances | Public Debt        | Bank of England        | Total Floating Debt        |
|-------------|----------------|-------------------------|--------------------|------------------------|----------------------------|
| <b>1960</b> | <b>Tender</b>  | <b>Tap</b>              | <b>Public Debt</b> | <b>Bank of England</b> | <b>Total Floating Debt</b> |
| Apr. 9      | 3,460.0        | 1,845.7                 | 215.3              | ...                    | 5,521.0                    |
| Dec. 31     | 3,590.0        | 2,007.4                 | 294.1              | 4.0                    | 5,895.5                    |
| <b>1961</b> | <b>Tender</b>  | <b>Tap</b>              | <b>Public Debt</b> | <b>Bank of England</b> | <b>Total Floating Debt</b> |
| Jan. 7      | 3,510.0        | 2,054.7                 | 277.3              | ...                    | 5,842.0                    |
| " 14        | 3,410.0        | 2,040.2                 | 274.0              | ...                    | 5,744.2                    |
| " 21        | 3,160.0        | 2,018.5                 | 284.5              | ...                    | 5,463.0                    |
| " 28        | 3,340.0        | 2,000.6                 | 178.7              | ...                    | 5,509.3                    |
| Feb. 4      | 3,250.0        | 1,678.4                 | 201.8              | ...                    | 5,130.2                    |
| " 11        | 3,180.0        | 1,640.0                 | 187.6              | ...                    | 5,007.6                    |
| " 18        | 3,120.0        | 1,575.3                 | 219.1              | ...                    | 5,014.4                    |
| " 25        | 3,070.0        | 1,528.1                 | 175.1              | ...                    | 4,973.2                    |
| Mar. 4      | 3,060.0        | 1,696.1                 | 199.5              | ...                    | 4,955.6                    |
| " 11        | 3,040.0        | 1,601.5                 | 312.3              | ...                    | 4,953.8                    |
| " 18        | 3,040.0        | 1,593.9                 | 307.9              | ...                    | 4,941.8                    |
| " 25        | 3,100.0        | 1,604.0                 | 300.5              | ...                    | 5,004.5                    |
| " 31        | 4,648.1        | ...                     | 307.3              | ...                    | 4,955.4                    |
| Apr. 8      | 3,110.0        | 1,599.2                 | 298.4              | ...                    | 5,008.6                    |

## THE MONEY MARKET

THE syndicate of discount houses increased its agreed bid by 3d. to £98 17s. 10d. at last Friday's bill tender, and the average rate of discount fell by 11.73d. to £4 8s. 8.68d. per cent. This is the first change in the syndicate's bid for four weeks, and the first increase (reduction in discount rate) since end-January. The move was made in anticipation of a strong demand for bills arising from the redemption this Saturday of the balance of the Government's 2½ per cent Funding Stock 1956-61. It was not prompted by any expectation of a cut in Bank rate. In the event, total applications for the £260 million bills on offer rose by £56 million to £474 million, and the market's quota rose only from 40 to 42 per cent.

There was no borrowing from the Bank of England in the week to Wednesday but with credit more irregular than in recent weeks the authorities offered the market help by the purchase of bills on Thursday, Saturday and Tuesday. On Wednesday however they sold a moderate amount of bills to mop up a surplus. The rate for day-to-day credit has opened at 4½ per cent throughout the week.

## MONEY RATES

| LONDON                       |      |                 |       |
|------------------------------|------|-----------------|-------|
| Bank rate (from 5½% 8/12/60) | 5    | Discount rates: | %     |
| Bank bills:                  |      | 3 months:       | 4½-4¾ |
| 60 days:                     |      | 4 months:       | 4½-4¾ |
| 3 months:                    |      | 6 months:       | 4½-4¾ |
| 6 months:                    |      | 9 months:       | 4½-4¾ |
| 12 months:                   |      | 12 months:      | 4½-4¾ |
| Deposit rates:               |      | 3 months:       | 4½-4¾ |
| (maximum):                   |      | 6 months:       | 4½-4¾ |
| Bank:                        |      | 9 months:       | 4½-4¾ |
| Discount houses:             | 3-3¼ | 12 months:      | 4½-4¾ |
| Money:                       |      | Day-to-day:     | 4½    |
| Day-to-day:                  | 3-4¼ |                 |       |
| NEW YORK                     |      |                 |       |
| Official Discount rate:      | 3    | Treasury bills: | %     |
| (from 3½% 11/8/60)           |      | 3 months:       | 2-470 |
|                              |      | 6 months:       | 2-360 |

## LONDON CLOSING EXCHANGE RATES AND GOLD PRICE

|                            | Effective Limits | Market Rates: Spot |                  |                  |                  |                  |                  |
|----------------------------|------------------|--------------------|------------------|------------------|------------------|------------------|------------------|
|                            | April 12         | April 6            | April 7          | April 8          | April 10         | April 11         | April 12         |
| United States \$           | 2-78-2-82*       | 2-79-80            | 2-79-80          | 2-79-80          | 2-79-80          | 2-79-80          | 2-79-80          |
| Canadian \$                | 13-62-14-07      | 2-76-13-77 1/16    | 2-76-13-77       | 2-76-13-77 1/16  | 2-76-13-77 1/16  | 2-77-13-78       | 2-77-13-78       |
| French Fr.                 | 11-24-12-50      | 13-77-13-78        | 13-71-13-72      | 13-71-13-72      | 13-71-13-72      | 13-71-13-72      | 13-71-13-72      |
| Swiss Fr.                  | 137-96           | 12-09-10-14        | 12-10-10-14      | 12-09-10-14      | 12-10-10-14      | 12-10-10-14      | 12-10-10-14      |
| Belgian Fr.                | 137-96           | 139-70             | 139-50           | 139-77-1/2       | 139-87-1/2       | 140-05           | 140-05           |
| Dutch Gld.                 | 9-99-10-29       | 10-05-10-14        | 10-05-10-14      | 10-05-10-14      | 10-05-10-14      | 10-05-10-14      | 10-05-10-14      |
| W. Ger. D-Mk.              | 11-04-11-36      | 11-11-11-14        | 11-11-11-14      | 11-11-11-14      | 10-01-06-1/4     | 10-06-1/4        | 10-06-1/4        |
| Portug. Esc.               | 79-00-82-00      | 80-00-10           | 80-10-20         | 80-10-20         | 80-10-20         | 80-10-20         | 80-10-20         |
| Italian Lire               | 1725-1775        | 1739-1740          | 1740-40 1/2      | 1739-1740        | 1740-40 1/2      | 1740-40 1/2      | 1739-1740        |
| Swedish Kr.                | 14-27-14-70      | 14-46-46 1/4       | 14-46-46 1/4     | 14-46-46 1/4     | 14-46-47         | 14-47-47 1/2     | 14-47-47 1/2     |
| Danish Kr.                 | 19-06-19-62      | 19-31-31 1/2       | 19-31-31 1/2     | 19-31-31 1/2     | 19-34-34 1/2     | 19-34-34 1/2     | 19-34-34 1/2     |
| Norwegian Kr.              | 19-71-20-30      | 19-98-99 1/2       | 19-99-99 1/2     | 19-99-20-00      | 19-99-20-01      | 19-99-20-00      | 20-00-00 1/2     |
| * Official Limits          |                  |                    |                  |                  |                  |                  |                  |
| One Month Forward Rates    |                  |                    |                  |                  |                  |                  |                  |
| United States \$           | 1 1/2-1 1/2c. pm | 1 1/2-1 1/2c. pm   | 1 1/2-1 1/2c. pm | 1 1/2-1 1/2c. pm | 1 1/2-1 1/2c. pm | 1 1/2-1 1/2c. pm | 1 1/2-1 1/2c. pm |
| Canadian \$                | 1 1/2-1 1/2c. pm | 1 1/2-1 1/2c. pm   | 1 1/2-1 1/2c. pm | 1 1/2-1 1/2c. pm | 1 1/2-1 1/2c. pm | 1 1/2-1 1/2c. pm | 1 1/2-1 1/2c. pm |
| French Fr.                 | 3-2c. pm         | 3-2c. pm           | 3-2c. pm         | 3-2c. pm         | 2-1c. pm         | 2 1/2-1 1/2c. pm | 2 1/2-1 1/2c. pm |
| Swiss Fr.                  | 25-15c. pm       | 4 1/2-3 1/2c. pm   | 4 1/2-3 1/2c. pm | 4 1/2-3 1/2c. pm | 20-10c. pm       | 4 1/2-3 1/2c. pm | 4 1/2-3 1/2c. pm |
| Belgian Fr.                | 25-15c. pm       | 4 1/2-3 1/2c. pm   | 4 1/2-3 1/2c. pm | 4 1/2-3 1/2c. pm | 20-10c. pm       | 4 1/2-3 1/2c. pm | 4 1/2-3 1/2c. pm |
| Dutch Gld.                 | 4 1/2-3 1/2c. pm | 4 1/2-3 1/2c. pm   | 4 1/2-3 1/2c. pm | 4 1/2-3 1/2c. pm | 3 1/2-3 1/2c. pm | 3 1/2-3 1/2c. pm | 3 1/2-3 1/2c. pm |
| W. German D-Mk.            | 4 1/2-3 1/2c. pm | 4 1/2-3 1/2c. pm   | 4 1/2-3 1/2c. pm | 4 1/2-3 1/2c. pm | 3 1/2-3 1/2c. pm | 3 1/2-3 1/2c. pm | 4-3 1/2c. pm     |
| Three Months Forward Rates |                  |                    |                  |                  |                  |                  |                  |
| United States \$           | 1 1/2-1 1/2c. pm | 1 1/2-1 1/2c. pm   | 1 1/2-1 1/2c. pm | 1 1/2-1 1/2c. pm | 1 1/2-1 1/2c. pm | 1 1/2-1 1/2c. pm | 1 1/2-1 1/2c. pm |
| Canadian \$                | 1 1/2-1 1/2c. pm | 1 1/2-1 1/2c. pm   | 1 1/2-1 1/2c. pm | 1 1/2-1 1/2c. pm | 1 1/2-1 1/2c. pm | 1 1/2-1 1/2c. pm | 1 1/2-1 1/2c. pm |
| Swiss Fr.                  | 12-11-11c. pm    | 12-11c. pm         | 12-11c. pm       | 12-11c. pm       | 10-12-9 1/2c. pm | 11-10c. pm       | 11-10c. pm       |
| W. German D-Mk.            | 10-9-9 1/2c. pm  | 10-9-9 1/2c. pm    | 10-9-9 1/2c. pm  | 10-9-9 1/2c. pm  | 9 1/2-8 1/2c. pm | 9-8 1/2c. pm     | 9 1/2-8 1/2c. pm |
| Gold Price at Fixing       |                  |                    |                  |                  |                  |                  |                  |
| Price (s. d. per fine oz.) | 250/8            | 250/7              | 250/7            | 250/7 1/2        | 250/7 1/2        | 250/7            | 250/7 1/2        |
| .. (\$                     | 35 07 1/2        | 35 07 1/2          | 35 07 1/2        | 35 07 1/2        | 35 07 1/2        | 35 07 1/2        | 35 07 1/2        |

## Western Europe

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

| BRITISH             |           |                    |           |
|---------------------|-----------|--------------------|-----------|
| Prices and Wages    | Mar. 18th | External Trade     | April 8th |
| Manpower and Output | Mar. 25th | Industrial Profits | Jan. 14th |

| OVERSEAS       |           |               |           |
|----------------|-----------|---------------|-----------|
| Western Europe | This week | United States | Feb. 14th |

|                                             | Austria | Belgium | Denmark | France | Germany, F.R. | Greece | Ireland           | Italy | Netherlands | Norway | Sweden | Turkey | United Kingdom   |
|---------------------------------------------|---------|---------|---------|--------|---------------|--------|-------------------|-------|-------------|--------|--------|--------|------------------|
| <b>INDUSTRIAL PRODUCTION (1) (1953=100)</b> |         |         |         |        |               |        |                   |       |             |        |        |        |                  |
| 1948                                        | 54      | 90      | 82      | 76     | 39            | 52     | 70                | 62    | 71          | 73     | 89     | 69     | 83               |
| 1959                                        | 156     | 119     | 135     | 159    | 162           | 167    | 114               | 158   | 139         | 134    | 124    | ...    | 120              |
| 1960                                        | ...     | ...     | ...     | ...    | 180           | ...    | ...               | ...   | 157         | 143    | 134    | ...    | 128              |
| 1960, August                                | 163     | 119     | 144     | 118    | 168           | 185    | 121 <sup>20</sup> | 154   | 151         | 142    | 130    | ...    | 112              |
| " September                                 | 181     | 132     | 148     | 175    | 188           | 188    | ...               | 193   | 161         | 153    | 138    | ...    | 132              |
| " October                                   | 181     | 130     | 150     | 179    | 189           | 186    | ...               | 192   | 165         | 155    | 143    | ...    | 135              |
| " November                                  | 186     | 131     | 153     | 190    | 202           | ...    | ...               | 186   | 164         | 158    | 149    | ...    | 135              |
| " December                                  | ...     | ...     | ...     | ...    | 189           | ...    | ...               | ...   | 161         | 144    | 146    | ...    | 126 <sup>8</sup> |

| VALUE OF EXTERNAL TRADE (2)               |                   |               |                   |                   |                     |                     |          |                  |                 |                   |                   |             |                     |
|-------------------------------------------|-------------------|---------------|-------------------|-------------------|---------------------|---------------------|----------|------------------|-----------------|-------------------|-------------------|-------------|---------------------|
| Monthly averages<br>or<br>calendar months | mn.<br>schillings | mn.<br>francs | mn.<br>kroner     | mn. New<br>francs | mn.<br>D. marks     | mn.<br>drachmas     | mn.<br>£ | '000 mn.<br>lire | mn.<br>guilders | mn.<br>kroner     | mn.<br>kroner     | mn.<br>lira | mn.<br>£            |
| Imports (c.i.f.)                          |                   |               |                   |                   |                     |                     |          |                  |                 |                   |                   |             |                     |
| 1948 .....                                | 243               | 7,249         | 285 <sup>14</sup> | 561               | 2,641 <sup>15</sup> | 1,521 <sup>17</sup> | 11.4     | 70.36            | 414             | 310 <sup>14</sup> | 413 <sup>14</sup> | 64.2        | 168.0 <sup>18</sup> |
| 1959 .....                                | 2,480             | 14,340        | 922               | 2,092             | 2,966               | 1,417               | 17.7     | 174.00           | 1,247           | 787               | 1,041             | 103.3       | 321.1               |
| 1960 .....                                | ...               | 16,427        | 1,037             | 2,585             | 3,531               | ...                 | 18.8     | 246.36           | 1,435           | 870               | 1,241             | 184.5       | 368.1               |
| 1960, August .....                        | 2,959             | 15,420        | 1,009             | 2,217             | 3,339               | 2,672               | 17.4     | 216.78           | 1,289           | 835               | 1,147             | 146.8       | 368.6               |
| „ September .....                         | 3,122             | 16,512        | 915               | 2,463             | 3,351               | 1,463               | 18.4     | 241.31           | 1,462           | 939               | 1,254             | 348.3       | 350.6               |
| „ October .....                           | 3,230             | 16,839        | 1,091             | 2,337             | 3,729               | 1,396               | 20.6     | 261.91           | 1,538           | 838               | 1,283             | 281.9       | 366.6               |
| „ November .....                          | 3,266             | 16,925        | 1,061             | 2,619             | 3,647               | 2,446               | 20.8     | 254.96           | 1,480           | 919               | 1,346             | 360.1       | 408.0               |
| „ December .....                          | ...               | 16,191        | 1,198             | 3,060             | 4,169               | ...                 | 19.4     | 256.84           | 1,547           | 940               | 1,477             | 323.5       | 371.2 <sup>9</sup>  |



## APPOINTMENTS

## LANCHESTER COLLEGE OF TECHNOLOGY, COVENTRY

(Principal: A. J. Richmond, B.Sc.(Eng.), Ph.D., M.I.Mech.E.)  
 Appointment of Additional Academic Staff.  
 Applications invited for following posts, duties to commence September 1, 1961 or from date to be arranged.

**DEPARTMENT OF MECHANICAL ENGINEERING**  
 (Head of Department: J. E. Dickinson, B.Sc.(Eng.), A.M.I.Mech.E., A.M.I.Mar.E.)  
 Two Senior Lecturers, One Lecturer, to teach to H.N.C. and degree standard in Theory of Machines, Strength of Materials, Mechanics of Fluids, Thermodynamics.

**DEPARTMENT OF ELECTRICAL ENGINEERING**  
 (Head of Department: E. A. Hanney, M.Eng., Ph.D., M.I.E.E., M.Brit.I.R.E.)  
 One Principal Lecturer, Two Senior Lecturers, One Lecturer, to teach to H.N.C., Part III I.E.E. and degree standard. Opportunities exist in electronic engineering, control engineering, heavy current work and electro-technology.

**DEPARTMENT OF CHEMISTRY, METALLURGY AND TEXTILES**  
 (Head of Department: M. E. Fook, B.Sc., Ph.D., F.R.I.C.)  
 One Principal Lecturer in Polymer Chemistry and Technology.  
 One Assistant Lecturer, Grade B, in chemistry, mainly for inorganic and physical chemistry.

One Lecturer in Metallurgy, mainly for Physical Metallurgy.  
 One Lecturer in Textiles, for Textile Science and Technology, to teach to H.N.C. and degree standard courses (also A.T.M. in Metallurgy and A.T.I. in Textiles).

**DEPARTMENT OF APPLIED PHYSICS**  
 (Head of Department: F. J. Pearson, B.Sc., Ph.D., A.Inst.P.)

One Senior Lecturer, One Lecturer, One Assistant Lecturer, Grade B, to teach to H.N.C. (Physics) standard and to teach Physics at various levels to engineering and science students in full-time and part-time courses. The Department offers a range of postgraduate courses.

**DEPARTMENT OF MATHEMATICS**  
 (Head of Department: R. Woodbridge, M.C., B.Sc.)

Two Lecturers, to teach Mathematics to H.N.C., H.N.D. and degree standard. Experience in Statistics and/or numerical analysis an advantage.

**DEPARTMENT OF MANAGEMENT AND BUSINESS STUDIES**  
 (Head of Department: W. F. Frank, Dr.Jur., B.Com., M.Sc.(Econ.), LL.B.)

One Principal Lecturer and Deputy Head of Department to act as Senior Course Tutor and organiser for the new (postgraduate) Diploma in Management Studies course.

One Senior Lecturer in Economics.  
 Four Lecturers, one specialising in Government, one in Philosophy and Politics, one in English and General Studies, one in Sociology.  
 One Assistant Lecturer, Grade B, mainly in Accounting.

For all posts, candidates should normally hold University degree or Diploma in Technology and, where appropriate, a professional qualification. Applicants who do not meet these requirements may be eligible by virtue of outstanding experience or other qualities. According to the nature of the post, industrial or professional experience is necessary, while some previous teaching or research experience would be an advantage.

The College is largely housed in new buildings occupied in 1960. The remaining buildings will be occupied during 1963. Equipment and general facilities in the new buildings are excellent and a real opportunity exists for the staff to take part in the many further educational developments which are projected in close and growing co-operation with industry. An outstanding feature of all Departments are many well-supported postgraduate courses of lectures. It is hoped that several Dip.Tech. courses will be offered from September, 1961.

All staff are encouraged to undertake research and/or consulting work.

**Salaries (now under review):**  
 Principal Lecturers—£1,730 p.a. to £2,100 p.a.  
 Senior Lecturers—£1,550 p.a. to £1,750 p.a.  
 Lecturers—£1,370 p.a. to £1,400 p.a. to £1,550 p.a.

In certain circumstances a candidate may be paid commencing salary above minimum of title.

Assistant Lecturers, Grade B, £700—£1,150 p.a. Plus additions at the minimum and maximum for training and degree, which may amount to £235 p.a. Commencing salaries depend on age and experience.

Further particulars and application forms from the Registrar, Lanchester College of Technology, Priory Street, Coventry, to whom applications should be submitted within 12 days of the appearance of this advertisement.

W. E. Chinn, Director of Education.

## VICTORIA UNIVERSITY OF WELLINGTON

New Zealand

## SENIOR LECTURER IN ECONOMICS

Applications are invited for the above-mentioned appointment. Ability to teach advanced classes in Statistics and Econometrics would be an advantage.

The salary will be £1,750 per annum rising to £2,000 per annum, the initial salary being determined according to the qualifications and experience of the appointee.

Approved fees to Wellington will be allowed for the appointee, his wife and his dependent children. In addition, travel removal expenses will be allowed within certain limits.

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.

Applications close, in New Zealand and London, on May 31, 1961.

## SURREY EDUCATION COMMITTEE

KINGSTON TECHNICAL COLLEGE  
 FASSETT ROAD, KINGSTON UPON THAMES

Required September 1, 1961:—  
**DEPARTMENT OF MANAGEMENT, WORK STUDY AND PRODUCTION**

Senior Lecturer in Management Studies; should be graduate or possess equivalent professional qualification and be a corporate member of the British Institute of Management or of appropriate professional Institution. Experience in teaching and in industry or commerce in executive position essential; research experience desirable; should be able to offer range of subjects in final years of new Diploma Course in Management Studies, and will be directly concerned with organisation and development of Diploma Course and with a range of Post Graduate Lectures in Management Studies.

**DEPARTMENT OF COMMERCE, LANGUAGES AND PROFESSIONAL STUDIES**

1. Senior Lecturer in Business Studies, Honours Degree in Commerce or Economics and/or recognised professional qualification and ability to lecture in Commercial Subjects up to and including final degree and professional level.

2. Lecturer in Accountancy, Recognised Accountancy qualification and suitable practical experience either in business or with public body.

3. Assistant Grade B in Economics and related subjects. Honours degree in Economics; should state subjects which qualified and willing to teach.

Salary, Burnham Technical Scale, Senior Lecturer: £1,550 x £50—£1,750. Lecturer: £1,370 x £50/£40—£1,550. Assistant Grade B: £700 x £27.10s. (15)/£37.10s.—£1,150, with appropriate allowances for degree, training and experience. London Allowance payable.

Application forms and further particulars from Principal, to be returned as soon as possible, in any case not later than May 1, 1961.

## UNIVERSITY GRADUATES

required by

AN FORAS TALUNTAIS (The Agricultural Institute) for appointment as Research Officers or Research Cadets in the Rural Economy Division.

ESSENTIAL—Honours Degree in Agriculture, Commerce, Economics, Geography or Statistics. Applications also considered from 1961 FINAL DEGREE EXAMINATION CANDIDATES.

Further particulars and application forms from the Director, An Foras Taluntais, 33 Merrion Road, Dublin, 4. Latest date for receipt of completed forms—May 8, 1961.

THE ECONOMIST INTELLIGENCE UNIT LTD. wishes to make further appointments to the staff of its Research Division. Applications are invited from graduates aged not more than 28 holding a first or second class honours degree in economics or related subjects. Preference will be given to applicants with industrial or commercial experience; knowledge of foreign languages would be an advantage. Salaries according to qualifications and experience. Detailed applications should be sent to "Research," 22 Ryder Street, London, S.W.1.

THE METAL BOX COMPANY LIMITED  
 Market Research Division  
 A MALE GRADUATE

is required for the Industrial Research section of Market Research Division. Applications are invited from graduates aged not more than 28 holding a first or second class honours degree in economics or related subjects. Preference will be given to applicants with industrial or commercial experience; knowledge of foreign languages would be an advantage. Salaries according to qualifications and experience. Detailed applications should be sent to "Research," 22 Ryder Street, London, S.W.1.

The job will be based at Head Office but some travelling within the country may be necessary. Preferred age 23-25.

Apply to Head of Staff Division, The Metal Box Company Limited, 37 Baker Street, London, W.1.

quoting reference GMR/3.

**CENTRAL ELECTRICITY GENERATING BOARD.**  
 MIDLAND REGION  
 APPOINTMENT OF REGIONAL PUBLIC RELATIONS OFFICER  
 VACANCY NO. MR.155.

Applications are invited for the post of REGIONAL PUBLIC RELATIONS OFFICER in the Midlands Region of the Central Electricity Generating Board at Birmingham.

The successful applicant will be on the staff of the Regional Secretary and the duties will include Press relations, internal and external information services, production of booklets, posters, &c., the preparation or collection of material for lectures, conferences and exhibitions, the organisation of visits and the reception of visitors and various other publicity matters throughout the Region.

The appointment will be made within the salary range £1,905-£2,170 per annum.

A knowledge of the organisation of the Electricity Supply Industry would be an advantage, but it is not essential. Applications from suitably qualified persons, quoting the above vacancy number should be addressed to the Assistant Regional Secretary (Personnel), Central Electricity Generating Board, Midlands Region, 53 Wake Green Road, Birmingham, 13, marked "Confidential," to arrive not later than Monday, May 1, 1961.



The G.K.N. Group of Companies wish to make the following appointment.

## INFORMATION ASSISTANT

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For other appointment: see page 267

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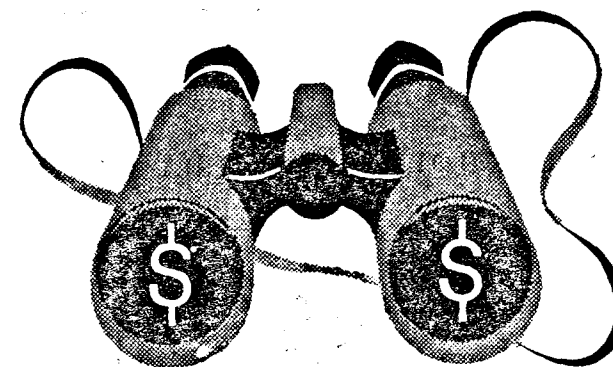
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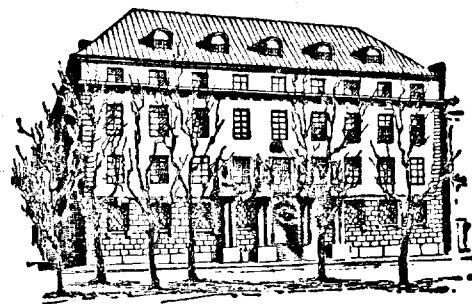
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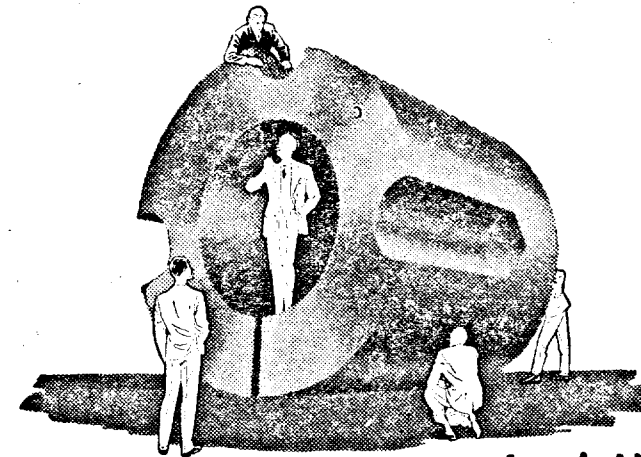
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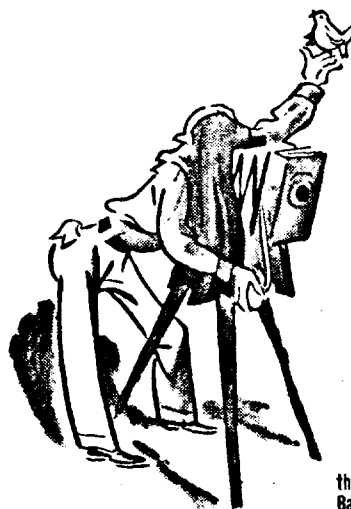
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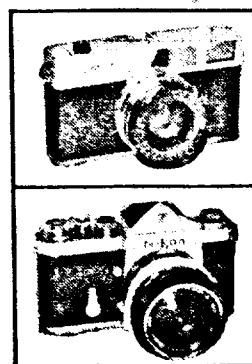
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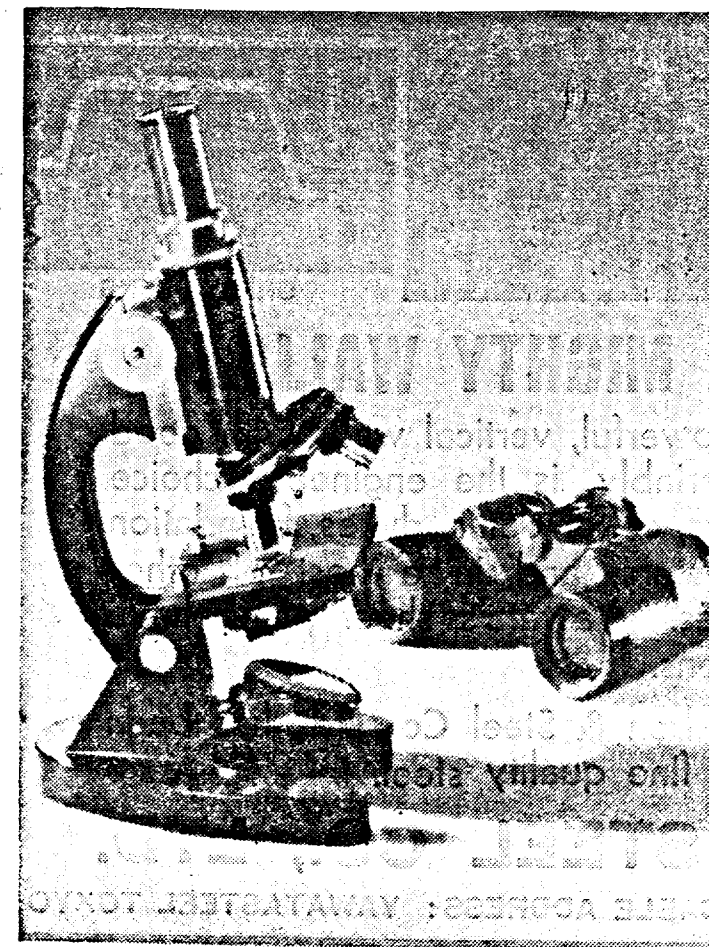


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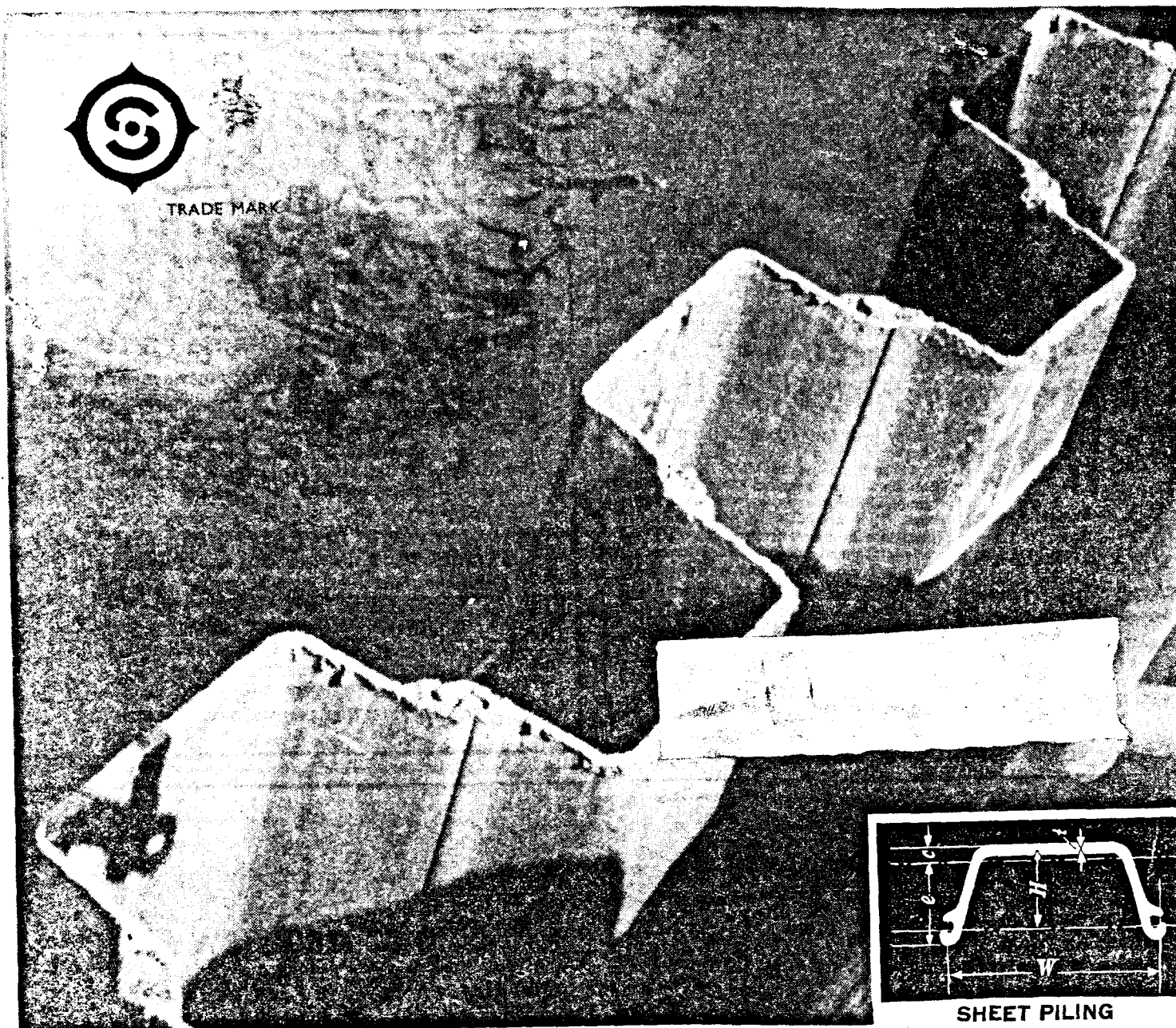
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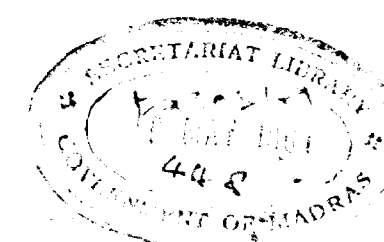
# The Economist

APRIL 29, 1961

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# FRANCE

Fall of the Dinosaurs

What Went Wrong in Algiers?

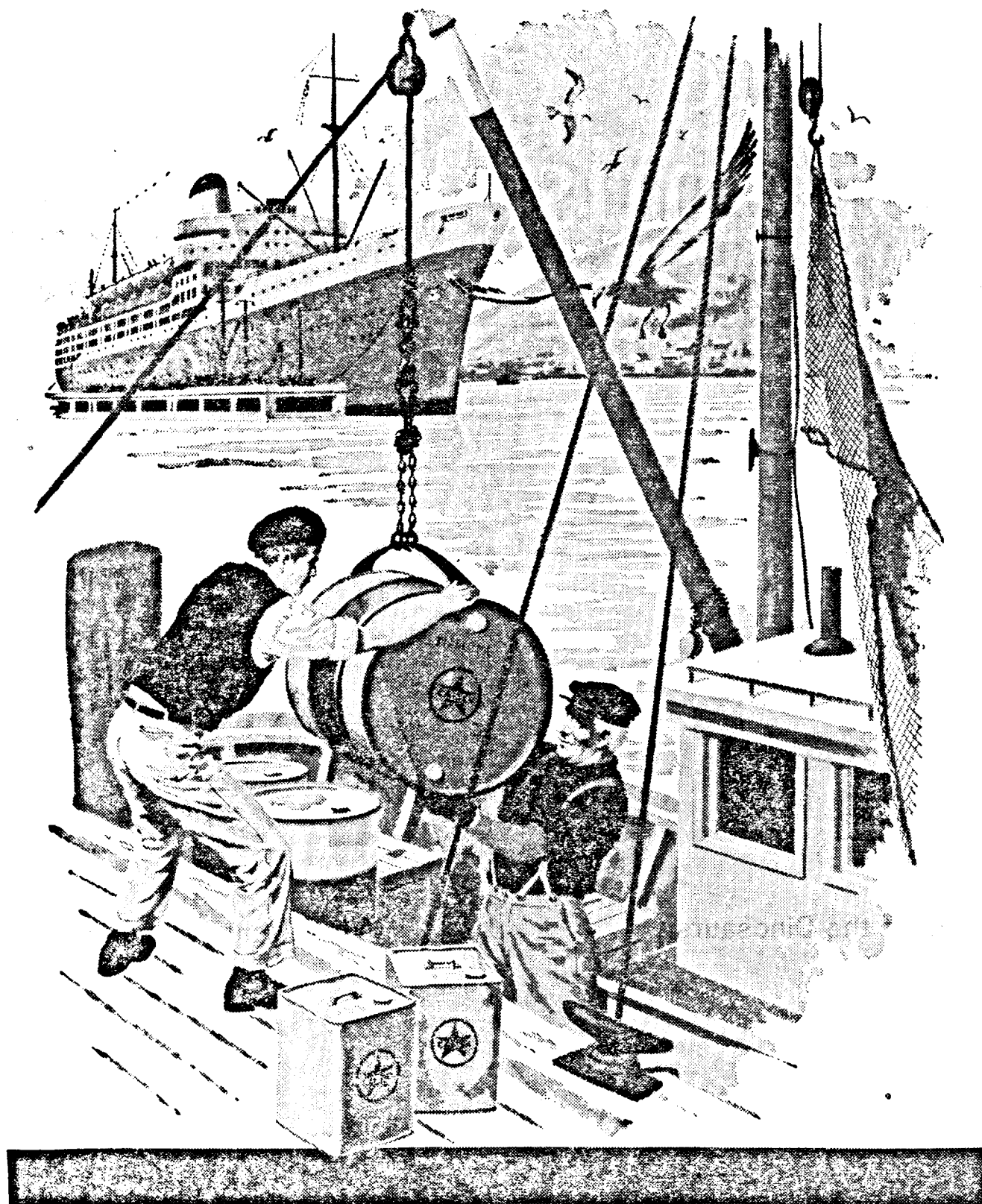
# Algeria

Steel: An Essay in Planning | Should Gilt-Edged Rise?

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## In The Economist this Week

### INTERNATIONAL



#### BIG PLOTS

President de Gaulle's triumph over the Algerian revolt is also a triumph of those who are seeking to adapt France to the nineteen-sixties over those who stick to the past (p. 419). As the details of the week's drama are pieced together (p. 452), it becomes clear that the army's longer bid to sway the government of France, which had its public opening in May, 1958, has failed (p. 451).

**Cuba**—The fiasco of the Cuban landings has given Mr Kennedy and the American people a jolt which may do them good (p. 441). Already Congress has been shaken into long-awaited activity on the Administration's domestic programme (p. 442). But it has done America no good in the eyes of uncommitted peoples like the Arabs (p. 454).

**Laos**—The proposed conference will start against the background of communist military success (p. 424).

**Neutrals**—Mr Khrushchev has expounded the doctrine that "there are no neutral men" in the east-west struggle (p. 425). Yet it is not the neutrals but the wrangling great powers who have caused the session of the UN Assembly that has just finished to be long and confused (p. 430).

### HOME

#### CRYSTAL GAZING

**Steel**: The industry's plan for the future is some part faith as well as calculation, but other British industries would do well to make similar forecasts (p. 465).

**Gilt-edged**: The budget has cut the Exchequer deficit so much that this year's problem is not how to borrow money in the gilt-edged market but whether to repay it (p. 467).

The revival of demand for gilt-edged since the budget will put renewed pressure on bank liquidity—unless the Government does something about it (p. 474). The Midland Bank is to raise £24 million of new capital, but expansion of the banks generally is limited by the liquid assets the authorities make available (p. 476).

**Supersonic Airliners**: Britain appears to be backing the 1,500 mph passenger jet rather than grappling with the problems posed by even faster airlines—we could be wrong (p. 468).

#### COLD PLUNGE

Mr Macmillan, pushed to the edge of the springboard by statesmen on both sides of the Atlantic, may even be contemplating a header into the European pool (p. 421).

• The mood of Conservatives, after being cold-shouldered in recent by-elections, may help to push the Prime Minister over the brink (p. 425).

#### GREATNESS THRUST UPON THEM?

Reform of the House of Lords is in the air, and should be carefully welcomed, but impetuous radicals do not always appreciate the

April 29, 1961

#### SMALL PLOTS

In the Congo Mr Tshombe has been arrested for a day; in Portugal Dr Salazar has forestalled a coup (p. 426). In Albania communist heretics may be tried as plotters, whether or not there has been a plot (p. 433).

#### AFRICAN QUEST

A conference of African states will meet in Liberia on May 8th in the hope of giving substance to the ideal of African unity (p. 454).

Though part of the newly independent British Cameroons is to link up with its French neighbour, the new entity can only make sense within a broader regional framework (p. 457). Sierra Leone, now independent, is small, poor and divided (p. 426).

In the Central African Federation, however, African nationalists are more "nationalist" than "African" (p. 453).

#### QUEST FOR ECONOMIC GROWTH

President Kennedy wants to encourage industrial expansion by lightening taxes on business, and to make up for the loss of revenue by tightening taxes on business men (p. 445). In Paris the new Organisation for Economic Co-operation and Development is not much more yet than an Atlantic talking-shop (p. 429) but in London a conference of economists has been asking whether French planning methods might be applied to serve the British (p. 433).

Argentina is putting expansion before stability; President Quadros of Brazil is doing the reverse (p. 429).

dangers: the House has proved strangely workable in its present form, although there is a need to adjust the balance between "gentlemen" and "players" (p. 421).

• An easy and immediate reform would be the release from a tedious predicament of Mr Wedgwood Benn: already he has had a filip to his election campaign (p. 461).

• Part of the Lords' work is the detailed examination of issues of minor, but significant, importance. This week they have tackled shortcoming in public inquiry procedure (p. 429), and refused to give Efta's staff diplomatic immunity (p. 430).

#### Grinding Whose Faces?

Some Scottish Labour-controlled councils are charging hopelessly uneconomic rents for their houses, the while mulcting their rate-payers; Mr MacLay is growing impatient with them, but legislation may be necessary (p. 423).

Unrest is endemic in London's docks, but the latest excuse for a strike seems more than usually trivial (p. 426).

#### Wealth, Wages and Profits

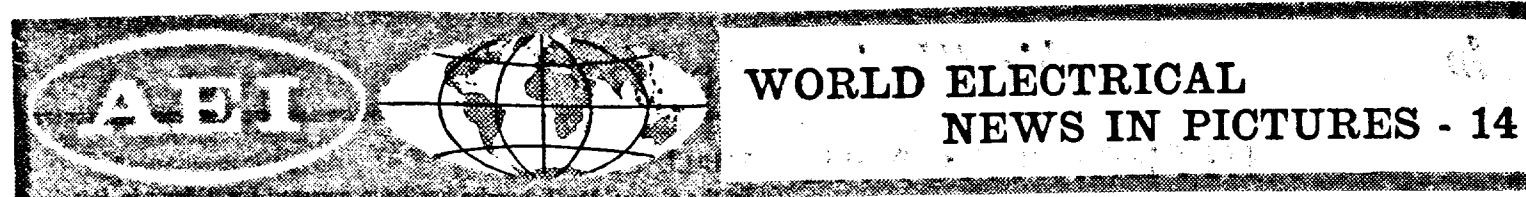
• The Economist's quarterly profits survey puts industrial profits on the turn and heading downwards (pp. 472, 500, 501).

• The stags hope to make a killing on the market's newest share—Chatterleys (p. 474).

• An estimate of personal wealth in Britain supports the case for recent surtax reductions—but suggests it would be fair to follow them up by more effective collection of death duties (p. 434).

• The Ministry of Labour analyses industrial earnings (p. 475).

Detailed contents on page 419



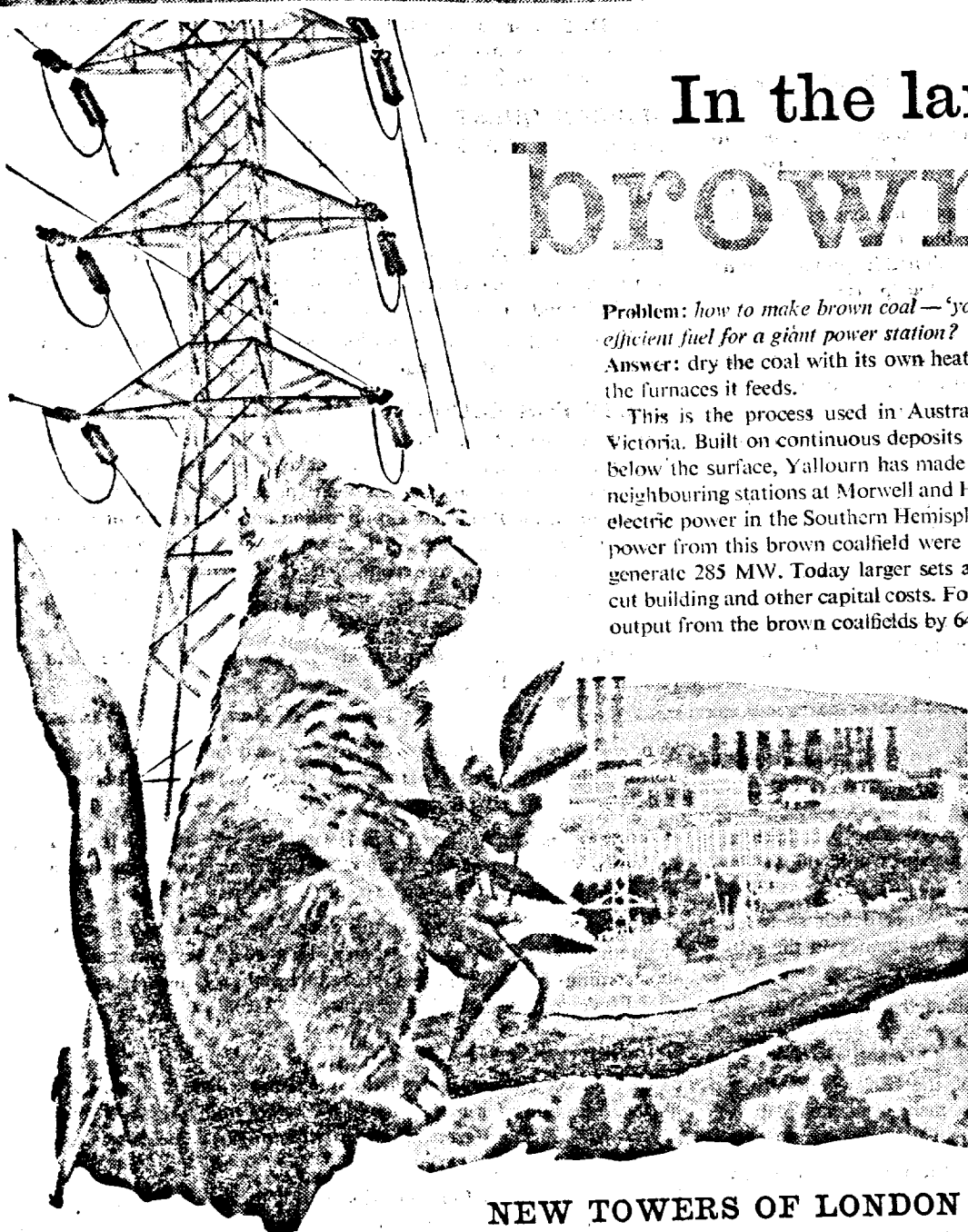
## WORLD ELECTRICAL NEWS IN PICTURES - 14

# In the land of brown coal

**Problem:** how to make brown coal — 'young' coal that is two thirds water — into an efficient fuel for a giant power station?

**Answer:** dry the coal with its own heat by first passing it through hot gases from the furnaces it feeds.

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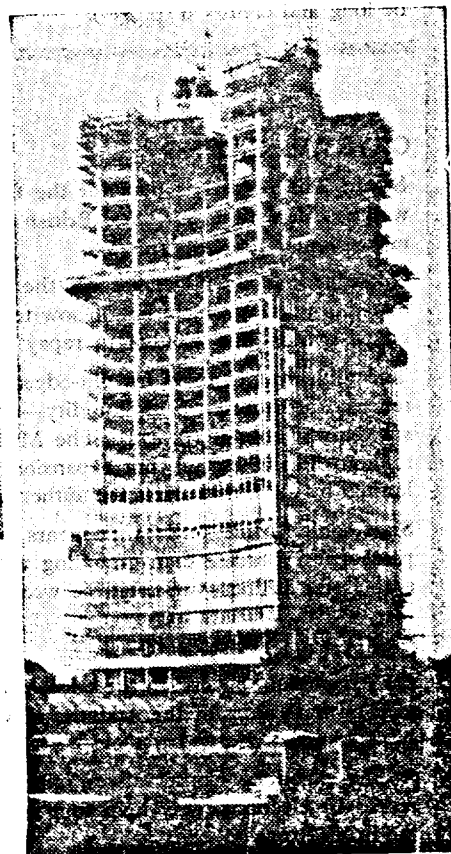
## NEW TOWERS OF LONDON

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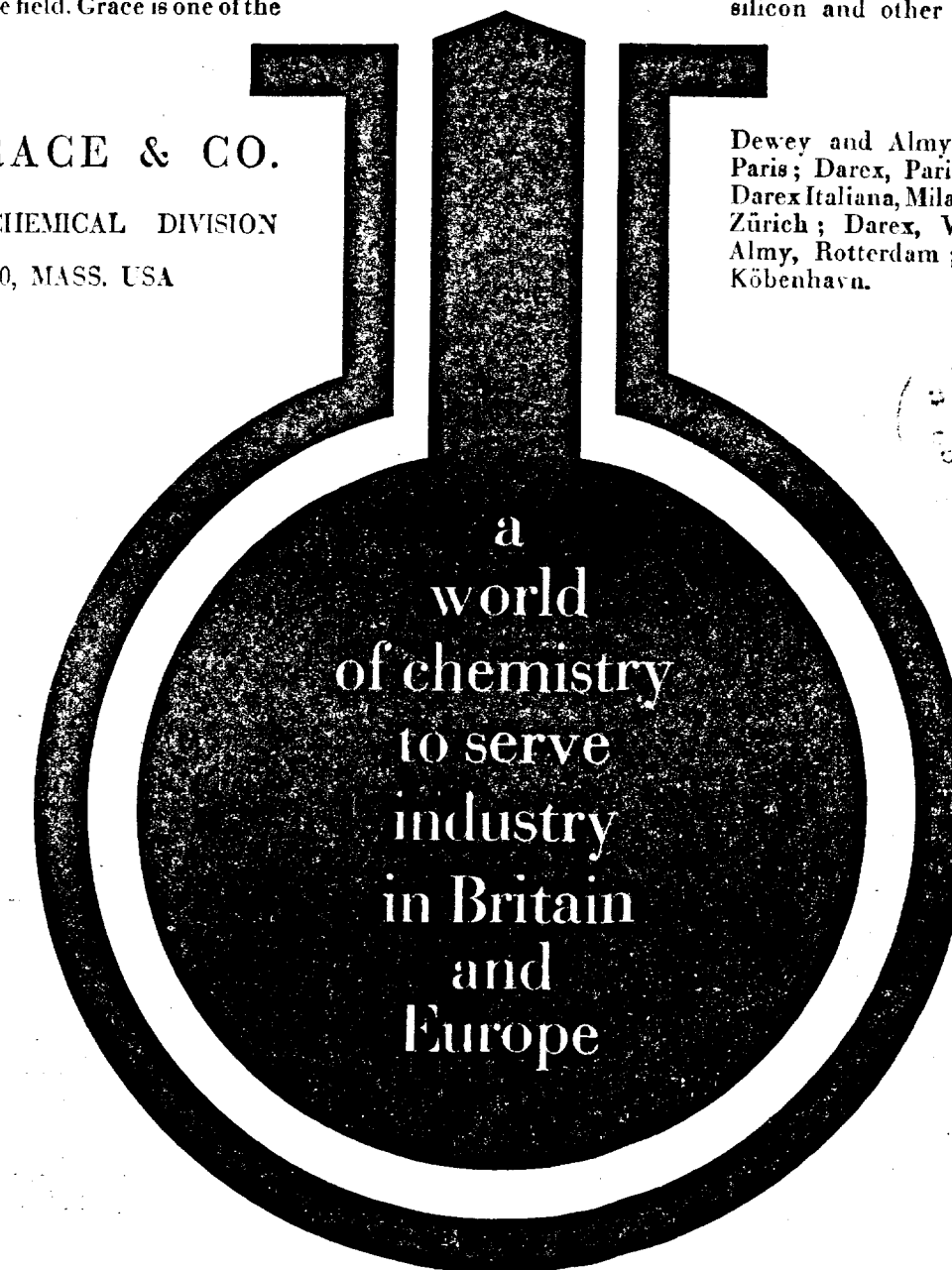
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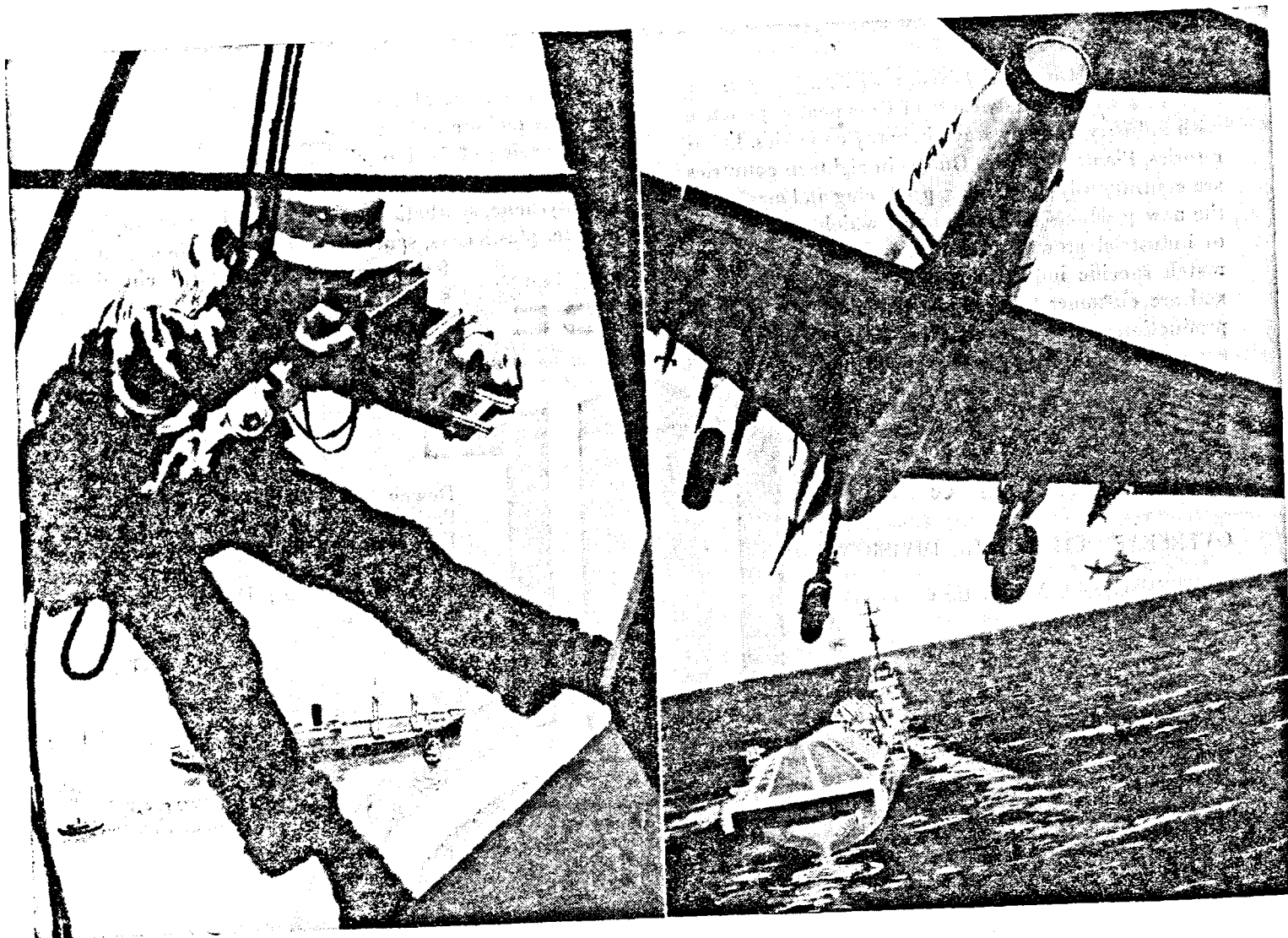
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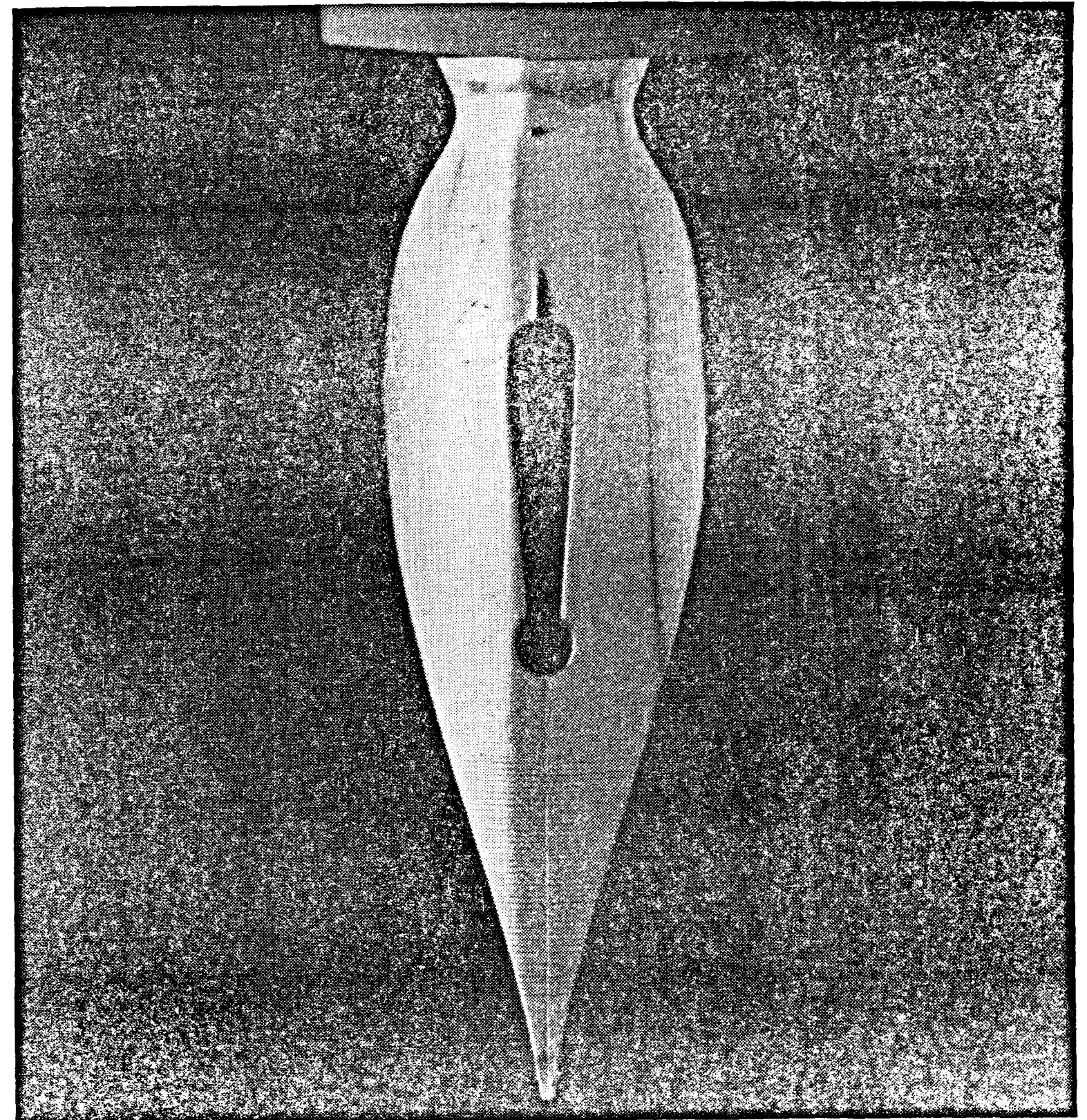
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## Fall of the Dinosaurs



AT all times since the decline and fall of the Second Empire the French, among all the nations of Europe, have been the most dominated by memories of a glorious past, and the least able to understand that yesterday's realities are not those of today. This has arisen, in part, from the fact that they have been more shockingly, and more often, confronted than others with the harshest sort of contrast between things as they are and things as they would like them to be; and in self-defence they have sought refuge in illusion. But each resort to the dream has made the next awakening more painful, and there are limits (as the British indeed should know) even to the human power of self-deception.

After the fruitless victory of 1918 came the collapse of 1940, and the terrible moment when every Frenchman had to choose between being a traitor with Marshal Pétain and a traitor with General de Gaulle. French history since then, it may well come to seem, has been dominated by a struggle between those (like General de Gaulle himself) who drew the moral from 1940 that a major work of national reconstruction had become essential, though differing on how to achieve it; and those (like the Algerian settlers and their political and military friends) who still cling to the dream of yesterday. With the generals' rising in Algiers last Saturday, the battle was clearly joined between the two parties. Everyone who thought about it knew now where he stood, as he had not known in 1958; and what may be called the party of tomorrow emerged as, incontrovertibly, the stronger. Even if the military *Putsch* had succeeded in overthrowing the Fifth Republic, its success could not have been enduring. As it has turned out, General Challe has succeeded in uniting France, for the first time, behind President de Gaulle. The most elusive item of the gaullist programme of regeneration has suddenly been realised.

This was the Fifth Republic's hour of decision: the baptism, as it were, that washed away the original sin of its birth. The hour made even that birth look somewhat different. Squalid and dangerous though the conspiracy of gaullists and militarists which exploded on May 13, 1958, clearly was, and inexcusably as the actors in that drama, from General de Gaulle downwards, conducted themselves at various points, in retrospect it does now appear that the gaullists acted on behalf of the party of tomorrow when they captured the 1958 *coup d'état*. No one rallied to the defence of the Fourth Republic: it had affronted too many interests; its institutions were too thoroughly discredited. The Fifth Republic has at least proved to possess the authority to defend itself. This is the measure of General de Gaulle's achievement, and of the failure of the Algiers generals. Well might the generals now feel that their mistake in 1958 was to involve themselves with the politicians. For it was the politicians who diverted a stroke designed to demonstrate the army's vocation as the overriding conscience of France, and to maintain French rule in Algeria at all costs, into one establishing a regime strong enough to declare itself ready to give Algeria self-government and to oppose its will to the right-wing militarists.

General de Gaulle may, in the end, be vindicated in another way by these events. His insistence on "restoring the state," on strengthening the executive at the expense of parliament, has, all too often, seemed illiberal and unwise.

Illiberal it may have been, but at least his institutions passed one test by surviving one of the hardest of knocks. General de Gaulle has, in fact, now overcome the circumstances in which he came to power in 1958. This week's mutineers were then his allies. His policy since then has been one long struggle to free himself from their control. Now we have had the showdown between the president and the president-makers, and he has won. The state has been restored, in however personal a fashion, to sovereignty. It will now be the task of historians to dispute the assumption that the revitalisation of French government could have happened in none but the gaullist way—unless the general proves to be so indispensable that, after his departure, anarchy inherits. His statement that he intends to ensure that "French and republican liberty" shall continue after him suggests that he has measures in mind to deal with this, the last of his institutional problems.

It is not difficult to think of other ways in which France has, in the past few years, undergone a still-continuing transformation. The effort of social reform started after the war has been resumed, though there is still much to do. The economic recovery launched under the Fourth Republic has been continued dynamically under the Fifth. The relinquishment of an empire, hardly to be thought of in 1958, has become generally accepted—as has the need for retiring from Algeria. Internationally, gaullism has at least made France's role more conspicuous, if less agreeable to its allies—as the fourth French nuclear explosion, in the Sahara on Tuesday morning, reminds us. In all these matters, it can be argued that General de Gaulle might have profitably and wisely adopted a different course from the one he chose; but he did, in all cases, choose. No doubt, an unhealthy political apathy has reigned since 1958; but it will not, it is to be hoped, be permanent—and indeed the present crisis may have brought it to an end.

GENERAL DE GAULLE did right to underline, in his speech on Sunday, the fact that the army insurrection threatened all his work:

France's immense effort, by which, in spite of everything, victory was won, independence assured and the Republic restored; and which was resumed, three years ago, in order to refashion the State, to maintain national unity, to reconstitute our power, to regain our rank among the nations, and to pursue our work overseas of necessary decolonisation, all this is in danger of being brought to nothing, on the very verge of success, by the crass and hateful gamble of the insurgents in Algeria.

The French president was here expounding the true significance of the threat that faced him. For the plot could not succeed without a descent on Paris and the overturning of the regime; and it is now fairly clear that the rebels would have made that descent but for the refusal of the greater part of the armed forces to help them. The government appears, also, to have got wind that something was afoot so that they had to act earlier than they had intended. But however swift the collapse, the danger that France has passed through this week must not be underrated. If the dead policy of French Algeria was to be effectively resurrected, General Challe had to impose his will on Paris. He could not do that without killing or cowering the president and his ministers on the spot; and the consequences would have been all that General de Gaulle depicted. Fortunately the president's ship is safely in harbour, and it

only remains to consider why this new version of May 13th was undertaken, and what the victor will do with his victory.

The French army has been a state within the state ever since the first Napoleon, seeing itself—and for long periods being accepted in France—as the guardian of national virtue and honour. During much of this time it has been employed in arenas far from Europe, where it has had to conquer, hold down, and rule "inferior" peoples. It has been the home, the mother, the Alpha and Omega of its members. Cut off in this way from the experience and assumptions of French civilians, from the main stream of French development, it has been peculiarly subject to illusions of its higher mission, as the Dreyfus affair proved. Probably the capital error of the Third and Fourth Republics was the failure ever to face the military mystique with plain language and demolish it. In recent years the army's blindness to all facts and points of view that contradict its cherished beliefs has been matched with a growing bitterness at its perpetual failure to attain victory, a failure which the soldiers have attributed to the "rotten politicians" in Paris. The considerations that induced M. Mendès-France to withdraw from Indochina and Tunisia, and that determined General de Gaulle to concede independence to Algeria, are beyond the army's vision. The army denied the basic contention that France could not win in Algeria.

Instead, it maintained that the "communist rebels" could be defeated, à la Mao Tse-tung, by refusing all negotiation, and by identification between the army and the people (in practice this means, not that the army takes account of what the Algerians ask for, but that the Algerians must accept what they are told for their own good). Against the judgment of some of the officers, General de Gaulle was brought to power in 1958 to enable the army to achieve its victory—by taking care, as the army hoped, of the Paris end. Since then he has made plain his determination to escape from military leading-strings. He has betrayed—so some officers believe—the army and France by behaving as his predecessors and by going even further than they did: none of them dared undertake negotiation with the Algerian rebels. Like his predecessors, then, he had to be ousted. That this was impossible; that President de Gaulle has judged the Algerian problem rightly; and that the war cannot be won, were ideas which the army leaders were incapable of accepting. How far they had retreated into fantasy is suggested by their apparent belief that it was possible for them to hope for support from the Americans, in the cause of the cold war, as much as by their unawareness of what their mutiny meant.

THE walls of Jericho stand. General de Gaulle is now in a stronger position than he has ever been in his career. For a long time it seemed that he must pay danegeld to the men of May 13th who brought him to power; but by methods of supreme ingenuity and tenacity he has outflanked, and now outfaced, them all. The Muslim rebel leaders should now, as wise men, make haste to Evian and the conference table while the general is on the crest. For one thing, there is little doubt that they can get their independence more speedily and more smoothly than would have been possible before the army had been brought to heel. It should now be possible for both sides to be magnanimous. The French government should no longer have to look over its shoulder. The Muslim rebels must surely reflect that it is he, not

they, who has defeated French militarism in the end.

If peace does come soon, General de Gaulle's possibilities for action at home and abroad will begin to match his prestige. The speeches of his in recent months, in which he sees himself presiding over a new birth of the nation, assure us that he intends to seize the opportunity for a reshaping of the social and political fabric. The result is unlikely to please Right or Left. Abroad, he will continue to assert, with redoubled energy and power, France's claims to a place

## Head First into Europe?

THE common market is not a subject on which Mr Macmillan has been in the habit of airing his views. He has tended, for some time, to leave the handling of this particular hot potato to ministers. His decision to enter the arena on Tuesday, and to answer questions at length in the House of Commons, is, therefore, a portent. It is one of many recent signs that the Government has begun to give the matter serious attention—perhaps, indeed, is steeling itself to take the plunge and seek to join.

Typically, the Prime Minister left plenty of room for speculation about his meaning. When Mr Gaitskell asked him whether he contemplated accepting the principles of the Rome treaty, "while making it plain that we must negotiate on particular issues such as the free entry of Commonwealth products," Mr Macmillan agreed that "that is a possible approach." He spoke in a positive way about agriculture, mentioning "the obligation to enter into a single agricultural system for Europe" and the "advantages of going in early and perhaps guiding it in the way we would wish." But he did "not think we ought to rush it." This language might reflect the need to take a decision; it might mask a decision already made, or one in the making.

Despite the smokescreen, however, Mr Macmillan's talk

## The Second Chamber

ONE of the least appropriate remarks this week is that it is now more than fifty years since Mr Asquith said that reform of the House of Lords was a subject that would brook no delay. For the reforms that Asquith sought were in fact implemented without delay, in substance even though not by any formal act. When Asquith spoke, the Upper House still regarded it as its right to flout the will of the Commons; it no longer often does that today, and it knows that it had better not. Ever since Asquith, therefore, proposals for reforming the Lords have been applauded mainly by unduly tidy-minded radicals and unusually far-sighted right-wing Conservatives (who recognise that by implementing radical changes in form, they might manage to reverse—or at least prevent further development of—some of the post-Asquithian changes in the realities of political power.) For precisely this reason, any new proposals must be greeted with more reserve by radical pragmatists.

This was again the pattern of reception when Mr Butler,

in the sun. Nato will have a good deal of old-fashioned nationalism to cope with. But it would be ungenerous to carp just at this moment. It can now be seen that the upheaval that began in 1958 was long drawn-out, the protracted and painful adjustment of a nation, and its institutions, to the demands of a new epoch. The process is not yet over, and the resistance of the dinosaurs has been formidable. Perhaps it took a man with a strong streak of dinosaur in himself to overthrow them.

with President Kennedy on April 7th was evidently a landmark in British policy. Even before the encounter there were suggestions in London that the Prime Minister had made up his mind to embark, on his return, on an attempt to join the common market. The suggestions have so grown in vigour since then that a new British initiative has been widely expected on the Continent. President Kennedy's backing (and Mr Dillon's) for full British membership of the common market—but for nothing less than that—may not only have encouraged Mr Macmillan; he may have thought it would help him in dealing with any domestic resistance. It has certainly encouraged other people to be more open; Dr Adenauer, for one, virtually invited Britain to join on his return from Washington.

When the Prime Minister spoke on Tuesday he did not know how, or how soon, the struggle between Algiers and Paris was going to end. It was not then, he explained, a good moment to start negotiations. Yet Britain's need to have a say in moulding the future of Europe is equally compelling whether France is weak or strong; it would certainly not be diminished if France were in the grip of the dinosaurs. And now that President de Gaulle has emerged triumphant a good many doubts may be set aside.

## Some proposals on how, and how not, to reform the Lords

to the accompaniment of loud cheers from Lord Lambton, announced on Wednesday that a new select committee of members of both Houses is to look into (1) the composition of the Upper House; (2) the possibility of rectifying certain constitutional anomalies affecting the rights of peers in elections to the Commons (anomalies which Mr Butler strove valiantly to pretend do not arise mainly or solely from the case of the second Lord Stansgate); and (3) the question of proper remuneration for some members of the Lords. Mr Gaitskell suggested rather crabbiily that it might have been better to confine the examination to matters arising directly out of the Benn-into-Stansgate case, and added that any discussion of a changed composition for the House should certainly be accompanied by discussion of possible further curtailment of its formal powers. Less cautious radicals than Mr Gaitskell should wish to go rather further than he does in co-operating with the new committee. They should welcome wholeheartedly any inquiry into the question of pay-



ing full-time parliamentarians in the Upper House, as well as any steps to remove disabilities from peers who wish instead to sit in or vote for the Lower House. They should even recognise that some minor changes in the composition of the House may be desirable, but they should also insist that real dangers could arise if these changes went too far.

These dangers are still insufficiently appreciated by some leftwingers, especially those who call (at first sight very reasonably) for "the total abolition of the hereditary principle in the House of Lords altogether." By a series of constitutional and historical accidents, this country has now reached a stage where the powers actually wielded by the House of Lords—like the shaving soap in the advertisement—are not too much, and certainly not too little, but just about right. On paper the second chamber still has rather greater powers than are democratically desirable. A main reason why it does not exercise them is that it knows the principle of heredity makes it look an absurd body; so it recognises that if it did consistently oppose its will to the Commons everybody might agree to sweep it away.

Should it become a less absurd-looking body, stocked entirely with life peers and other distinguished "establishment" figures, there is a distinct probability that it might gradually proceed to exercise greater powers of revision and delay upon Commons legislation. Tidy-minded radicals say that this is why it would be right to accompany abolition of the principle of heredity with formal legislation to curb the Lords' powers still further. But this is really just an excuse to avoid admitting the odd facts of the present situation. One doubts very much whether further formal codification and limitation of the Lords' powers could be effected, except by legislation that went so far as to make it an absurdity to have a second chamber at all—which (a) is not going to be introduced, certainly not by any Conservative Government, and (b) would be a great misfortune anyway.

NEVERTHELESS—this is why there should be some welcome for the new committee—there are some minor reforms in the present strangely workable Lords which obviously ought to be made. The very minor one which is very temporarily most in the news—the fact that ennobled MPs ought not to be conscripted into the Lords if they and their constituents want them to remain in the Commons—could and should be effected very simply: anybody should be allowed to renounce a peerage if he wishes. A more important reform is that the opposition front bench in the Upper House ought to be stocked with a small number of full-time and therefore adequately paid parliamentarians. A government will usually find it worthwhile to have about a dozen peers on the government payroll as ministers or junior ministers. The opposition (at present, the Parliamentary Labour party) ought to be allowed to nominate an approximately equal number of full-time parliamentarians for its front bench in the Lords, to be paid a normal MP's salary. When the Liberal party or any other party gets more than a certain proportion of votes (not seats) at general elections, it might be reasonable to give it an entitlement to a small number of paid parliamentary peers too. This idea of having a small corps of adequately paid parliamentarians in the Upper House is the principle that has long been advocated by *The Economist* under the slogan of having "some players as well as gentlemen in the Lords."

There may now at last be some hope of it being effected.

Life peerages, *per se*, are a different matter. The experiment with life peerages in the last few years has been a reasonable success; on the whole it would probably be better to have more of them. As a general rule, it would be a good thing to give the whole corps of potential royal commission chairmen—the Sir Oliver Frankses and so forth—a forum in the Lords. The main objection to giving more life peerages seems to be the democratic revulsion against having too many people entitled to call themselves "Lord" hanging around. The best, but unimportant, solution to this might be to say that henceforth life peers should not necessarily be entitled to call themselves "Lord"; just as a Mr Smith can become First Lord of the Admiralty, so he might well be nominated, as plain Mr Smith, to become a Lord of Parliament. But life peers who are not to be full-time parliamentarians should not be chosen on a "balanced" party basis; the more of them who are non-party men, the better—as with royal commission chairmen.

Hereditary peers are the useful lump to prevent this brilliant leaven from making the House of Lords into too important an assembly. That is why radicals should regard with some suspicion any attempt to rob the more lumpish peers of their rights of attendance. The "Swinton committee" system that has been in operation during the last few years—whereby peers who do not bother to say that they are going to turn up some time in any session may lose their right to turn up ever—has not so far had any unfortunate political con-

sequences. But Lord Salisbury's favourite scheme, whereby hereditary peers would nominate the 200 or so most politically-conscious of their fellows as members of the House, could lead this politically-conscious 200 to have an altogether exaggerated view of their rights to political importance, par-

## Scots At Home

In most Scottish council houses, the telly costs more than the rent

THE Secretary of State for Scotland must now be working out details of a new Housing (Scotland) Bill, which he will be obliged to introduce some time next year in order to come into line with England. By far the most useful thing Mr Maclay's bill could do would be to grasp the nettle of local authority rents—more purposefully than Mr Brooke's present bill does for England and Wales. If Mr Brooke thinks his councils need persuading, he can thank his stars he is not called upon to encourage the Scots. The average English local authority draws over two-thirds of its housing revenue from rents and less than one-tenth from the rates: the rest is made up by Exchequer subsidies. Before the war the Scottish local authorities made no heavier call on their ratepayers either. But since then, led by the Labour-controlled councils in the industrial belt, the Scottish practice has been to turn the screws on the ratepayer alone. By last year under one-third of the average council's housing revenue came from rents, one-third from the Exchequer, and over one-third from the ratepayers.

This simply means that, during ten years of Conservative government at the centre, the Labour party in Scotland has contrived to put through a housing policy totally at variance not just with that of Tory councils but with Labour practice in the rest of Britain. Compared with the Scottish average, the Labour party in St Pancras was grinding the faces of the poor. Nothing that successive Secretaries of State for Scotland have done has ended this improvidence.

There have been repeated attempts at cajolery. Five years ago a working party set up by the Secretary of State tried to shame the chief offenders into action by showing that occupancy of a postwar four-apartment council house cost, in rent and rates, £16 less a year in Glasgow than in Liverpool (and even £5 less than in under-employed Belfast); that a Clydebank shipbuilder paid £24 less than a Barrow one; and a Lanarkshire miner £33 less than a miner in Ebbw Vale. But no one was shamed into anything. In 1958 the Secretary of State had to descend on Glasgow with a public inquiry, based on the Labour council's failure to undertake a *bona fide* review of rents under the Housing (Scotland) Act of 1950; the result was to raise the average rent in the city from 5s. 2d. to 7s. 8d. a week. Even by this largely nominal increase, Glasgow lifted itself well clear of the Scottish Office's immediate sights.

Last January the Secretary of State turned his legal siege train on Dunbartonshire (average rent 2s. 10d. a week), and this month the county council reluctantly proposed an average of 7s. 5d., including temporary as well as permanent houses. To the council's mortification, and the evident alarm of other councils below the mark, Mr Maclay has refused to accept

particularly during the tenure of office of any future Labour government. It is to be hoped that the new inquiry does not lead to any development of that sort. Certainly, in our view, Labour would be right to resist it. But it should co-operate with the committee to press forward the other minor reforms.

the new average as reasonable—the first sign that he may at last mean business in defining what reasonable means. There seem to be some official hopes that, if Mr Maclay gets tough with Dunbarton, there may be automatic increases elsewhere, and a good deal of diligent jogging of elbows is, in fact, going on. The first response has, however, been from Roxburghshire, a small Border county with fewer than 1,000 council houses and higher than average rents. The hard core of resistance remains in the Labour councils, who are up in arms politically over Government interest charges and who claim (like Dunbarton) that as a matter of social principle council housing charges should properly fall on the rates. If the Secretary of State wished, he could turn his artillery on them in turn; but this is a costly and time-consuming business. Has he to wield a sledgehammer to crack every little nut like Saltcoats (average rent 5s. 4d. a week, last revised in 1937)?

PERHAPS there is a case for giving persuasion one final, and strictly limited, chance. Patience was, in fact, argued by one of Mr Maclay's junior ministers at the annual conference of the Scottish Unionists (the name the Tories go under north of the Border) last week. With unjustifiable meekness, although most of the right points had been made from the floor, the party agreed that to sustain the remaining privileges (and abuses) of local government was better than legislation to bring the offenders into line. The Tories would have done better if they had served notice that, unless persuasion works wonders in the next six months, they would insist on using the next Housing Bill to ensure that council rents should not fall below the revised valuation figures (which are likely to work out at an average of £40-£45 a year). Since it costs £76 a year to provide and maintain the average council house in Scotland this charge would still fall well below the imposition of economic rents. In view of the cost of new building it would fall even further below "replacement cost" rents which would provide an economic incentive to build new council houses; the economic rent to cover the costs of a new council house in most places must be nearer to £200 a year.

Nobody (or at least no politician) is suggesting that Scottish council house rents should be made to leap at once to a full economic level—although Scottish cities should certainly take a new look at differential rent schemes and the ways in which some comparable councils in South Wales balance their housing accounts (Cardiff takes no subsidy from the rates at all). It may be reasonable that Scottish rents should settle down for a time generally below English levels: the latest figures suggest that Scottish earnings are about 7 per cent below the English and Welsh average. It is also true that before the war—although by no means so much since—

### The Economist

APRIL 27, 1861

#### SOCIAL LIFE IN ENGLAND

SILAS MARNER: THE WEAVER OF RAVELOR.  
By GEORGE ELIOT. Blackwood. 1861.

THIS tale is a permanent and no trifling addition to the wealth of English literature. There is no element of power wanting to make it more impressive, and no element of beauty wanting to make it more attractive. The conception is as fine as the execution is marvellous. It does not approach in tragic power some parts of "Adam Bede", because the scope of the narrative will not admit of it,—but it is a more perfect whole; and a more unique and subtle, though not so deep an interest constitutes the plot. No book that we have ever read combines so completely the broadest masculine power with the most delicate feminine insight and finish. Nor is there, as far as we have noticed, a single cynical Thackerayism about the book like those which so often disfigure the introductory discussion-paragraphs to the various chapters in "Adam Bede". . . . One of the most striking features in this striking tale is the strong intellectual impress which the author contrives to give to a story of which the main elements are altogether unintellectual, without the smallest injury to the verisimilitude of the tale. There is no character delineated through whose mouth the author could express a subtle thought without impropriety;—and she herself indulges very sparingly in the descriptive comment which formed so large an element in "The Mill on the Floss" and "Adam Bede". Yet not the less is the tale a most intellectual as well as graphic picture of the most unintellectual social life which has been known in England during the last fifty years. This is managed in various ways. From the outset the eye of the reader is fixed on the psychological facts which the story is intended to illustrate, though there is no attempt to analyse or discuss their metaphysical origin. Again, the intellectual effect is throughout produced by the kind of humour shown in the selection of the traits of life delineated. The turn given to the conversation of the peasants, though never untrue or unreal in them, has almost always a distinct relation to the intellectual forms of the same questions as discussed in modern times by the educated classes,—and hence there is a subtle undercurrent of humour which betrays the mind of the writer even in her most happy delineations of the rural peasantry whom she portrays.

Scottish council dwellings tended to be one room smaller than those south of the Border. No one is going to worry very much about the Highland counties, with a handful of council houses, that have special financial problems. But the fact remains that too many Lowland Scottish councils have paid no regard to the changing value of money, so that real rents in each of Scotland's four big cities are below pre-war levels. Councillors have ignored the rising scale of earnings among council tenants. And they have done this knowingly. The report on Dunbarton spoke of "cynical and deliberate disregard of the duty of trust . . . towards the general body of ratepayers." It is doubtful if mere persuasion can change this attitude now.

The idea of wildly uneconomic housing has become ingrained, partly through doctrinaire ideas; partly as a device to secure political power (in 14 of Scotland's 20 large burghs over 40 per cent of the dwelling houses are owned by the local authority); but mainly through the sheer inertia of the communities concerned. The consequences for the Scottish economy are increasingly visible. Most of the worst offenders need new industry and ask for it unflaggingly. Do they think their rates are an incentive? There are many Scottish workers who ought now to be changing their jobs from the declining to the developing industries. But it is understandable that if a man has a council house at less than the weekly hire of his television set he is not going to budge. If the local authorities are going to pay the teachers more, and meet the rising cost of all communal services, they cannot expect to attract new economic blood by simply adding the whole burden to the existing rates. Hawking round for development grants would be more impressive if some of the cosy subsidising at home were cut out.

Scotland has had to tackle an immense problem in improv-

ing its housing conditions since the war, and an appreciable rating contribution is not inequitable in the circumstances. But the process has plainly gone too far, with the result that authorities that ought to be building still more houses have already saddled themselves and their ratepayers with a crippling burden of debt charges. The reform that is needed is not a drastic or anti-social one, even if it is imposed from

| Cities:—          | Number of Council Houses Pre-war | Post-war | Ave. rent (per year) £ | Housing Revenue Account |        |       | Rates (per £1 valuation) |
|-------------------|----------------------------------|----------|------------------------|-------------------------|--------|-------|--------------------------|
|                   |                                  |          |                        | Rents                   | Grants | Rates |                          |
| Glasgow . . . .   | 52,074                           | 56,647   | 22.05                  | 33.0                    | 37.5   | 36.0  | 27s. 7d.                 |
| Edinburgh . . .   | 15,081                           | 19,425   | 28.91                  | 46.0                    | 31.0   | 22.5  | 18s. 0d.                 |
| Large Burghs:—    |                                  |          |                        |                         |        |       |                          |
| Clydebank . . .   | 2,354                            | 4,006    | 13.55                  | 19.0                    | 25.5   | 53.0  | 28s. 11d.                |
| Dumfries . . . .  | 1,706                            | 2,349    | 32.65                  | 46.5                    | 33.0   | 19.0  | 22s. 0d.                 |
| Small Burghs:—    |                                  |          |                        |                         |        |       |                          |
| Saltcoats . . . . | 796                              | 1,375    | 13.67                  | 21.5                    | 38.0   | 39.5  | 24s. 0d.                 |
| Cowdenbreath . .  | 762                              | 1,154    | 27.26                  | 48.0                    | 34.0   | 17.5  | 23s. 0d.                 |
| Counties:—        |                                  |          |                        |                         |        |       |                          |
| West Lothian . .  | 2,506                            | 3,617    | 15.67                  | 19.5                    | 30.0   | 50.5  | 23s. 9d.                 |
| Dumfriesshire . . | 239                              | 2,610    | 49.07                  | 24.5                    | 34.0   | 39.5  | 18s. 6d.                 |
| SCOTLAND . . .    | 212,641                          | 291,780  | 21.84                  | 31.5                    | 32.8   | 34.7  | 23s. 7d.                 |

above. As illustrations of what needs to be done in each category of council—and of how wide the variations within each category are—the figures in the table for 1960 printed above seem relevant. It will be seen that even the county with the highest average rent in the table (Dumfriesshire with an average rent of £49.07 a year or about 19s. a week, but mainly postwar houses) has a 39½ per cent contribution from the rates. The large burgh with the lowest average rent in the table (Clydebank with £13.55 a year or just over 5s. a week) has a rate contribution of 53 per cent.

qua non of a conference. Although American officials have expressed scepticism that a British-Russian appeal for a cease-fire will be effective, there is no disagreement between London and Washington on the absolute need for one. The Foreign Secretary told the Lords on Tuesday that Mr Gromyko had assured Sir Frank Roberts that the Soviet government was genuinely anxious for an immediate cease-fire. Mr Gromyko, added Lord Home, fully understood that the British government would not be prepared to negotiate under the threat of military action.

It would be surprising if the Chinese or the Vietnamese communists, who virtually created the Pathet Lao, were to share Mr Gromyko's belated enthusiasm for a cease-fire. Indeed, memories of Dien Bien Phu and of Geneva, 1954, will tempt the Vietnamese communists to urge their Laotian allies on, even though the Pathet Lao—like Prince Boun Oum's government—has publicly welcomed the British and Soviet messages. The past week has indeed brought further military successes to the Pathet Lao and its "neutralist" allies under Captain Kong Le. The course now proposed is the best that circumstances will allow; but unfortunately, there is every chance that the May conference, like its precursor in 1954, will meet in conditions that give a negotiating advantage to the communist side.

## Unhopeful Conference

The Laos negotiations promise to start with the West at a disadvantage

IF, between now and May 12th, the Laotians have ceased firing at each other, there is a reasonable prospect that fourteen countries concerned in one way or another with the Laotian problem will meet at Geneva and try to solve it. On paper, the prospect looks firm enough. The British and Soviet governments, as "co-chairmen" of the Geneva conference of 1954, which ended the Indochina war, issued three joint messages on Monday. The first was an appeal for a cease-fire in Laos; the second called on India to reconvene the disbanded international control commission, which is to make sure the cease-fire is observed; and the third was an invitation to the fourteen governments to a conference at Geneva to consider a settlement.

The Foreign Office and its man in Moscow, Sir Frank Roberts, are to be congratulated on the patient diplomatic exchanges that made agreement between the co-chairmen possible. The agreement does, however, rest on precarious foundations. The three messages say nothing about halting the flow of arms—Russian to the communist-led Pathet Lao forces, and American to the pro-western government of Prince Boun Oum; nor do they specify that an effective cease-fire is a *sine*

## NOTES OF THE WEEK

### TORY SLUMP

### What Now?

THE lesson that most politicians refused to imbibe from the county council elections has now been confirmed by last week's two parliamentary by-elections. The Conservative slump is on. Nearly half of those who had voted Conservative at Warrington in 1959 did not turn out to vote Tory again last week; at Paisley nearly three-quarters did not do so. At Warrington most of the Tories' lost legion were abstainers: the newly appearing Liberal there, campaigning largely on the unfairness of the budget, picked up a rather measly 12½ per cent of the poll, of which just over 12 per cent came from the Tories and just under ½ per cent from Labour. At Paisley, many more of the deserting Tories went Liberal: the Liberals' resplendent Mr Bannerman, campaigning on the fact that he was Mr Bannerman, picked up a nearly triumphant 41½ per cent of the poll, of which 29½ per cent came from the Tories and 12 per cent from Labour.

The Tory slump has thus not yet gone as far as in 1956-58, when almost any newly appearing Liberal was liable to pick up over 20 per cent of the poll from them, and when the Tories were liable simultaneously to lose a few percentage points to Labour as well. But British politics will now be operating in a changed situation. On the Opposition side, the big questions will be whether the realisation that Mr Gaitskell might after all be the next Prime Minister will bring waverers in the parliamentary party back to his side; and whether he will be bold enough to use this accretion of strength to cut the left wing of his party adrift—or whether he will go on worrying incontinently about which way which unions will vote on nuclear disarmament. For the Liberals the questions will be whether some by-election may crop up where they can win a Tory seat (there are several constituencies where they now could do so); and then whether they will this time learn that they cannot make lasting advances by saying things they think will sound popular but only by determining to sound controversially distinctive. But the most important immediate question will be the effect of this new situation on the policies of the Government.

During the 1956-58 Tory slump, there was a general myth that the abstaining Tories came from the right-wing middle classes. This time, the swing is more generally believed (as a matter of fact, mainly wrongly believed) to have come after the surtax concessions and after talk of flogging and signs of Salisburyism; there may therefore be a greater feeling that the

people who have to be placated now are the left wing. This could have some important results; in particular (see page 421) there are already signs that Mr Macmillan may be rather surprisingly ready to brave the criticisms of his right wing by making a more determined economic advance towards Europe.

### NEUTRALS

### Shoot the Ref

IT is cheering to be reminded, by Mr Kennedy's speech to American editors on April 20th and Mr Khrushchev's chatty day with Mr Walter Lippmann a week earlier, that both leaders see the world struggle as essentially non-military. (Mr Lippmann's long interview was published in the *New York Herald Tribune*.) There is also a striking (if less cheering) parallelism between the President's urgent warning that "the complacent, the self-indulgent, the soft societies are about to be swept away with the debris of history," and the Soviet leader's expression—not, of course, for the first time—of his "unqualified faith in the predestined acceptance of communism by the underdeveloped countries," in Mr Lippmann's words.



Walter Lippmann: a chatty day with Khrushchev.

On the other hand, a very sharp difference emerges in regard to "neutrals." Mr Khrushchev acknowledges, and to some extent appears to welcome, the fact that America has abandoned the idea that neutralism is immoral. But almost in the same breath he insists that "while there are neutral countries, there are no neutral men." Nowhere among the neutralist but non-communist countries is there a man he

would trust to administer a ban on nuclear tests, to run the United Nations secretariat, or to act as referee or umpire between east and west in any other capacity.

This new communist dogma has slowly emerged during the welter of abusive attack launched at Mr Hammarskjöld since last September. Now it is stated more categorically than ever. Its implications go a long way. If no man in the world, however conscientiously he may try to subordinate his other loyalties to serve an international ideal and scrupulously carry out an agreed mandate, can be trusted, there is little hope of strengthening the peace-keeping powers of the United Nations or of building up a system to supervise and enforce general disarmament. The self-cancelling triumvirates which Russia now wants to see in charge of all important international activities would inevitably block any such developments. But the oddest thing of all is that Mr Khrushchev's newly categorical distrust of all neutrals should come cheek by jowl with his assurance that most of the countries now classed as neutral are bound to swing to communism. Perhaps he does not really expect to see them do so in his own lifetime. Certainly he has had some disenchanting experiences in his efforts to align Asians and Africans with Russia on such questions as the Congo and disarmament.

### NUCLEAR WEAPONS

### To Have and to Hold

SINCE his return from Washington on April 19th Dr Adenauer has tried hard to dispel the widespread impression that Mr Kennedy wants to limit the delivery of atomic arms to west German forces. He told the Bundestag on April 21st that he and Mr Kennedy were agreed that Nat should build up all its armaments, conventional and atomic. Herr Strauss, the west German defence minister, has been backing him up.

In this complicated matter, the generalities of statesmen as well as the detailed schemes of the soldiers can be interpreted in different ways. At this late stage, when German forces are already in possession of tactical weapons, like the Honest John missile, which can deliver nuclear warheads, and are preparing to receive the F104 fighter-bomber, which can carry a small atomic bomb, it may not be easy for Mr Kennedy to deny to the west Germans the physical possession of these means of delivery. What he can do, however (and what he seemed to be driving at in his defence message to Congress last month), is to dissuade the allies from basing their tactics on the assumption that nuclear warheads



will be used; in other words, he can try to ensure that "nuclear-capable" weapons are simply held in reserve as a deterrent to prevent the Russians from using theirs. Such a policy would involve radical revision of Nato's present tactical doctrine, a thing that defence ministries, and Herr Strauss particularly, naturally find upsetting.

Mr Kennedy is also in a position to prevent the over-hasty spread of strategic weapons in Europe. The reinforcement of America's strategic armoury which he has now set under way removes some of the urgency from Nato's search for bases for intermediate-range missiles in Europe. The political advantages of limiting the distribution of these weapons—to keep open the possibility of negotiation about disarmament or about central Europe—are so plain that only urgent military necessity should be allowed to overrule them.

#### SIERRA LEONE

### Poor But Free

**I**MPOVERISHED, small and divided: drawbacks that were at one time thought insuperable obstacles to independence melt in the hot African wind. Sierra Leone, which celebrated its independence on Thursday, has fewer than three million people, with an estimated income of £15 a head a year, a vulnerable economy dependent on the export of minerals, and a government



Third black member:  
Sir Milton Margai

precariouly bridging the classic gulf between an advanced urban minority and a backward tribal majority. Nevertheless, constitutional development in Sierra Leone has gone ahead smoothly enough for the territory to take its place as the third black member of the Commonwealth.

The smoothness of this week's celebrations was safeguarded by the precautionary arrest of most of the key figures in the opposition All People's Congress, including the party leader, Mr Siaka Stevens. The political split is a reflection of the division

#### NOTES OF THE WEEK

between colony and protectorate. The colony, which consists of Freetown and the area immediately surrounding it, was founded at the end of the 18th century as a dumping ground for liberated slaves. Much later, Freetown's schools and colleges and the relative sophistication of its people won for it a reputation as the "Athens of West Africa." But the protectorate, which is about the size of Ireland, did not share this advance; it came under British control about a century later than the colony, and remained tribal and agricultural.

The first serious attempt to unite the two parts of Sierra Leone was made by the present prime minister, Sir Milton Margai, when he formed his National United Front about a year ago. Sir Milton, a wily and experienced politician, the first doctor to qualify from the protectorate and the grandson of a famous warrior chief, is no man to be bossed by the colony. Several colony politicians joined his national front; the more radical are now expressing their active opposition. The prime minister's task of political bridge-building is formidable; his economic problems even more so. Sierra Leone's agriculture is backward, its industry almost non-existent, and in the past the export earnings that came into the country despite the smuggling of diamonds (now virtually checked) have not been put to any great use. Investment is needed in farming, fish and meat production, and, possibly, certain consumer industries. For this Sierra Leone makes a serious claim on outside attention and help.

#### AFRICA

### Congola Continued

**A**PRIL has been a cruel month for military coups. Cuba, Algeria, and, much less conspicuously, Portugal have all demonstrated this. They have also demonstrated the woes that collision with an exploding nationalism may bring. Portugal's contribution to the picture is the rapidly deteriorating situation in northern Angola, where, amid increasing savagery on both sides, something like an Algerian-type war is unmistakably developing. It may, indeed, have been an awareness of the parallel, and an anxiety to maintain "Portuguese Angola" that induced certain generals, in the most legal way possible, to try to dislodge Dr Salazar on the 13th of April. (The Algerian parallels are superabundant.) They entreated the Portuguese president to dismiss the prime minister-dictator; but he stood by "the only great statesman of the century apart from Churchill," and that was that. Dr Salazar's critics, who thought him sluggish, have found that he is not; he has taken over the ministry of defence and is pouring reinforcements into Angola.

Both Angola's rebels and its refugees have crossed the Congo border in large numbers. Between Luanda and Leopoldville the people are mostly Bakongo, President Kasavubu's tribe; half of the

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Bakongo live in Portuguese territory, providing an ominous link between the two hitherto separate areas of conflict. Wednesday's brief arrest at Coquilhatville of Mr Tshombe, the Katanga ruler, by Mr Kasavubu's troops was a sharp reminder of the flimsiness of the recent accords that were supposed to have closed the rifts between the anti-Lumumbist Congolese factions. Mr Tshombe had huffed out of their latest conference, protesting at Mr Kasavubu's new moves toward rapprochement with the United Nations—with which his own Katanga regime remains at loggerheads, in particular over his defiance of the UN ban on foreign mercenaries. Perhaps his painful experience on Wednesday will lead him to reflect that he may yet need what others have been glad of: protection by the UN force against arbitrary arrest.

#### DOCK STRIKE

### Tooley Street Again

**A** STRIKE is spreading through the London docks again, on a pretext even more trivial than usual. A company operating a small dock at which a barge arrives about once a month had applied to the Dock Labour Board for permission to use its own employees for unloading. It said that regular dockers had generally been unwilling to turn up for such very casual labour. Permission was granted, as is customary in such cases. But the regular dockers would not accept the removal of even this amount of work from their preserve, even though it was work that they had often been unwilling to do. By Thursday morning 12,156 men were on strike in the Port of London.

It is four months since workers in the Port of London last "had a go," the people involved then being the tally-clerks, not the rank-and-file dockers. Unrest is endemic among the clannish, fiercely independent dock workers, particularly when work is slack: at such times many of them may take home only £7 a week in fall-back pay, while in busy times they earn up to £25 or £30. There have been nearly 4,000 dockers on fall-back pay in the past week, so that the employment of outside workers has been particularly resented; but no doubt if this grievance had not presented itself others would have done as well.

Not only do dockers' earnings vary enormously from week to week; the conditions of work and the reward for a given amount of effort are also beyond their control. The dockers' trade union officials are competent men, but their membership of the Dock Labour Board inevitably causes their members to regard them more as employers than as allies, which leaves the way clear for the unofficial agitators who are a traditional part of the East End scene. No one has yet worked out a way of giving the docker a sense of security when the demand for his labour fluctuates with the seasons and with the vagaries of world trade (and

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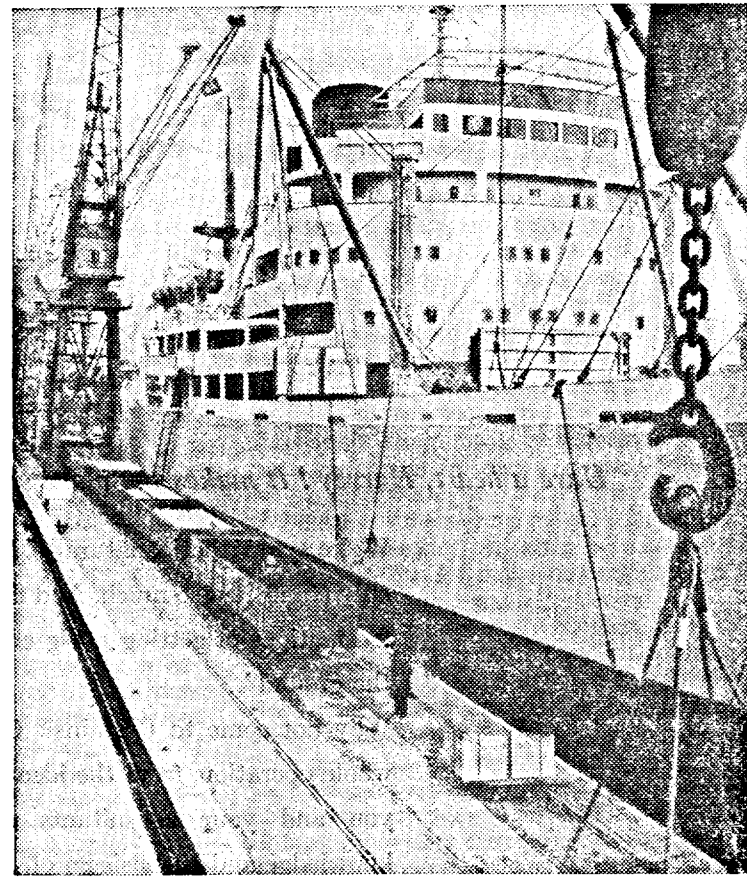
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# LONDON MIDLAND

many of the men fear that a greater degree of decasualisation would, in removing the risk, also remove the occasional chance of very high earnings). It is becoming more and more obvious that the report of Lord Rochdale's committee of inquiry into the working of the docks ought to be a very radical document.

### OECD

#### Mainly a Forum?

How important a body is the new Organisation for Economic Co-operation and Development going to be? Massive expectations should not be aroused, even although the American team at last week's ante-natal meeting in Paris contained so many of President Kennedy's most brilliant and articulate economic advisers (including Messrs Heller, Triffin, Tobin, Roosa and the central bank chairman Mr Martin). Nominally, OECD has three things to interest itself in: trade, aid, and discussion of economic co-operation. Its trade functions are likely to remain in abeyance until Europe's six and its seven come together. Britain, for one, is quite sure that OECD would not be the right body through which to try to arrange either the preliminaries or the later hard details for that marriage settlement; it is too far removed from high politics for the first job, and too diffuse for the second. As for aid, the old Development Assistance Group is about to become the Development Assistance Committee of OECD, with a permanent chairman; it will busy itself with making estimates about which countries could afford to make bigger contributions, and will try to prod forward the laggards. But there is unfortunately no indication yet (indeed rather the reverse) that there will be any attempt to channel any really ambitious and entirely new forms of aid through OECD itself.

It was therefore with general discussions about future economic co-operation that last week's meeting was mainly concerned; it has set up two working parties—on means of securing economic growth and on the impact of monetary and fiscal policies on balances of payments. But even when these —no doubt interesting—reports are written, the senior civil servants who were at this Paris meeting obviously cannot translate them directly into policy changes. Their meeting was less important in that respect than the usual monthly meeting of European central bankers, who can make decisions about things that they themselves will actually do, such as not converting their sterling balances into gold (with the additional advantage that they do not have to tell everybody everything about them). As things are developing therefore, OECD's main immediate function seems likely to be as a useful forum where top economic advisers to governments in Europe can have more regular personal contact with their bright new American

### NOTES OF THE WEEK

counterparts. "And Paris," said one delegate, even among this week's alarms, "is a good place to have these contacts at."

### LATIN AMERICA

#### One Green Light...

SEÑOR ALVARO ALSOGARAY, who at President Frondizi's request has resigned his job as Argentina's minister of economy, was brought into the government two years ago to enforce and to publicise the austerity programme. Now the policy itself is so deeply out of favour that its publicist no longer fits into President Frondizi's juggling act. The policy indubitably produced results: the cost of living has been held moderately steady, and foreign banks and investors have responded liberally to the evidence of Argentina's economic self-discipline. But, over the last few months, industry has joined with the trade unions in insisting that it was time for change. Argentina's economy has long floundered in a slough of inactivity, and Sr Alsogaray's pleas for another year or so to finish the operation fell on unsympathetic ears. Even the army pressure groups who were once his main support have, for reasons of their own, disowned him.

Argentina's economy is paralysed by the inadequacy of the country's communications system, and no private investor will consider putting money into roads or, even less, into the inefficient and over-staffed state railways. Sr Alsogaray's fall was finally brought about by his opposition to the very large increase in the budget deficit demanded by the minister of public works for roads, railways and houses.

The minister's resignation, and his replacement by Dr Roberto Alemann, economic counsellor in the Argentine embassy at Washington, suggests that Argentina may be ready to start recharging its economic batteries. President Frondizi will have many groups, usually at discord with one another, behind him in his efforts. And one formidable opponent is, at least temporarily, out of the way. Earlier this month, the president out-bluffed his turbulent commander-in-chief, General Toranzo Montero. This has happened before, but this time the general has thundered his way right out of his job.

#### ... And One Red

WHILE Argentina prepares to speed up, Brazil has signalled that it is prepared to hold back its economy. Faced with the accumulated debts left by Sr Kubitschek, President Quadros has reacted first by cutting down government spending, and, secondly, by asking for money from the United States and western Europe. His most important move so far has been to double the import exchange rate for wheat, fuel and newsprint, thus making these imports more expensive and coming closer to

the International Monetary Fund's precept of a single exchange rate. The United States, urged on by the shadows of *fidelismo*, has responded eagerly to these signs of concession; the European banks, less on their toes over Cuba, have shown themselves less impressionable.

One of the more articulate critics of Sr Kubitschek's economic policy, Dr Roberto Campos, is now in Europe trying to extend existing loans and to raise a hefty stand-by credit. British banks are negotiating separately, and stiffly, with Dr Campos; but on the Continent, *Crédit Lyonnais* has taken the initiative in arranging a joint meeting of European commercial banks. Bankers from France, Germany, Italy and Switzerland were due to attend this meeting in Paris on April 28th. In laying a steadying hand on the momentum of Brazil's economic development, Sr Quadros risks much; his courage could have catastrophic results if outsiders fail to help him.

### PUBLIC INQUIRIES

#### The Whole Truth?

THE House of Lords has been looking into two vexed questions over the procedure which should be followed after the holding of public inquiries. Both have stirred up minor hornets' nests of criticism for the Government, and both raise points for departmental attention in the future. The first concerned the Saffron Walden chalk pit case, where the Minister of Housing overruled his inspector's conclusions on the basis of technical information obtained subsequently from his own department and the Ministry of Agriculture. The Lord Chancellor contended that the Minister ought not to have to give aggrieved persons a subsequent chance to rebut advice obtained from his own department, and pointed out that the Ministry of Agriculture's advice was on this occasion of secondary importance. On the basis of the information so far available, it is still probable that the Minister's eventual decision was the right one. But the fact remains that public inquiries lose their point if the critical information, wherever it may be located, is not available. On this occasion the trouble might have been avoided if the local planning authority had sought adequate technical advice before reaching its original decision.

The second question is whether parliamentary discussion of the merits of a planning appeal may upset the inspector's impartiality in weighing the evidence. At the time of the Oxford ironstone inquiry the Lord Chancellor went so far as to suggest that such cases should, in a sense, be regarded as *sub judice*, a view which overlooks the fact that major issues of public policy may be in dispute. Given the virtual irreversibility of Ministerial decisions, it would be wholly wrong to shackle public discussion of these issues while the chance is there. It also seems slightly absurd to



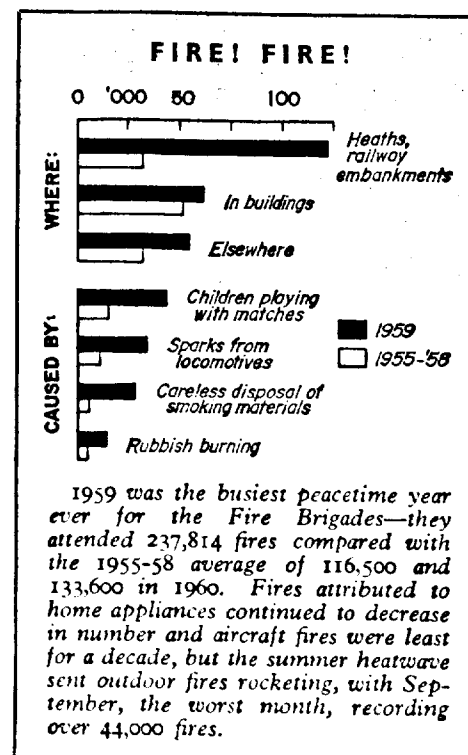
suppose that inspectors would be thrown off balance by their Lordships' measured words while remaining impervious to press or television comment. On Tuesday, Lord Hailsham expressed a much modified version of the Lord Chancellor's view, but he also suggested that "the House would do well, on the whole, to respect the independence of the inspector."

The weak element in the inquiry procedure is not public comment, whether inside or outside Parliament; nor is it the danger that the inspector's impartiality may fail him, or that he will be too often overruled. The main problem is still that important facts and opinions are too often not presented at public inquiries, and that the Minister's private sources of information have to make good what could have been sensibly revealed and discussed earlier.

#### DIPLOMATIC IMMUNITIES

### Unpopular People

THE Lords decided to give Lord Lansdowne a rough passage on Tuesday when he introduced orders to give diplomatic immunity to the staffs of the European Free Trade Association and the Organisation for Economic Co-operation and Development. After a short exchange of fire the Efta order was postponed, and the OECD one got through only when it had been revealed to their Lordships that the organisation was the familiar OEEC writ large and that any delay (on Lord Hailsham's word) would gum up the works of general ratification. It may not be complimentary to Efta to treat its servants with such lordly suspicion, but it is no bad thing to encourage the others by making it clear that privileges are not necessarily granted



#### NOTES OF THE WEEK

to every visiting diplomat (and his clerk) by automatic right.

There are now some 6,000 personages (including 1,800 wives of personages) who enjoy full immunities in this country. The feeling that diplomatic status has been carried too far owes something to mild xenophobia. But it has been reinforced by sufficient doubtful cases, in which the individual citizen has had difficulty in obtaining proper redress for a wrong done, for Parliament to be perfectly justified in asking questions whenever a new body comes along. The argument for giving reciprocal immunities is entirely valid in relation to countries where legal principles are as much honoured in the breach as in the observance. But there is a case not only for re-examining the precise categories which now receive these privileges (OECD has improved on OEEC by leaving families out) but also for trying to get bilateral arrangements to reduce the number of the diplomatically immune, with countries that have roughly the same legal standards.

Efta itself is as good a claimant under the present system as any, and it ought not to be penalised simply because it is a late-comer. Yet would it really be invidious for Britain and (say) Efta's Scandinavian members to reach an understanding on their members of its staff, an arrangement that could eventually be extended to cover their mutual diplomatic representation as broadly as possible? Instead of a growing section of the public resenting all cars with CD plates, attention would then be concentrated on the real culprits, whose diplomatic status is one that usually has to be tolerated, rather than welcomed, in every sense.

#### FIVE-DAY WEEK

### Kipps's Weekend

WITH an anxious eye on their recruitment problems, more and more shopkeepers are trying to find ways of giving their staffs two days off in the week, in keeping with offices and factories. The National Chamber of Trade, at its annual convention of small shopkeepers, has now come out in favour of the five-day week; the Chamber, though, would like legislation to impose compulsory closing for a full day during the week, or to impose yet another compulsory half-day of closing. But if legislation is needed, it should surely be in favour of the shopper, and the best way to help him—and the shops—would be to cut down the restrictive laws which govern hours of opening. The odd thing is that it is now becoming increasingly obvious that this would also be the best way to help shop-workers towards a five-day week as well.

A few department and chain stores have already introduced five-day working for their staffs, within the statutory five-and-a-half day shopping week. But part-time workers to fill the half-day gap are often expensive in both money and customers' goodwill. Many more employers would

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probably be willing to follow the plan which two large chain stores have suggested. Austin Reed's—with 32 retail drapery stores throughout the country—would like to keep them open for six days a week and work their staff for five days. Sainsbury's, with 260 food stores, are trying the experiment at eight branches of closing on Mondays, the slackest day for the food trade.

But, under present legislation, Austin Reed's cannot open six days a week without conducting a ballot of local shopkeepers in the same line of business on the abolition of the compulsory early-closing afternoon. Sainsbury's can close on Mondays only in areas where this happens to be the statutory early-closing day. Elsewhere they would have to close for another half-day as well. The compulsory half-day now shelters the small shopkeeper rather than his employee—and in doing so it subjects the shopper to fiddling regulations, and makes it more difficult and expensive for large stores to give their employees the long weekend they have come to expect. It is in the consumer's interest to do away with this anachronism.

#### UNITED NATIONS

### September to April

SOME commentators have blamed the seventeen new members admitted to the United Nations during the Assembly session that ended on April 22nd for the extraordinary length and untidiness of the session. This seems a little unfair. The seventeen newcomers (all African, except for Cyprus) can hardly be held responsible for the big-top circus act initiated by Mr Khrushchev last September at Turtle Bay, nor for the American election results. Between them, those two events ensured that the Assembly could not get anywhere near the end of its agenda in three months last year, and then could not usefully meet again until March 7th. Now it has managed to adjourn only by sweeping under the carpet such awkward questions, unlikely to evoke productive action, as Tibet and Russia's U-2 charges against the United States; and, much more regrettably, with them into at least a temporary limbo went the American project of a UN aid plan for Africa.

The Assembly's scramble to a bleary finish at six on Saturday morning was complicated by the irruption at a late stage of the Cuban issue, which inevitably raised the temperature of the last few days of debate to a level that affected reasoned discussion of other matters. The Latin American group played a sensibly moderating role over Cuba, producing the only resolution for which a majority could be found—a general appeal to all parties to do their best to reduce tension. But the same group was less happily responsible for the last-minute crisis over the financing of the UN operations in the Congo. Only after the defeat of an Afro-Asian call for further contributions had left the whole Congo programme momentarily facing collapse did enough

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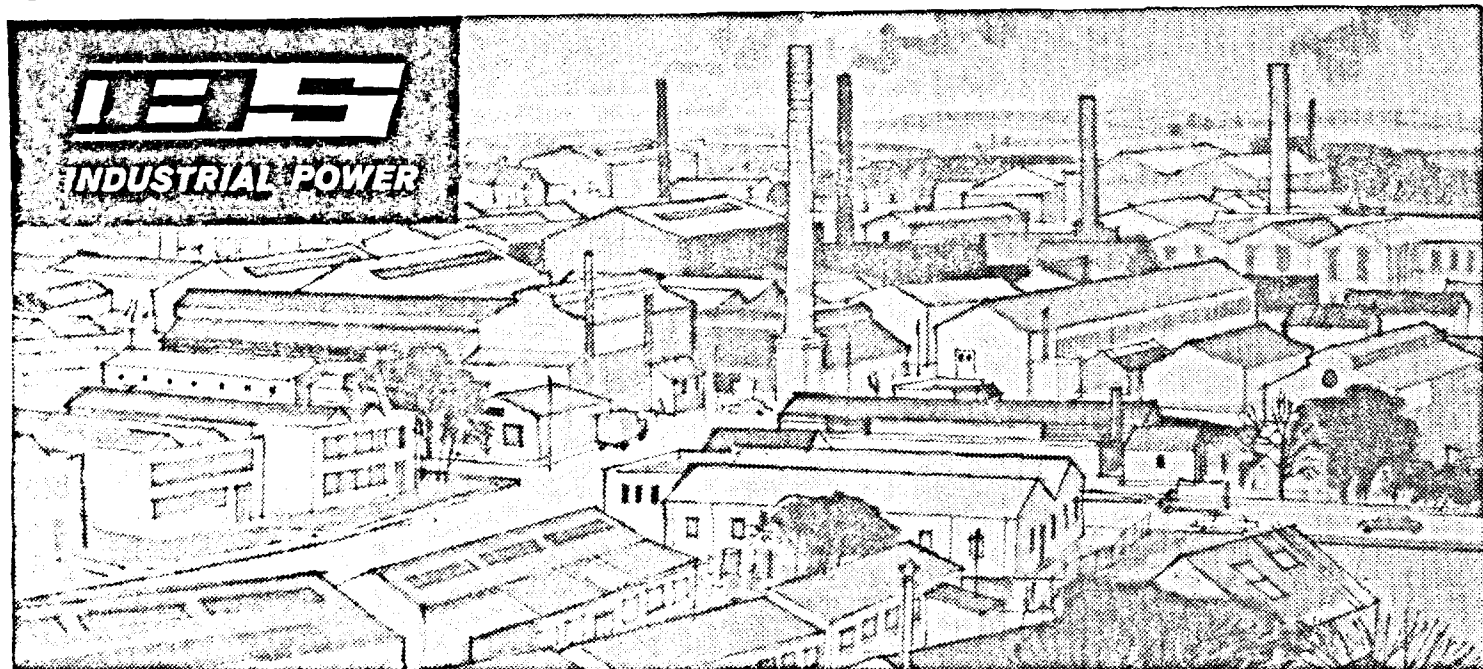
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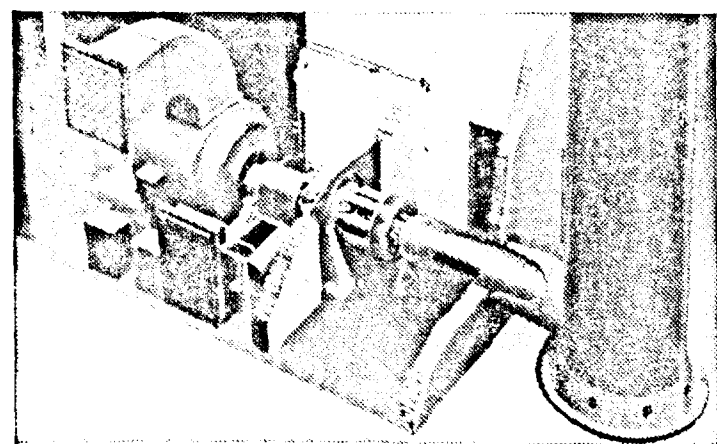


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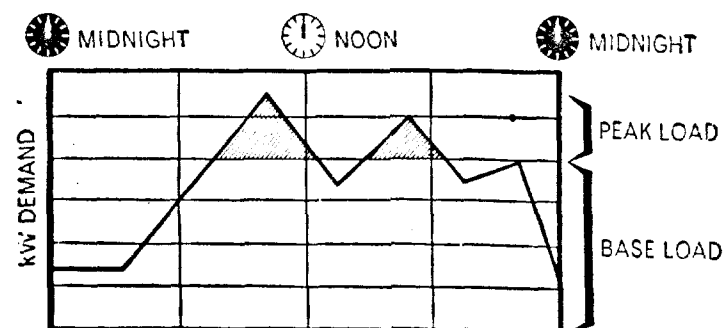
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Latin Americans—placated by assurances that they need pay only a fifth of their assessed shares—switch their votes to give the new \$100 million Congo fund the necessary majority.

#### ALBANIA

### Cuban Analogies

LAST week's landing in Cuba provided plenty of grist for communist propaganda mills everywhere. The Albanians, in the forefront as always, have shown themselves ingenious in turning the events in Cuba to their own account. The party newspaper, *Zeri i Popullit*, professed to find a "complete analogy" between the pamphlet denouncing Dr Castro's regime issued by the State Department early this month and a Yugoslav White Book denouncing the Albanian regime published about the same time. Both these "White Books with black contents" are, it is alleged, designed to encourage dangerous and criminal acts; the "aggression against Cuba" is likened to the abortive coup against Albania that Mr Hoxha alleges was attempted, with American and Yugoslav help, last summer. The article admits that the Yugoslav White Book was published after, not before, the alleged coup, but lightly—if not very convincingly—brushes off this discrepancy with the assertion that the delay in publication was due to the failure of the plot.

Mr Hoxha's regime probably has a particular reason for harping on the danger from external enemies. The *Zeri i Popullit* article also let fall the news that the regime will shortly hold a trial of a "group of traitors." Show trials are out of fashion in eastern Europe, but Mr Hoxha is still much of a Stalinist at heart and if he does stage one, it will be quite in character with his self-appointed role as odd man out. Whoever is put in the dock—and there have been many rumours recently of widespread arrests among Albanian Communists—will be accused of trying to overthrow the present regime with foreign help. But the real offence will be, no doubt, their opposition to Hoxha's championship of the Chinese in their ideological disputes with

the Russians. His determination to stick by his Chinese comrades shows no sign of weakening. The news this week that the Chinese have signed a generous technical aid agreement with the Albanians, and that the Chinese loan promised last February amounts to the equivalent of some £45 million, shows that Peking is not ungrateful.

#### BELGIUM

### Spaak Relit

FOR four weeks now since the general election, Belgium's political leaders have been struggling to find a way through the maze of party, religious and regional loyalties to form a government based on a balanced combination of parties. In the end the coalition government which took office on Tuesday fairly reflected the forces that brought the preceding Eyskens government down. M. Eyskens himself has gone. His Christian Social party has got rid of the Liberal partners whose right-wing inclinations were becoming increasingly irksome to left-wing Catholics, and has formed a coalition with the Social Democrats instead. The new prime minister is M. Theo Lefevre, leader of the Christian Social party since 1950. Sharing the honours as leader of the Socialists is M. Spaak, who is deputy prime minister, foreign minister, and head of the once important ministry for African affairs.

The cabinet itself is a careful balance, with eleven members from the larger Christian Social party and nine Socialists; five of each are in the inner cabinet of ten. There has also been a deal over the *loi unique*, in order to take into account some of the objections which set off the strikes at Christmas. A campaign is promised against tax evasion, new taxes on dividends; and there is to be some increase in the turnover tax, despite its impact on lower incomes. The Left is to be conciliated by increases in pensions, by dropping some proposed economies in unemployment benefits, and by some form of supervision of the big trusts and holding companies.

In one respect the new cabinet is better placed than its predecessor as it faces the

country's pressing economic problems. Over 40 per cent of Belgian exports go to Holland, France and west Germany, so the revaluation of the mark and guilder, together with the recent five per cent cut in French tariffs, are bringing benefits equivalent to those of a devaluation of the Belgian franc over nearly half of Belgium's trade. The world outside, however, may be less interested in the new cabinet's domestic economic problems than in its impact on foreign policy. It was in his last period of office as foreign minister that M. Spaak brought the Rome treaties into port. He takes up the post again just when the British relationship with Europe may be entering a decisive period.

#### ECONOMIC GROWTH

### To Plan?

FRANCE's economy has been growing fast: Britain's has not. France, on paper at least, enjoys central economic planning: Britain does not. Are these two sets of facts related? No clear answer emerged from the three-day conference on French economic planning arranged last week in London by the National Institute of Economic and Social Research. How could it? But at least a group of British economists and industrialists had the opportunity of hearing directly from some of the French planners how they set about their jobs, in what is clearly a pretty comprehensive and concerted effort. Behind the 30-man *Commissariat Général au Plan* are twenty-five working parties, involving the unpaid services of over 3,000 people drawn from industry, trade unions and public services. Each working party is concerned with a particular sector of the economy or with one of the common problems such as labour or productivity. The pieces of the jig-saw puzzle are now being fitted together into the fourth plan, within a framework set to expand 24 per cent in the four years 1962-65.

How modest in comparison is the only official target for British growth. Mr Butler's doubling of the standard of living in twenty-five years. Yet, for want of

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anything better, this straw in the wind guides many firms' individual forecasts. Is Britain losing by fighting shy of national target-setting? The academic members of this conference were inclined, on the whole, to think yes; the industrialists were more sceptical. With a foot in either camp, Sir Robert Shone, who can claim that the Iron and Steel Board publishes for its own industry (see page 465) the only British plans geared to forecasts of national growth, was not prepared to believe that it was simply a common act of faith that secured the French an annual rate of growth twice as large as that in Britain. He would explain away part of the difference as due to France's higher rate of investment and greater labour mobility; it must also, and always, be remembered that, along with theoretical planning, France enjoys M. Rueff's economic liberalism.

Perhaps the real point is that, by publishing plans, France does manage to get worried when growth industries fail to reach the ambitious targets set for them. Britain tends only to get worried when declining industries fall below their "normal" rates of employment, and so it generally thrusts out government aid to its least economic industries instead of to its most dynamic ones.

#### WEALTH

### The Capitalists

THE total of accumulated personal wealth in Britain has always been a highly disputed figure, as well as not being an entirely meaningful one. When valuations for death duties come round, most people find that their families are officially

#### NOTES OF THE WEEK

richer than they had thought—partly because few people recognise themselves to be getting realistically richer when the open market value of the houses they live in gradually goes up. Nevertheless some interest attaches to some new estimates by Messrs H. F. Lydall and D. G. Tipping (in the current *Bulletin of the Oxford Institute of Statistics*) that personal wealth in Britain in 1954 was of the order of £40,000 million, or around £1,150 a head of the adult population. Pension and trust funds, which are excluded from the analysis, might bring the total to £46,000 million. Disturbingly shaky as the figuring is, based on estate duty returns and an unofficial savings survey, the authors believe they are nearer to the truth than other estimators, who have put the total appreciably lower.

Physical assets—land, buildings, trade assets and household goods—are reckoned to have accounted for about 30 per cent of people's wealth in 1954. A further 20 per cent was in company stocks and shares, 17 per cent in cash and bank deposits, 17 per cent in Government securities, and the remainder in building societies, life insurance funds and miscellaneous assets. Altogether, the authors believe that the British people had accumulated wealth equivalent to about four years' disposable income; for those with incomes over £2,000 the average holding was probably as much as ten years' income. At the top of the pyramid, the authors believe there were 20,000 persons with more than £100,000 each and an average holding of over £250,000; at the bottom, 16 million persons with less than £100 each and an average holding of less than £50.

Inevitably, wealth is still much more unevenly spread than income. In figures that are certain to be quoted all round the place, the authors estimate that in 1954 the top one per cent of British adults owned 43 per cent of total net capital, but the top one per cent of income-holders received only 5½ per cent of declared income after tax; for the top ten per cent the corresponding shares were 79 per cent of capital and 25 per cent of income. The concentration of wealth thus seems still to be greater in Britain than in the United States, although the distribution of income in the two countries is rather similar; the top one per cent of Americans in 1954 owned 24 per cent of personal wealth. In so far as these estimates have any implications for policy, they support the case for the recent surtax reductions—but suggest that it would be fair to follow them up by more effective collection of death duties (not necessarily at higher rates, but perhaps by the imposition of a general gifts-tax to cut down avoidance of death duties by transfers *inter vivos*).

#### SOUTH AFRICA

### No Golden Handshake

How many of Britain's many links with South Africa will survive unchanged

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after May 31st will remain in doubt until the legal complexities have been sorted out. The Government clearly has no intention of trying to salvage them all. Mr Sandys was right, during Monday's debate on the Republic of South Africa (Temporary Provisions) Bill, to argue that simply to continue to confer Commonwealth privileges on South Africa after it had left the club would destroy the value of membership. The Labour Party's general view appears to come close to Mr Sandys's. Mr George Thompson put it neatly: while accepting the technical need for a brief standstill period, he argued that the Commonwealth must not only have, but must be seen to have, a different relationship with South Africa in future. Mr Sandys was definite on one point: that it was not intended to leave unaltered the right which at present South Africans enjoy to claim British nationality.

But, while Mr Sandys expressed a reluctance to destroy mutually beneficial links, the Opposition seemed to want to jettison trade preferences with South Africa, on the grounds that it would be a breach of Commonwealth solidarity even to hint that trade should continue on the same basis. This approach leaves on one side both the advantages British exporters of motor vehicles and machinery derive from present tariff preferences, and the fact that the Ottawa Agreement does not legally depend on Commonwealth membership (although the non-contractual preferences South African exports to Britain enjoy presumably do). A desire not to disturb trade preferences may not endear Britain to those who believe that unrelenting economic pressure is necessary to force South Africa to change its ways. But the Afro-Asian Commonwealth members should not forget that virtually the whole burden of disengagement from South Africa, psychological and material, is falling on Britain. Dr Nkrumah, for one, does not need reminding that Ghana's own vociferous advocacy of the boycott weapon has not prevented exceptions being made for imports of South African mining machinery.

Continuing uncertainty about future commercial relations with Britain will do nothing to check the continuing outflow of capital from South Africa, which has now pulled its foreign reserves down from £152 million at the beginning of 1960 to £84 million, despite the recent £14 million drawn from the International Monetary Fund. The Union's import controls have again been tightened, particularly on products that are available from local industry. Whatever the eventual decision on tariff preferences, British exports are therefore not likely to grow while South Africa hammers out the Schachtian weapons needed for survival in a siege economy. This week's non-stop South African Airways flight between Johannesburg and London (Nairobi may soon be closed to SAA aircraft as well as West African airfields) symbolically underlines the Union's withdrawal into isolation at the far end of a hostile continent.

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## LETTERS

### Public Libraries

SIR—As Sir Alan Herbert knows, nobody gets fiction, or anything else, free from a public library. All the activities of a public library are paid for by the community, and the librarian is responsible to the community. This is really Sir Alan's complaint; he would have the librarian responsible to the book trade first, and only afterwards to the community at large.

There are indeed powerful organisations concerned with communication, such as the cinema and the newspaper and periodical press, which are not, even in Sir Alan's peculiar sense, "free." It is precisely because in these organisations the quality of communication is so often disregarded or deliberately debased for commercial reasons, that the public library has a special responsibility to avoid the concept of communication as a business transaction between "producers" and "customers." It is because there are, unfortunately, no "free" films that librarians must continue at least to circulate books without the pressure of the box-office.

Sir Alan selects four public libraries and shows that more than half the books they issue for home reading are works of fiction, implying by this that most of the work of public libraries is now concerned with "light" reading, a luxury that the community ought not to support. Being a novelist, he is forced to deny, in a jocular aside, the truth of this equation, fiction = non-educative distraction. What Sir Alan is doing is to measure the value of the work of a public library, using the issue of a book as his unit of measurement. You can no more accurately measure a public library by counting readers and book issues than you can a school by counting pupils and the examinations they pass.

Of course more money is needed for books and librarians (and not only in public libraries). Librarians have been saying so for years, and it is silly for Sir Alan to pretend concern with librarians' interests as well as his own, yet to say "I do not know exactly what the librarians want." He should ask the National and Local Government Officers Association and the Library Association if he is interested.

Sir Alan says that "Reform in fact is rather feeble on the wing"; but it seems likely that the two working parties considering the "technical implications" of the Roberts report are concerned with the establishment of minimum standards of public library provision, and some measures of control from the Ministry of Education. The reform involved could be a long way from being feeble and, unlike Sir Alan's proposals, would do nothing to jeopardise the position of public librarians as disseminators of information, ideas and

attitudes, almost unique in their freedom from commercial pressures.—Yours faithfully,  
Bromley, Kent

FRANK HATT

SIR—Since I wrote the article which you were good enough to print on April 22nd I have seen the latest statistics of the Library Association. In the year 1959-60 the total "issues," or outside loans, in the United Kingdom increased from 397 million to 440,095,260—43 million in a single year. (And we are expected to sit still and say nothing.) The expenditure on the purchase of books increased also, by £503,777 to £5,053,777. This is much nearer to the "2s. target," but is still less than 25 per cent of the total expenditure: and there is evidence that outside the libraries the sale of books (other than educational) declined.—Yours faithfully,  
London, W6

A. P. HERBERT

### Tax Reform

SIR—In your issue of April 15th you make the somewhat unusual suggestion that the Government might overcome inland revenue staff difficulties, if they propose wide ranging alterations in the tax system, by the temporary expedient of employing private firms of accountants. This suggestion ignores the fact that, in the London area and no doubt in other parts of the country as well, there is a considerable shortage of people with the necessary specialist tax knowledge, and it is difficult enough for accountants to get through their existing taxation work.

I think it would be true to say that, in cases where the taxpayer obtains professional help, something more than 50 per cent of the work necessary in connection with the income tax return and related matters is performed by the professional advisers. Far from professional accountants being able to assist the Inland Revenue to do their half of the work for them, in the event of some of the proposals you make being adopted the professional advisers would be so hard pressed to get through their part of the work that the collection of taxes would inevitably fall into arrear.

One tax reform which is urgently required is for professional fees incurred in assisting with the preparation of the income tax return etcetera to be allowed as a deduction in computing income. The present position weighs most unfairly on the private taxpayer who is not in business and, therefore, unable to charge accountancy or other professional fees in arriving at the income on which he pays tax. This relief is already allowed in America, with the corollary that the professional adviser countersigns the return. This would give the inland revenue considerable powers to deal with

unscrupulous and sometimes unqualified practitioners.—Yours faithfully,  
London, NW1

H. G. POWYS GREENWOOD

SIR—Surtax relief, while it may or may not be an incentive, will certainly increase the mobility of higher-paid staff. Should the Chancellor not carry this a step further and make all pensions transferable?—Yours faithfully,  
Bromley, Kent

S. JOHN ROGERS

### The Balfour Declaration

SIR—In his review of my book, "The Balfour Declaration" (printed in your issue of April 8th), your reviewer suggested that the War Cabinet of 1917 feared that Keren-sky, and the Jews who owned the Russian armaments industry, might take Russia out of the war.

The position, as I described it, was that it was feared that the left wing extremists (Kerensky's opponents) might gain the upper hand and make a separate peace. I did not say anything about any Jewish ownership of the Russian armaments industry. The point I made was that it was also feared that, if Russia did go out of the war, this would result in Russian resources being exploited by the Germans for their own benefit. It was believed that a pro-Zionist declaration might be helpful in obstructing such exploitation, the War Cabinet being under the impression that the handling of various Russian products, and especially the south Russian grain trade, was largely controlled by Jewish middlemen.—Yours faithfully,  
London, EC4

LEONARD STEIN

### The Census

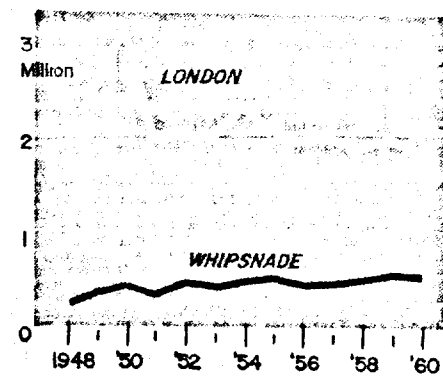
SIR—If, as you say, the Registrar General can produce the census report in three years this time instead of the seven he took last time, this will doubtless result in some backslapping all round. But surely it is not beyond the competence of the census form designers so to arrange the answers to questions that a high proportion could be given by ticking off "appropriate squares" rather than writing (in twelve million different fists) the answers in the columns. Quite apart from obvious advantages in legibility, such a design would enable the "programme" for an analysis by computer to be prepared in the very act of designing the form. Optical scanning devices can "read" marks these days in much the same way that punched card machines can "sense" marks on cards made with a graphite pencil.

It is a curious fact that, in spite of the undoubted virtues of the Treasury O & M Section, Government Departments generally (with the possible exception of the GPO) can still inflict upon us forms that are for the most part badly worded, jargon-ridden, cramped, officious, dull, uninspiring and now, as the 80,000 enumerators will testify, downright inefficient.—Yours faithfully,  
Leeds, Yorkshire.

J. C. L. LEITCH

#### ZOO VISITORS

Three factors in particular influence Zoo attendance. Weather—unexpected fine days rather than long heatwaves draw crowds. Transport—with increasing car ownership families are travelling further for entertainment, to London Zoo's detriment but Whipsnade's benefit especially with the latter's improved facilities for driving inside the park (29,000 cars entered last year). Lastly, special attractions—an example suffices: 1950's stupendous total was due to Brumas.



## BOOKS

### The Other Civil War

#### The Spanish Civil War

By Hugh Thomas.  
Eyre and Spottiswoode. 749 pages. 42s.

#### The Grand Camouflage: The Communist Conspiracy in the Spanish Civil War.

By Burnett Bolloten.  
Hollis and Carter. 350 pages. 30s.

TWENTY-FIVE years on, and though the scars of Spain's calvary are still plainly visible, the civil war of 1936-39 belongs to history; and a new generation is ready to conduct pathological research into the Spanish fever. Mr Hugh Thomas has made an admirable job of it. He describes political and military events on both sides, almost day by day, with an abundance of detail and a sureness of perspective that will satisfy the most fastidious critic. His 625 pages of narrative trace clearly the immediate origins of the war in the political folly of Spain's liberals; the root cause, of course, was the "absolute" quality of the Spanish character, which knows no compromise—together with the geographical differences of the country, which spell social disintegration.

Only a few examples of the accuracy of his judgments can be cited. How, for instance, the religious clauses of the 1931 constitution were in principle sound enough, but practically disastrous: the anti-clerical tradition apart, two-thirds of Spaniards in the thirties were not practising Catholics—hence Don Manuel Azaña's fateful phrase "Spain has ceased to be Catholic," which sowed the wind. How, contrary to interested propaganda, the conduct of the Popular Front elections of February, 1936, was "generally exemplary"; but the minority government of liberals was never strong enough to control the turbulence on the left and the provocation of the right. When the majority of the so-called forces of law and order—the army and the civil guard—made common cause with the insurgents, the floodgates of revolutionary violence were opened. What the various experiments in libertarian communism meant in practice is recounted in fascinating detail by Mr Bolloten in his book on one particular aspect of the Spanish imbroglio.

Mr Thomas gives due credit to the government of Largo Caballero and the Communist leaders for their efforts to bring order out of the political and social chaos of the first year in Republican Spain. He is factually right on the foreign intervention. Germany and Italy exploited a golden opportunity. Communism surged in where the democracies feared to tread—for anyone with eyes to see there was not much "camouflage" about it. The main object of Stalin's cautious policy was, indeed, to

woo the middle classes in order to preserve the alliance with Britain and France against the German danger. But, if the Soviet Union's primary aim was military and not ideological—to prevent a Nationalist victory rather than to implant communism (in fact there were never more than 2,000 Russians in Spain, though indeed, with foreign communists, they occupied the key positions)—the Comintern had its instructions to set up an organisation for the supply of arms, as well as for recruiting the International Brigade. British policy was fundamentally vitiated by the—preposterous as it seems now—supposition that, after the Rhineland occupation and the Abyssinian war, the dictators were satiated.

The author vindicates the reputation of Juan Negrin, whose intellectual arrogance "made him ten enemies a day" but who was no Communist and no mere Russian tool: he was a redoubtable war leader whose realistic opportunism was in true Churchillian vein. He placed his hopes in a world war, which Stalin was all the time trying to stave off.

On the Nationalists' side no comparable figure emerged: "Franco was politically successful because he treated politics as a department of military science." The dice were loaded in their favour from the day when the democracies' leaders showed themselves to be sahibs at sea in the hectic Nazi-Fascist world.

Mr Bolloten was a United Press correspondent in Spain during the civil war. He tells us that he has pursued intensive researches into his subject for more than twenty years, and the result is a monument of industry in a relatively unexploited field. His account of the conflict between the "socialisation" projects of the anarcho-syndicalists and the "nationalisation" measures favoured by the Marxists leaves no stones unturned; unfortunately, he carries the story of the Communists' sway only up to the overthrow of Largo Caballero in May, 1937. This is a serious and, on the whole, objective study—to which title and "blurb" do a disservice—but the general reader may be put off by the plethora of footnotes.

#### Axes to Grind

A Mirror for Anglo-Saxons

By Martin Green.

Longmans. 178 pages. 18s.

MR MARTIN GREEN will not take much account of this notice. Its anonymity, the journal in which it appears and the fact that it will observe certain amenities of tone make it a part of what he regards as

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England's "dead culture." Every time Mr Green came back from a stay in America, that "deadness" struck him more forcibly. The impression begins on the road from the airport to London:

The houses seemed so small, and the flower-bordered front paths, down which men in three-piece suits came hurrying off to work, seemed too bright and neat and prepared. . . . Bay windows, broad clean pavements, narrow, tarmacked roadways, lurching buses, everything was just as it was in the Ealing comedy movies. It was all nice and wholesome and harmless.

Outwardly, England has grown small, dull, damp and proper. Inwardly, according to Mr Green, much of the British mind is "dead, no longer able to deal adequately with reality." It has assimilated neither of the two world wars. Its great writers—Eliot, James, Yeats, Conrad, Joyce, Shaw—have not been English by birth or sensibility. The language spoken by the BBC and by the educated classes is an artificial vestige of the past. Set Marlon Brando against Gielgud and you have vitality against sterility. The same contrast runs through the whole of modern English art:

The English imagination has been dominated by a feeling of death, decay and hopelessness, and by an aspiration to style and elegance.

There have been rebels, men willing to take a stand for a more robust, eccentric and sincere vision of life. Mr Green's heroes are F. R. Leavis, D. H. Lawrence, George Orwell and Kingsley Amis. He writes of them with the force and insight of admiration. But the Establishment either ignores what they say or waters it down by giving it a kind of officious, academic context. By contrast, America is a nation raw in its uncertainties, alive with doubt and antagonistic persuasions. It is large and various of mind as of geographical space.

Mr Green has written an extraordinarily intelligent book. It captures with acrimonious precision that cosiness and dampness of soul which mildews so much of present-day English life. It has irrefutable things to say about the parochialism and complacency of education at Oxford and Cambridge. Like D. H. Lawrence, he sees in the very beauty of Cambridge a trap: "Continuity and tradition are lies in England, because they make themselves available to only one group, one sensibility, and that one turned away from life." But the entire argument remains shallow. What needs to be asked and studied is whether or not the high achievements of England's body politic—the rule of law, the level of economic well-being, the great latitude of political freedom—necessarily lead to the shrinkage and conventionality which Mr Green discerns. Are length of history and the establishment of spiritual and political tolerance themselves a prelude to a certain diminution of vitality?

These are difficult questions. Mr Green has written of the symptoms rather than the cause. And often the simplicity of his indignation leads to comic results. He compares "Round Britain Quiz" with the "64,000 Dollar Question" and finds the latter far more zestful. Quite so; but we

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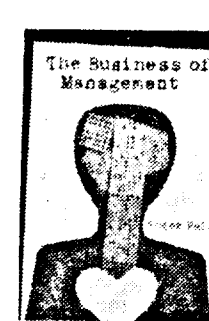
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know today that the American show was a cunning fraud in which apparently respectable citizens played a revolting farce. What price zest?

## Disabilities

### Underdogs

Edited and introduced by Philip Toynbee. Weidenfeld and Nicolson. 268 pages. 21s.

Is anyone with a grievance an underdog? Subjectively, perhaps, yes; but objectively, an underdog can be defined as a groveller, someone whom someone else wants to kick and then feels guilty about because he is not kicked back. Objectively, hardly any of Mr Toynbee's characters qualify as the underdogs of his title, and by no means all of them as the "eighteen victims of society" of his sub-title.

In fact, perhaps the only character who can be described as an underdog is the one who apparently had most blessings to count: the happily married, university educated, mother of four. She has emitted a long moan about the difficulty of bringing up tiny children in wartime, but only succeeds in provoking—in this reader at least—not sympathy but an intense irritation and impulse to slap her down. By contrast, some of the other characters one feels really sorry for, because—if their stories are accepted—they do seem to have a genuine grievance against society: the unemployed diabetic, for instance, who cannot get a job because his disability disqualifies him from entering a pension scheme and to be unemployed is to be unemployable (if this is really true, here is certainly something that society could remedy); or the man wrongly accused of theft. But genuine underdogery does not usually arouse genuine sympathy. Nevertheless, however miscalled, Mr Toynbee's characters are interesting in their own right. Writing their stories in response to his advertisement in the national press, they have produced accounts that might form part of a psychiatrist's case histories were it not that most of them are too articulate and too aware of their handicaps to be in need of psychiatric advice. They include a homosexual, a pederast, a criminal, two wives (one with a brutal, and the other with an impotent, husband), a former orphanage child, a drunkard's son, a woman seduced as a child, three general failures, and a man with a psychologically provoked "stricture" (who should surely not be here at all, for he does not even feel an underdog and certainly has no grievance). Mr Toynbee has included the "stricture" because the disability is unusual. That, in fact, seems to be the criterion for inclusion: an interesting disability, or an ordinary disability written about interestingly. It sometimes self-justifyingly. Perhaps the best stories in the book come from the "uncharming" (an analytical *cri-de-cœur* from a woman who arouses general antipathy) and from two rebels, who as cases might be diagnosed as

inadequate psychopaths. One is illegitimate and gay; the other an extremely literate ne'er-do-well, the despair of his persevering friends. Both prefer the lone life away from society; but neither is an underdog—they are both too much on top of their own private worlds to grovel.

## Carolean Office-Holders

The King's Servants: *The Civil Service of Charles I, 1625-42*

By G. E. Aylmer.

Routledge. 533 pages. 56s.

THE reforms of the nineteenth century gave us a salaried civil service recruited by examination. Under the early Stuarts the civil service was recruited by patrimony, purchase and patronage. Office-holders were rewarded partly by official fees, pensions and annuities and largely by mulcting the public by way of fees, exactions and bribery. A study of the personnel and working of the civil service in these conditions forms an interesting chapter in English administrative history in itself; it is also valuable for the light it can throw on the highly controversial question of the causes of the Civil War.

Mr Aylmer has applied a comprehensive questionnaire to an immense mass of evidence. He describes the various agencies of the central government, examines the conditions of entry and service, attempts, with great ingenuity, to calculate the rewards and capital value of offices, makes a social analysis of the office-holders that involves twenty-three tables, discusses the relation between office and politics and, lastly, attempts to relate his particular findings to the broad course of English administrative history, to contemporary developments on the continent and to sociological concepts of bureaucracy. It is tempting to suppose that a study of the administration will help to solve some major problems of seventeenth century history. Did the inefficiency of a civil service thus recruited and rewarded explain the predicament of the monarchy in 1640? Or did the reforms attempted by the party of Thorough alienate the threatened officials and conjure up the spectre of efficient absolutism? Can the rising gentry be identified with the office-holders? And can the Civil War be interpreted as a rebellion of the "Outs" against the "Ins"?

Mr Aylmer, though insisting that he is concerned to study the administrative system and not to produce an interpretation of seventeenth century conflicts, raises these questions but is very discouraging about any attempts to answer them. The England of Charles I was not a particularly ill-governed country and the basic failure "was one of sympathy and accord between Crown and country." Using a much more restricted definition of office than Professor Trevor-Roper he concludes that "it is impossible to identify the rising with the

office-holding gentry"; but he is careful to add that "the precise connexion between office-holding and the fortunes of the gentry must remain an open question." It is unfortunate that Mr Aylmer is not able to investigate the type of local office of which Carleton wrote in 1629 that "the place is not one of profit but rather an entrance or an introduction to better fortunes." Perhaps too he is over-rigid in defining rising gentry, for he excludes those who died in debt, and this eliminates men like the Earl of Carlisle who rose to enjoy exceptionally high incomes during their lifetimes. As for any connection between office and political allegiance Mr Aylmer cannot go much further than to say that the divisions among office-holders "may well have reflected with reasonable accuracy those of the English political nation at large."

Specialists will be grateful to Mr Aylmer for his thoroughness, even if he has done more to make clear the limitations of the evidence than to produce any new conclusions. He ends his book by saying that "even the most humdrum administrative details, the pettiest personal concerns, come alive in seventeenth-century English prose." But his very method makes him distrustful of the individual instance or the contemporary generalisation; and he has to comment, rather ruefully, that "if analysis sometimes seems to squeeze human interest out of these chapters, this arises solely from a prejudice against fabricating evidence."

## Problems of Independence

Ceylon: *Dilemmas of a New Nation*

By W. H. Wriggins.

Princeton University Press. London: Oxford University Press. 513 pages. 80s.

CEYLON came happily to independence. It was the richest country in south Asia; its income per head was two and a half times that of India. Except for a small riot in 1915, its civil order was complete; its communities did not kill each other; and there had been no need even for civil disobedience against the British. Half the population was literate, and the death rate as low as England's.

Since independence, the limitations of this good fortune have become clearer. The wealth came largely from foreign enterprise, notably the tea plantations; and the foreigner is now taking money out, not putting it in. The Ceylonese, whether in government or in business, lack the tradition of industrial entrepreneurship that is now necessary. English education has created a wide gap between the élite, who are more westernised than anywhere else in Asia, and the peasant, who clings to his caste and his Buddhism. The population is increasing at one of the world's fastest rates, so that even the great development being achieved hardly raises income per head. Too much money goes to welfare, especially the rice subsidy, and not enough to investment.

Above all, the communities have never

learned how to share power. Under the British, they lived alongside, rather than with, each other; and, as often happens, the minorities were in advance of the Buddhist Sinhalese majority. Ceylon Tamils and Christians had more than their population share of business, the professions, and government service; the Ceylon Tamils may have had as much as a third of all government posts, against a population proportion of one-ninth. The major economic decisions were made by British businessmen; the workers on the estates were largely Indian Tamils. The best schools were Christian. The story of Ceylonese politics since independence has largely been, therefore, one of the reassertion of the majority's values. At first this went slowly. Mr D. S. Senanayake, the father of independence, was inclined to cooperate with the Ceylon Tamils, though he was not prepared to give citizenship to most of his Indians. The turning point came with the MEP victory in 1956, itself largely a result of a new Buddhist Sinhalese political consciousness, and of the advent to political influence of groups educated only in Sinhalese—village school masters, Buddhist clergy and doctors practising ayurvedic (primitive) medicine. They wanted development, but they also wanted jobs and positions for themselves, and status for their culture and religion. Hence the insistence on Sinhalese dress for MPs and the Sinhalese language for administration; hence the deference officially paid to Buddhism and the nationalisation of schools. Hence also the riots of 1958 and the continuing alienation of the Tamils.

The story is still unfinished. As far as it has got, Mr Wriggins tells it admirably. There is no other book on Ceylon with his scope, thoroughness and, above all, understanding.

## Inescapable History?

A History of Modern France:

Vol. 2: 1799-1945

By A. J. Cobban.

Penguin. 346 pages. 5s.

THIS book begins and ends with "Saviours of Society": Bonaparte in 1799 and de Gaulle in 1945. In between comes Louis Napoleon, quite well-meaning and well-informed, whose good intentions were too often warped by his weaknesses. Popularised by his *"Idées Napoléoniennes"* he manoeuvred himself into the Presidency of the Second Republic, and then transformed himself into an Emperor by a *coup d'état* just sufficiently bloody to maintain the Revolutionary tradition. Why does France periodically require "salvation" of this kind? Professor Cobban's compressed but brilliantly clear history provides no ready-made answer; but it will inspire many readers to work out their own. An exceptionally good bibliography should help them to do so.

The more ideological revolutionaries had proclaimed "the People" to be "one and indivisible." But an obstinate preference for unworkable constitutions ensured recurrent crises in which unity could be only temporarily restored by emergency operations. In his first volume Professor Cobban ascribed the initial substitution of revolution for reform to the incurable *frondeurs* temper of the noblesse. But in this volume most politically vocal Frenchmen of all classes seem to be *frondeurs*. Obviously the fatal inability to learn and to forget was not limited to the Bourbons: the monarchy, restored after Waterloo with good prospects, was destroyed by the quarrels and reactionary follies of its supporters rather than by the faults of the monarchs. And in 1830 inherited jealousy prevented Louis Philippe's acceptance of a family arrangement that might have ended a dynastic feud that had split royalism in 1789 and was to ruin its last chances a hundred years later. The Republicans who somewhat grudgingly supported Louis Philippe were equally factious: deputies elected on a narrow franchise of property-owners were oblivious of the bitter social discontents of the voteless, and engaged in a struggle for power that drove out Orleans and brought in mobs, barricades, Cavaignac, and, eventually, a Second Empire.

This pattern repeats itself with variations for nearly a hundred years: the occasion, be it cause or effect, may be catastrophically great as in 1870 or 1940 (and nearly also in 1917); or comically small as in the Boulanger *affaire*; the *frondeurs* may rally for or against Dreyfus, Caillaux, or Chiappe; the battle-cry may be for or against the Church, the Two Hundred Families, or the Croix de Feu; devaluation of the franc, or a French Algeria—no wonder that in concluding his penetrating survey Professor Cobban takes a somewhat pessimistic view of France's ability "to escape from her history."

## Report and Travelogue

North Borneo

By K. G. Tregonning.

Her Majesty's Stationery Office (1960). 285 pages. 30s.

BORNEO, the world's third largest island (if Greenland is reckoned as the largest), is now divided into four political entities: the independent but British-protected Sultanate of Brunei, parent state of all Borneo (to which, indeed, it gave its name) but now by far the smallest of the quartet, although thanks to its oil by no means the poorest; Kalimantan, the former Dutch Borneo and now a part of Indonesia, larger than the other three put together; Sarawak, ruled by the Rajahs of the Brooke dynasty for more than a century and a British colony since 1946; and the subject of this volume. Mr Tregonning, an Australian, is Raffles Professor of History at the University of

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## "ETHNIC GROUPS IN AMERICAN LIFE"

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- JOSHUA A. FISHMAN:  
*Childhood Indoctrination for Minority-Group Membership.*
- MILTON M. GORDON:  
*Assimilation in America—Theory and Reality.*
- OSCAR HANDLIN:  
*Historical Perspectives on the American Ethnic Group.*
- PETER H. and ALICE S. ROSSI:  
*Some Effects of Parochial-School Education in America.*
- OZZIE G. SIMMONS:  
*Mutual Images and Expectations of Anglo-Americans and Mexican-Americans.*
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Malaya; this is his second book on the territory still more familiarly known by its former designation of British North Borneo, under which it was long administered by its founder, the Chartered Company of that name. His former work was an historical study, based on the archives in London and Jesselton, of the state under Chartered Company rule; he calls this one a travel book.

The description is true only in the sense that his account of the present-day life of the country, its topography, people, towns and countryside, its industries and social services, its administrative, medical and educational policies and problems, is informed and coloured by personal observation made during a more recent journey undertaken for the purposes of this volume. It is one of the "Corona Library" series published by HM Stationery Office for the Colonial Office, intended to be something between a colonial annual report on the one hand and an ordinary book of travel on the other.

Mr Tregonning takes the country region by region, with separate chapters on rubber, teachers and doctors, and on the once ubiquitous pirates, the need for whose suppression brought the British navy into this part of the China Sea with its base on the small island of Labuan. The author contrives to humanise subjects that, with other treatment, might have made heavy reading. Thus he gives a lively account of the creation and vicissitudes of the metre-gauge railway, whose trains in the early postwar days had to be drawn by jeeps; the pathetic

## BOOKS

account of the dwindling Muruts, a race of minute Stone Age people from the deep interior; the poignant inscription on the tombstone of the two-year-old son of Dutch planters on Marudu Bay: "Here rests our darling. Sleep softly, little one."

Mr Tregonning travels energetically: he investigates one of the birds' nests caves with their rickety ladders and lateral gangways of flimsy bamboo; he catches a glimpse of an orang-utan, member of a vanishing race; he visits the famous *tamu* (market) of Kota Belud where the many races of the country congregate in their thousands, though he misses—owing to mourning for the death of a chief—its most characteristic attraction, the cock-fighting. One omission may be noted. Mr Tregonning might have devoted a separate chapter to a compact account of the autochthonous tribes, the Dusuns, Bajaus, Illanuns, Muruts and the rest, instead of contenting himself with referring piecemeal to those of them whom he encountered. But the book is an engaging and encouraging account of a country of varied interest, whose many races both meet and mingle, living together on the whole in mutual tolerance.

An additional word of praise is due to the excellent photographs, the pleasant drawings in the text, and the clarity of the map.

## Company Obituary

D.H.: *An Outline of De Havilland History*

By C. Martin Sharp.

Faber (1960). 419 pages. 42s.

SEVERAL British aircraft companies have passed their half century, but this is the most ambitious and detailed history yet written by any one of them to mark the occasion. Mr Sharp, who is chief public relations officer at de Havilland, is aware of the kind of criticism to which he has laid himself open and he parries it in advance by declaring that "this is offered as a record of the bare facts, with the hope that . . . others . . . may be moved to take up their pens and bring it to life." This permits him to picture the company's sometimes erratic progress, wars and all, without having to insert those background details that must inevitably wound the company's customers, its creditors, its government sponsors, and many of its own eminent members.

Geoffrey de Havilland, second son of a Hampshire parson, built and flew his first aeroplane in 1910. The Aircraft Manufacturing Company that he joined as designer in 1913 ended the first war as the biggest company in the business. In 1920, the company was bought by Birmingham Small Arms and its aviation division closed down. With some of his colleagues, de Havilland left BSA and founded his own aircraft manufacturing business on loans from a few friends. It is ironic to speculate how different the fortunes of both companies might have been had BSA shown more foresight:

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it could have profited from the stimulus that a lively, rapidly expanding industry can give; de Havilland later needed the stability that would have come from being a member of a large and broadly based engineering group, a stability that has enabled Vickers-Armstrongs to ride out storms that would have sunk a weaker company.

The de Havilland company survived on sheer good design combined with an inspired pig-headedness that made it repeatedly back its own judgment in defiance of official displeasure. The Mosquito was the most famous example, but there have been others since then culminating with the most recent thunderous row with officialdom over the Trident airliner. The thunder and lightning are censored from Mr Sharp's deadpan narrative; the most he will allow himself is a quickly repressed flicker of emotion when he comes to the death of two of Sir Geoffrey's sons, both working for him as test pilots, and the disastrous crash of John Derry at Farnborough. The end of the company's history he takes at a fast gallop, as if he could not bear to linger over it: the Comet crashes; the switches in defence policy that cancelled fighter aircraft that would have been powered by de Havilland's huge supersonic engine, and later cancelled its remaining big defence project, Blue Streak. Mr Sharp stops his narrative in December 1959, before the cancellation of Blue Streak had been announced (although the wording of certain paragraphs make it very clear that the announcement had been made before the book went to press) and a week or so before the company was taken over by Hawker Siddeley. This is an obituary as well as a history; perhaps Mr Sharp could not bring himself to write the final epitaph.

## OTHER BOOKS

BRING FORTH THE CHILDREN: *A Journey to the Forgotten People of Europe and the Middle East*. By Yul Brynner. Arthur Barker. 155 pages. 25s.

Yul Brynner in his capacity as a special adviser to the United Nations High Commissioner for Refugees travelled through the refugee camps of Europe and the Arab world asking questions, finding out facts but mainly using his eyes. This volume of photographs, taken by Yul Brynner himself and by Inge Morath, tells the story compellingly.

THE CONCISE ENCYCLOPEDIA OF ANTIQUES, Vol. V. Edited by L. G. G. Ramsey. *The Connoisseur*. 272 pages and 176 plates. 50s.

This is the final volume in a series designed to help the would-be collector of works of art, covering a wide range of subjects. Among those in this new book are fashion plates, Japanese armour, Persian painting, Venetian glass, filigree, Eskimo carving, stump work, knife cases, jelly moulds—a short list, which gives some idea of how specialised antique collecting can be. Nobody can hope to become an expert in one particular subject by reading these necessarily short articles, but this set of volumes provides serious illustrated introductions with, in many cases, suggestions for further reading and useful glossaries.

## THE ECONOMIST APRIL 29, 1961

## AMERICAN SURVEY

## Picking Up the Pieces

WASHINGTON, DC

THE Cuban expedition seems destined for that historical museum of politico-military disasters which have sprung from a fatuity in conception and execution that is forever after a beguiling psychological mystery. Americans compare it with the Suez fiasco—though if President Kennedy's warning of the possibility of unilateral United States action against Cuba in his speech to American newspaper editors last Thursday were to be taken at its face value, the much truer analogy would be with the fatal Jameson raid which was the prelude to the Boer war. So far as a mystery can be dissipated, this has been done already by the indefatigable researches of the American press into every facet of the affair, aided by deliberate guidance from an Administration which is suddenly anxious to impose the doctrine of collective responsibility on American institutions. This increases the wonder about how such a decision could have been made collectively—by the White House, by the Central Intelligence Agency, by the Secretary of State and by the Joint Chiefs of Staff. Two questions stand out: what light does it throw on Mr Kennedy's own judgment and grip on the job of being President, and what does it mean for the policies which his Administration had been building so promisingly?

It is admitted that this was "an American operation," over which the President had control. The United States provided much of the financial backing, the organisation and the equipment which made possible the launching, from a Nicaraguan island under lease to the United States, in American ships and landing-craft, of some 1,200 anti-Castro Cubans with a few tanks, aircraft and a considerable, if obsolescent, armament on to a singularly ill-chosen beach-head in Cuba. It would be vain to deny all this in view of the prisoners that Dr Castro took, including the sons of the unhappy leaders of the insurgents.

Nor is it denied that the Central Intelligence Agency, whose overblown reputation has been nourished rather on the successful landing in Lebanon than on the failure in Laos, subsidised the exiles in Florida by an estimated \$150,000 to \$400,000 a month (wealthy Cubans and American business sympathisers contributed also), provided instructors in guerrilla warfare, commanded disused airfields, set up training camps in Guatemala and caused coastguards to turn blind eyes. The operation began nine months before Mr Kennedy took office, but he did not order it to be discontinued, as he ordered the U2 flights over Russia not to be resumed. Even two weeks ago, when the CIA said the invasion was now or never (because Dr Castro was getting Russian fighter aircraft, because the Cuban underground was collapsing, because the *emigré* front was dissolving in quarrels, because Guatemala was backing out) President Kennedy could still have barred the operation.

He did not give the first order because he knew that the press would raise an outraged outcry. Perhaps, also, it seemed prudent to keep in being an alternative government with a military potential, in view of the CIA's assurances that Dr Castro would soon crack. This decision stemmed from the very caution with

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.

which Mr Kennedy was feeling his way in domestic and foreign affairs. But as time went on the preparations grew in scale and readiness. The CIA, sold by its own agents, in turn sold Mr Kennedy the invasion as a Madison Avenue advertising agency sells cigarettes; on the plea of "security" it managed to exclude the State Department's hard-headed career officials and the Defense Department's experienced planning staff from top discussions. A military timetable took shape, demanding decisions. Either the President had to go in even deeper or he had to let the Cubans down ever more heavily. His credulity was increased by his own emotional fixations about Cuba; these had betrayed themselves in the election campaign. One indication that the wish had become father to the thought was the ignoring of British intelligence reports which contradicted those of the CIA.

Nevertheless, the President shared some of the doubts of Mr Dean Rusk and Mr Chester Bowles, his Secretary and Under Secretary of State. He resolved them, it seems, by proclaiming his decision not to commit any American forces (though this was the only thing which would have made military sense of the plan and was an element in it originally). He seems to have thought that the United States was exonerated for transgressing the neutrality laws and the Bogotá Treaty of 1948 by his statement that this was "a struggle between Cubans," along with a warning to the Cubans that if they lost they would not be bailed out.

The Central Intelligence Agency was formed when the national military establishment was reorganised in 1947 and the National Security Council was set up to advise the President on the integration of domestic, foreign and military policies. Since 1949 the council has been part of the President's own Executive Office and the CIA, also in that office, is supposed to help the council by co-ordinating the intelligence activities of all government departments, by evaluating the results, by performing such additional services as in the council's view should be centralised and by carrying out such other functions—among them presumably sabotage and espionage—as the council may direct. It is under this last head that the CIA organised the Cuban invasion. What appears to have been its faulty assessment of the situation there, as shown by its backing of the least effective group of exiles and its misjudgment of the chances of success, raises once again the questions not only of whether the CIA is as efficient as it should be but also of whether it should be allowed to conduct operations as well as to collect information, to take a hand in policy-making as well as to provide the facts—or what it thinks are the facts—on which that policy is based.

The analysts who work for the CIA in Washington are much superior in quality to its agents in the field. Altogether it is said to employ about 30,000 people and to cost the taxpayer many millions of dollars a year. But this is speculation, since Congress has no direct control over the highly secret agency—although certain members get private briefings occasionally. From time to time the establishment of a watch-dog committee, like that which keeps an eye on the equally secret Atomic Energy Commission, has been suggested, but so far the Administration has always managed to avoid this. In the past, criticism of the CIA has not extended to its much respected head, Mr Allen Dulles, the first official to be reappointed by President Kennedy when he took office.

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The invasion was to be justified by the internal rising which was expected and the argument to fall back on, if the worst happened, was that it was only a reinforcement of guerrillas. General Lemnitzer is reported to have endorsed a sketchy plan that would have frightened an infantry major. Overborne by the brass hats and the undercover boys, the Harvard contingent in the White House failed apparently to question the assumptions or the logic of the scheme. Caught in this web of circumstance, the President gave the green light.

Everybody was proved wrong; at least that is the party line, to which generals, officials and professors are subscribing with Russian solidarity. The first reaction is a complete review by the usual "task force" of personnel, organisation and policy. General Maxwell Taylor is to deal with the CIA (though this is not spelled out in his appointment to study "paramilitary" questions) with the help of Mr Robert Kennedy, the Attorney General and the President's brother. Mr Ted Sorenson, who excels at being domestic hatchetman for President Kennedy, is to "get into" foreign affairs. The professors are rethinking everything. The Chiefs of Staff are reassuring their colleagues in the North Atlantic Treaty Organisation.

But the basic work of salvage falls on the State Department, to whose shattered top officials Mr Rusk announced dryly on Friday that there had been a "grave miscalculation." First indications are that in Latin America the reaction might have been much worse, though fingers are kept crossed over Venezuela, and though three months of planning and of building up Mr Adlai Stevenson's strong position in the United Nations have been sadly undermined. The State Department is helped by the very quickness of the collapse which frightened even the Latin Americans about the strength of Dr Castro; and by the Algerian revolt, which has diverted both the world's attention and General de Gaulle's criticism.

THE image of Mr Kennedy as a cautious and sure-footed young leader is inevitably tarnished; but at least he has stumbled early in his Presidency and is determined not to be misled again. Politically he has acted with his accustomed skill, spreading responsibility visibly over the Administration and the Republicans, while shouldering gracefully his presidential responsibility. His meeting with General Eisenhower was necessary because the volatile reaction of the public tended to follow the line of "send in the Marines and finish the job" and the reins can only be tightened on popular opinion if both parties pull them.

The strong words of the President's speech to the newspaper editors may not seem to presage any such return to caution. But the speech, scheduled for the day after the disaster, was designed largely to let off public steam and was based on the Churchillian maxim: "In defeat, defiance." It marks no basic change in policy. However, the President did tie his own hands somewhat by his advance assurances that in no circumstances would American forces intervene in Cuba; he has now spelled out the circumstances in which they should intervene, even without the backing of the Organisation of American States—and that is if Dr Castro and the Russians try to follow up their success by making a communist base in Cuba.

The definition of "communist penetration" remains vague. And, while the President said that the Cubans would not be abandoned, in fact there is unlikely at present to be another such Cubans-only excursion: all the trained men have been used up. But neither has the idea of matching communist paramilitary operations been abandoned—though General Taylor's immediate preoccupation is with what is happening in South Vietnam. The possibility of a combined "security force" provided by the OAS is being explored. The other purpose of the President's speech was to remove, if possible, any impression that Mr Kennedy would

shrink from military action if, for instance, a crisis were staged next in Berlin. There is a sudden militancy in the Washington air.

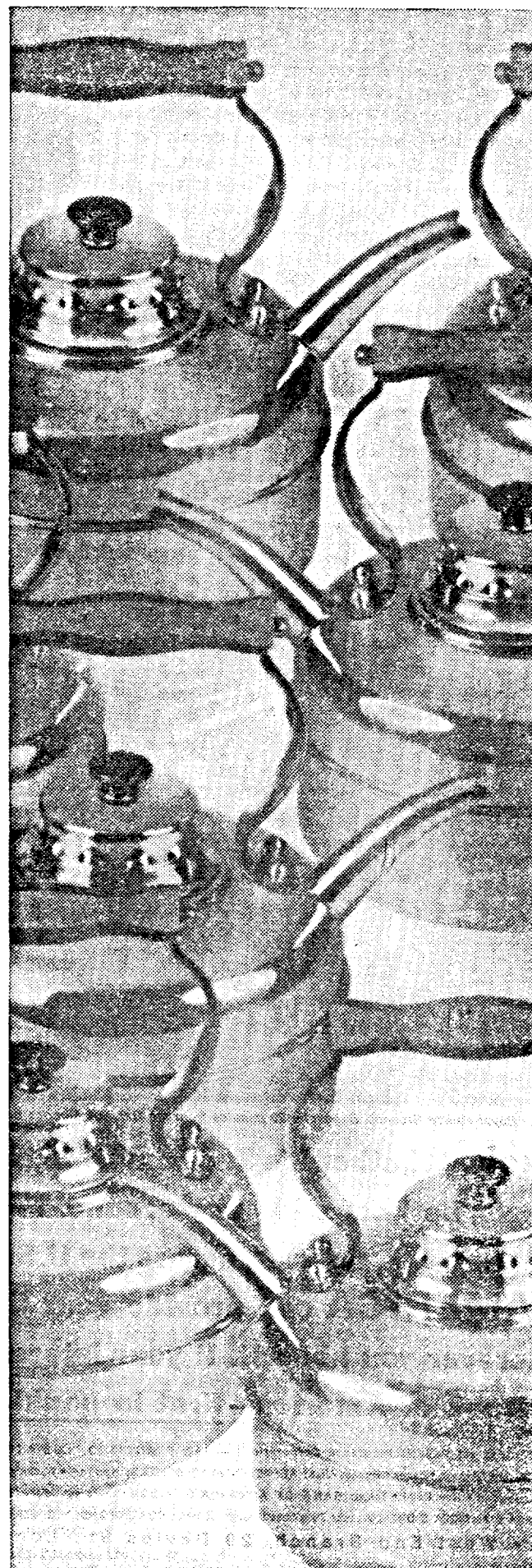
Perhaps the most important, if ironic, result of the Cuban fiasco is that it has given the American people the very jolt that all the President's eloquence since his inauguration failed to do. Last week was the best in Congress that has been enjoyed so far by the Administration's measures and the House approved the \$600 million Bill for aid to Latin America in almost panicky haste. The President also spoke of the need for reorienting "our tactics and other institutions here in this community." If this means that he is looking beyond military gimmicks to an effort to give the United States a better image in the world's eyes, to a more imaginative search for political rather than purely defensive or financial dykes against communism, something substantial could yet be put on the credit side of the Cuban account.

## Compensation in Congress

AN Administration that was in need of some cheer found it last week in Congress, though the two main Bills of the President's programme which are at last making headway—one for aid to depressed areas and another raising the minimum wage—have been standing so long in the wings that their novelty was rubbed off long before the curtain rose on the New Frontier. The two other victories which made April 20th memorable consisted of the Senate's approval of a Bill, which the House had already passed, providing aid for about a million children whose fathers are unemployed, and the endorsement in the House, by overwhelming majorities, of yet another of the perennially popular increases in social security benefits.

The really important, though not unexpected, triumph was the repulse in the Senate of virtually every hostile amendment to the Administration's minimum wage Bill. Now there is a very good chance that its defeat in the House, by a single vote, can be overturned. The House chose to extend the protection of the law, which now covers 24 million workers, to only 1.2 million more and to raise the minimum wage from \$1 to only \$1.15 an hour. The Senate version brings in over 4 million new workers, most of them in service industries, retail trade and construction, and would raise the minimum, in stages, to \$1.25 an hour by 1963. Nearly 2 million workers would benefit almost at once. The final vote in the Senate was 65 to 28, but the crucial division was the vote of 55 to 39 to defeat Senator Monroney's amendment; this would have reduced the numbers covered by 1.7 million by applying the law to retail enterprises only when they operate in more than one state, on the ground that to do more than this would overstrain the interstate commerce clause of the Constitution on which the regulation of wages rests. Senator Monroney owes his defeat not to members of his own party but to liberal Republicans from industrial states where the trade unions are powerful. The last may not have been heard of this constitutional issue, but the immediate likelihood is that the Senate's view on minimum wages will prevail in conference with representatives of the House, though to preserve the \$1.25 hourly minimum some workers—probably those in laundries—are expected to go down the drain.

The depressed areas Bill faced its last hurdle this week: whether the House, like the Senate, will approve a conference version which provides that the lion's share of the money involved—the \$300 million in loans to attract industry to these communities—should be supplied by the Treasury without the need for annual congressional appropriations. Republicans in the House oppose this method of evading the penny-pinching of the House Appropriations Committee. But the conservative southern Democrats, who usually make common cause with the Republicans on this issue, may choose to support the Administration this time because of the benefits for rural areas—largely in the South—which the Bill shrewdly provides.



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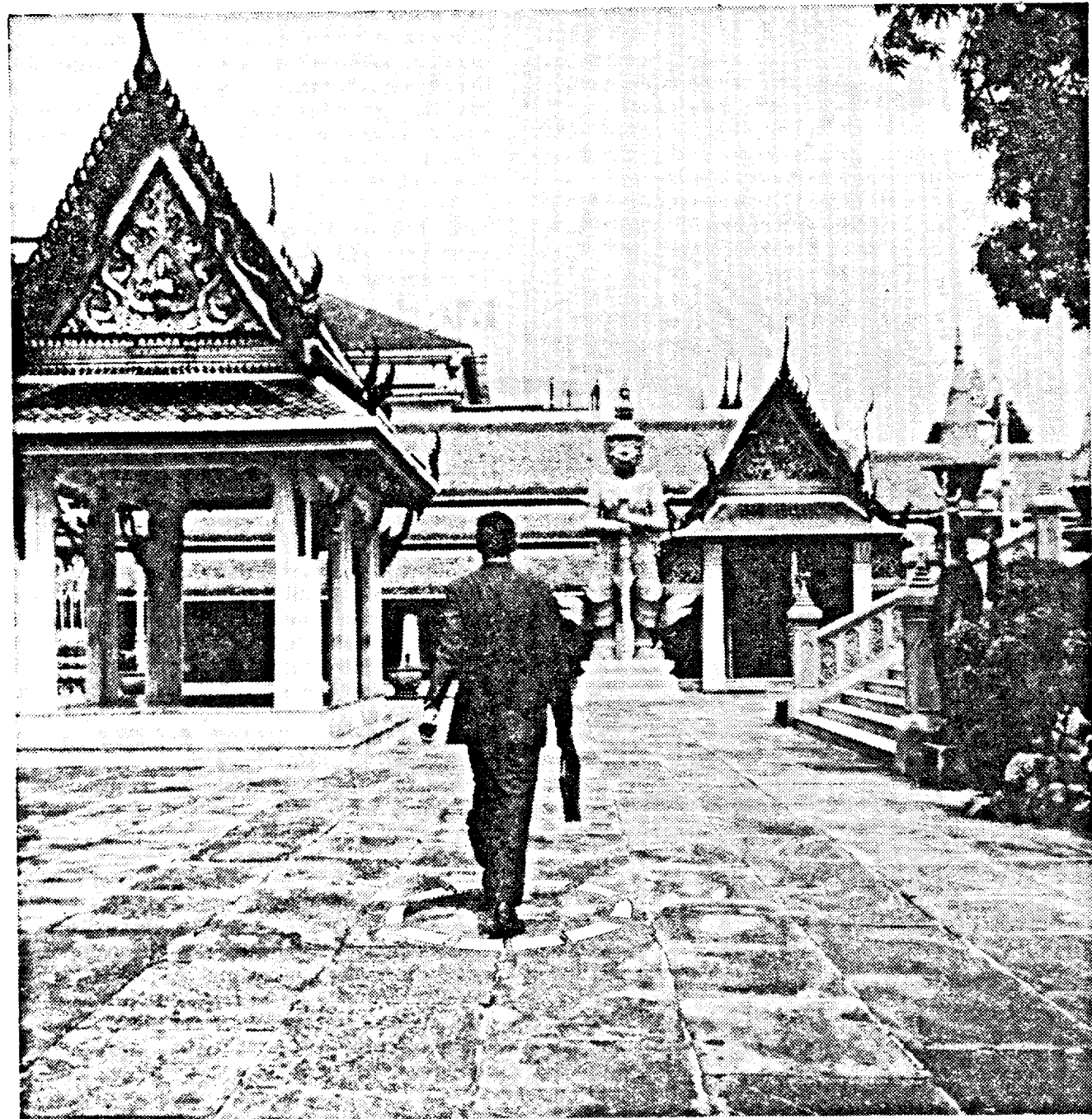


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## Taxes: Give and Take

NEW YORK

**L**AST week President Kennedy sent his much-delayed message on taxation to Congress. It does not propose either to increase or to reduce the total of taxes collected, and any very radical changes in the tax structure itself are being postponed at least until next year. What the President considers urgent is to offer tax credits to businessmen who invest in new capital equipment, to an estimated total of \$1.7 billion, and to recoup this lost revenue by introducing taxation at source on dividends and interest payments; by eliminating tax concessions on unearned income; by tightening up the rules on what constitutes a business expense; and by subjecting the foreign operations of American firms to heavier taxation.

The heart of the message (though by no means its only contro-

versial issue) is its plan to prod businessmen into modernising and expanding their facilities so that they can compete more effectively against firms abroad and contribute more to economic growth at home. They may already deduct from their taxable income, over a period of years, the original cost of new plant and equipment. These latest proposals would allow firms, in addition, to deduct from their tax payments 15 per cent of any such spending that exceeds their annual depreciation allowance, and 6 per cent of any spending that amounts to between 50 and 100 per cent of their depreciation allowance. Moreover, any company would be able to deduct 10 per cent of the first \$5,000 of such spending. But no firm's tax bill could be cut by more than 30 per cent. Mr Kennedy believes that this scheme, which provides most help for those who help themselves the most, will produce more additional capital spending for a given loss in government revenue than would any other proposal.

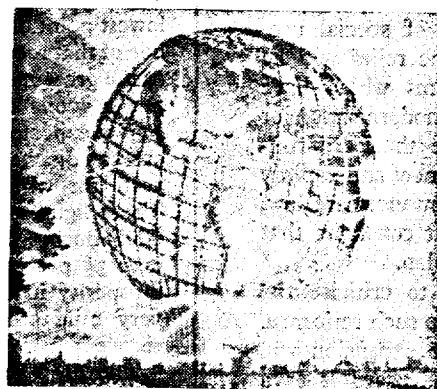
## Fair Trials

NEW YORK

**T**RACTORS and bulldozers are already preparing the ground for the New York World's Fair which is to open its gates in three years' time. A presidential committee selected New York City as host for America's first large international exposition since the war and the choice of site was an obvious one: Flushing Meadow on the inland side of Long Island is one of the few really large open spaces within the city and was virtually created out of swampy land and rubbish dumps to accommodate the 1939 World's Fair; since then these 646 acres have been used as a recreation ground. But having set the ball rolling the federal government is now taking a back seat. It will plan and finance its own pavilion and, in co-operation with the state, it is spending \$95 million on improving the roads in the area. But for the rest it has handed the fair over to private enterprise—to a non-profit corporation formed for the purpose by a group of prominent citizens and businessmen.

Although this body will spend nearly \$100 million before the gates are opened to the public, it is itself acting only as a real estate developer; it is preparing the site (paving roads, laying drains and electric cables, providing car parks and pay gates), soliciting business and supervising the actual running of the fair. It will not build any pavilions or restaurants nor provide any ready-made exhibition space. It has laid out a ground plan, based largely on that used by the last fair, and it is now offering to interested participants plots of land of all shapes, sizes and locations at \$3 a square foot a year in the international area and \$4 in the industrial area. No exhibitor can occupy more than 50,000 square feet; at least 40 per cent of his plot must remain unbuilt on and be "landscaped"; and the buildings must not rise more than 80 feet because of landing aircraft above and marshland below.

While officials have made the best of



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it in public, it was a severe blow to the corporation when the Bureau of International Expositions ruled the New York Fair out of bounds for its thirty (mostly European) members, and particularly when the governments of Britain, France, Italy and Western Germany confirmed that they would not be present officially. In order to prevent unfair competition among fairs, the bureau does not permit more than one international exposition in each of its zones in each decade—and Seattle is holding a fair in the American zone in 1962. Moreover, the New York World's Fair is to have a repeat performance in 1965, essential to cover the initial investment, and the rules of the bureau do not allow it to endorse an exposition that lasts more than one season.

A few member countries (Morocco, Israel and Bulgaria) have already said that they will come nevertheless, under private auspices, and others are making similar plans. Indeed, the organisers are hopeful that, as the project catches on, businessmen in most of these countries will feel that they cannot afford to be left out: Japan, a non-member, as is the United States, has already taken up its full quota of space. British industrialists appear at present to be the least interested, partly because last year's British Fair in New York has left the high cost of exhibiting in America fresh in their minds.

Second, the corporation has been having trouble on the financial front. Apart from the money it expects to receive in advance from leases and sales of tickets, it had intended to borrow \$64 million at 6 per cent to cover its expenditure. But investors have not been enthusiastic (they have taken up only \$10 million so far). Now the City of New York (which will be the main indirect beneficiary of the fair) has come to the rescue by agreeing to give the corporation \$8 million in each of the next three years towards permanent improvements to Flushing Meadow Park. The city will be repaid only if the fair makes a profit. However, the corporation believes that, over the two years, the number of tickets sold will exceed the 70 million required on the original reckoning to break even; the Brussels Fair attracted 40 million visitors in one season.

Third, the corporation has come in for criticism from architects and others who feel that the United States should show to the world a more imaginative and integrated image than that which is likely to result from the largely unguided and unrelated efforts of scores of individual exhibitors. But this, the corporation points out, would cost a great deal more money than it could raise from cautious investors.

The success of the New York World's Fair will thus depend entirely on the quality of individual exhibits (which are expected to involve a combined expenditure of \$550 million). Some 32 firms have already applied for ground space, including such large customers as the General Motors Corporation and the Ford Motor Company. The United States Steel Corporation is giving the World's Fair its symbol—a hollow globe made of stainless steel bars and towering 135 feet into the air. At the 1939 Fair television was launched publicly; so was nylon. And General Motors forecast at the time a wild increase in car sales—to 3 million in 1960; the actual figure last year was just double that. Colour television, beamed across the world off space satellites, is on the menu for 1964, but no other attractions have yet been unveiled.



In choosing this approach Mr Kennedy turned his back on a straight reduction in the tax on corporate profits—now at 52 per cent for larger firms—on the grounds that any concession here would not necessarily lead companies to increase their plans for capital spending. He has also rejected for the time being the possibility of liberalising depreciation allowances—of permitting firms to depreciate their plant and equipment over fewer years, or to concentrate depreciation in the early years of the life of the asset, or to charge off an amount equal to the replacement cost rather than to the original cost. The tax credit scheme is the brain-child of Mr Stanley Surrey, the controversial expert whom the Senate has just confirmed, rather reluctantly, as Assistant Secretary of the Treasury in charge of tax policy.

While any tax credit is better than none, American businessmen are not on the whole enthusiastic about the proposed changes. In the first place, most of them are disappointed by the fairly modest scope of their prospective gains. Secondly, they would have preferred a straight tax cut or changes in the depreciation allowance to the imposition of yet another layer of special provisions. Thirdly, many of them grumble that the relief will be spread unevenly: that it will penalise those firms which have recently carried through a heavy programme of modernisation or expansion and whose depreciation allowances are therefore running at a very high level; and that it will favour new and rapidly growing industries, whose current depreciation allowances are low, against the more established ones. The President considers that this latter argument is a positive merit of his plan.

While businessmen may consider it impolitic to criticise the measure too strongly, many other groups will feel no such reticence. Although the President estimates that this spur to expansion will create half a million new jobs, the trade unions regard it as a "give-away" to business which is as likely to encourage the further replacement of men by machines as to give the economy the general fillip that it needs if unemployment is to be absorbed. There is also serious disagreement among economists as to whether the slack in the economy is being tackled at the right end. On the general principle that you can lead a horse to the water but you cannot make it drink, some would agree with the labour leaders that it would have been better if the consumer and not the businessman had been given the revitalising injection.

ON the revenue-producing side, the new measures are not likely to win many votes, although the decision to deprive businessmen of some of their more lavish forms of entertainment on expense account will get a good hand all round. About one-half of all taxpayers are believed to receive income in the form of dividends or interest on savings accounts, and the taxation of these at source is expected (perhaps optimistically) to produce an additional \$600 million from those who have not reported this income in the past. The country's 15 million shareholders will also be the losers (to the tune of \$450 million) if the tax exemptions on dividend income are ended; at present the first \$50 is deductible from taxable income and 4 per cent of the remainder can be used as a tax credit. It seems doubtful that members of Congress will sanction this bitter pill for their constituents.

So far as the developed countries are concerned, President Kennedy proposes to remove (in two stages starting next year) the tax concessions that have helped to spark the considerable migration abroad of American companies. Under the present law, the profits of a foreign subsidiary are subject to United States taxation only if and when they are repatriated to American soil. This ruling has proved a strong inducement to American companies to expand their overseas operations and, in particular, it has encouraged firms to set up subsidiaries for the sole purpose of accumulating tax-free profits. The President would now restrict this privilege of deferring taxation to investments in under-

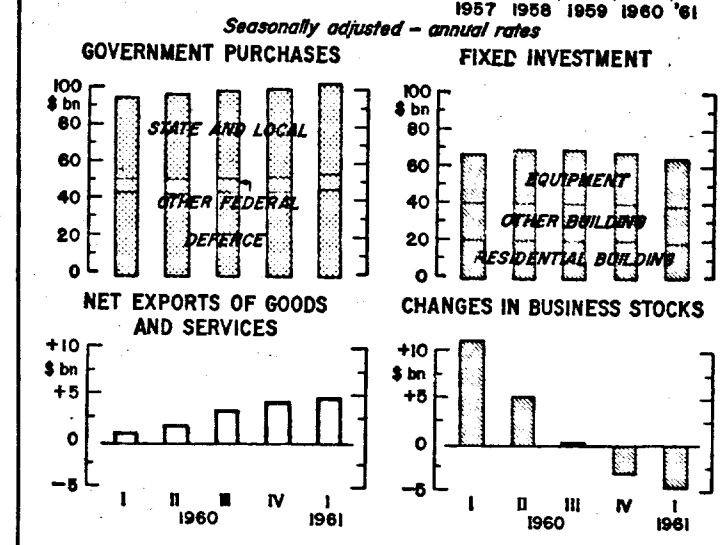
developed countries, and would take steps (as yet unspecified) to crack down on the use of foreign "tax havens" to dodge the claims of the Internal Revenue Service.

This part of the message will get a good deal of support on the grounds that it will be of immediate help in the balance-of-payments difficulty; that it will dampen down the current "export of jobs" to countries in western Europe and to Japan; and that it is in any case right to give equal treatment to profits whether they derive from operations in Pennsylvania or West Germany. But few people have much hope that the President's proposals as a whole will emerge from Congress in recognisable shape. The battle will open on May 3rd when the Secretary of the Treasury makes his case to the House Ways and Means Committee.

### PATTERN OF A RECESSION

FROM the current indications—provided that the recent upturn is not abortive—the American economy sank to the lowest point of the latest recession in February. Thus the outline of that recession should be clear from a survey of the course of the gross national product, the measure of the country's output of goods and services, over the past twelve months; GNP is now expected to rise to an annual rate of \$505 billion in the current quarter from \$499.5 billion in the first quarter of this year (for which preliminary figures have just been issued). These figures show a total fall of only just over 1 per cent in GNP during this recession as a whole, compared with one of over 3½ per cent during that of 1957-58. But the period of prosperity in between had been comparatively brief and the very mildness of the latest recession may mean that the recovery from it will be equally mild and perhaps also slow.

The drop in GNP from its peak in the second quarter of 1960 was explained mainly by the falling off of private investment in housing, in manufacturing equipment and, above all, in business stocks (which were admittedly being built up at an exaggerated rate in the first quarter of 1960 to compensate for the losses of the 1959 steel strike). Spending by consumers was also disappointing, considering that their incomes went down remarkably little during the year. But there were two stimulating factors—the steady increases in the surplus of exports over imports and in government spending on defence and on state and local requirements such as roads, schools and sewers.



## New Orders for Mail-Order

FROM A SPECIAL CORRESPONDENT

THE migration of Americans to the suburbs has given a new lease of life to a great innovation of the last century—the mail-order business. While urban department stores have had to pursue their customers to the country, the two largest mail-order houses—Sears, Roebuck & Company and Montgomery Ward & Company, Inc.—were already established there, each with more than 1,000 retail shops and offices for ordering from catalogues. So the new householder can go for his carpentry and plumbing supplies to the same source as his rural grandfather; the suburban housewife can clothe her family from a modernised edition of the same catalogue that her farmhouse grandmother used.

Both Sears and Wards are responding by opening about 25 new department stores each year and by expanding their mail-order operations. After a period of relative decline the business of the mail-order houses is rising as fast as are retail sales in general; in the past decade it has accounted for about 0.8 per cent of the total. Recent increases are due largely to the opening of new shops, but Sears alone sells \$1 billion worth of goods a year by mail-order. Wards sells more than \$100 million, a volume now equalled by two other firms, Spiegel, Inc., and Aldens, Inc., which have grown spectacularly.

Wards was established in 1872 and Sears in 1886 specifically to provide sound, simple wares for the isolated rural population. (The late Eugene Talmadge, Governor of Georgia, used to tell his constituents: "You got three friends—Jesus Christ, Sears, Roebuck and Gene Talmadge.") Both firms were enormously successful and did their business exclusively by post until the nineteen-twenties, when the advent of the motor-car and the consequent success of chain stores in small towns caused them to open retail shops of their own. By the nineteen-thirties half of the sales of each firm were made through such shops. The proportion of business done by post continued to dwindle but has stabilized recently, at 25 per cent for Sears and 12 per cent for Wards. Both consider sales from catalogues an important and integral part of their operations. Each new retail shop has a catalogue department and Sears is opening new catalogue offices twice as fast as new stores. One office, in New York, arranges delivery within 24 hours anywhere in the metropolitan area.

In addition to the convenience of shopping from home by telephone or post, the mail-order firms provide, through their catalogues, a range of choice otherwise unavailable to the suburban shopper. The huge general catalogues of Sears and Wards are tomes of 1,000 pages in which more than 100,000 individual items are described and shown in photo-

|                              |                          |
|------------------------------|--------------------------|
| Prayer Books.....761         | Pumps and Fitts (Cont'd) |
| Precision Tools.....884, 885 | Hand.....                |
| Pre-Recorded.....1163        | Irrigation.....96        |
| Tapes.....                   | Jet.....                 |
| Preservative, Bait.....674   | Lubricating.....         |
| Fishing.....                 | Multi-Stage.....         |
| Preservative, Wood.....983   | Piston.....              |
| Preservers, Fruit.....       | Pitcher.....             |
| Freezer.....1132             | Shallow Well.....        |
| Preservers, Life.....657     | Sludge, Auto.....        |
| Presketched Paint.....       | Sprayer.....             |
| Sets.....743                 | Submersible.....         |
| Presses, Ham-burger.....1087 | Suction, Auto.....       |
| Brass, Tennis.....           | Sump.....                |
|                              | Tire.....                |

graphs. In addition, there are a dozen smaller specialised catalogues—of toys, photographic equipment and so on—or of goods on which the price has been lowered. The catalogues are distributed free to established customers, but are too expensive (Sears prints 50 million a year, costing from 40 cents to \$1.40 a copy to produce) for distribution to the general public, which is encouraged instead to use those at the hundreds of catalogue desks which each firm has.

Neither Wards nor Sears has abandoned its lowest-priced, "working-class" lines of goods, nor its practice of offering, in many items, a range of quality frankly identified as "good," "better" and "best." But their "best" merchandise now equals that on sale at the leading metropolitan stores. With their immense buying power, these firms command the best design and workmanship in America and abroad. In many lines they have their own private labels and brands for merchandise made specially for them by top manufacturers. Often these goods are of higher quality and sell at lower prices than the manufacturers' own brands and in some lines—notably washing machines and motor-car tyres—the leading makes are those of Sears and Wards.

THE mail-order houses have also plunged eagerly into sales on credit. Originally they demanded cash, but they were pioneers in the use of hire-purchase for costly goods and later—somewhat reluctantly at first—they allowed ordinary purchases to be made on credit as well. This type of sales on credit quickly overshadowed those of durable goods and a special "revolving charge account," designed for miscellaneous purchases, was introduced. Under such an arrangement, the customer makes a monthly payment determined by the total amount he owes (typically \$5 for balances up to \$50, \$10 for balances to \$100, etc.) and is charged a 1½ per cent service charge each month. This is equivalent to an interest rate of 18 per cent a year and is ample to cover the costs of the system. Once accustomed to his monthly payment, a customer tends to buy as much as it allows.

Spiegels and Aldens, the two newer large mail-order firms, have been especially successful since they introduced such schemes. Spiegels, which abandoned its few retail stores in 1955 to rely entirely on postal orders, makes 80 per cent of its sales on credit and has doubled its business (which is now greater than Wards's catalogue sales) in the two years since it inaugurated revolving charge accounts. Aldens has seen its

sales on credit rise to 50 per cent of its total, from 18 per cent ten years ago. It reports that a credit customer's individual orders are three times as large, on the average, as those of a cash customer and that he orders four times as much in a year.

Although the early history of the two giants, Sears and Wards, was similar and last year both managed to show increases—of 2.6 per cent and 2.3 per cent respectively—in their total sales, Sears's story is one of success and profit, while Wards continues to battle adversity. The recession in 1960 hurt them both but it was particularly bad luck for a relatively new management at Wards, which is struggling to rescue the company after a long era of mismanagement. For Sears it meant only that the new records it set were not as impressive as usual.

EVEN before the war the management of Sears was the more imaginative and aggressive. It attempted twice to market very small motor cars through its stores, owned and distributed the "Encyclopaedia Britannica" for fifteen years and in 1929 acquired an automobile insurance company, Allstate, that revolutionised the business; operating exclusively through Sears's shops, this has become the second largest insurance company in the country. After the war the paths of the two firms diverged sharply. Between 1946 and 1959 Sears spent more than \$700 million on new shops, largely in areas of rapidly-growing population, and it also invaded Latin America and Canada.

Montgomery Ward, under the rule of the late Mr Sewell Avery, refused to spend any money on modernisation or expansion. Mr Avery refused flatly to pay what he considered inflated prices for new stores and amassed in the firm's treasury no less than \$375 million in government securities with which he confidently expected to build shops cheaply after the severe recession which he considered to be inevitable. Four years ago the company's bulging treasury caught the roving eye of a financier, Mr Louis Wolfson. He failed to win control, but the fight drew attention to Mr Avery's feebleness and forced his withdrawal.

Mr Avery's successors reversed his policies quickly and have been building new shops as rapidly as has Sears. But almost 400 of the company's existing ones are now too small, shabby or poorly situated to meet increasing competition in the suburbs. Last year, during the recession, sales at Ward's old shops actually declined; only its mail-order business and its trade at its new stores increased and its profits were dragged down by the costs of opening new outlets.

Compared with Ward's sales of \$1½ billion (almost the same as in 1948), Sears does a yearly business of \$4½ billion (four times as large as in 1946), and is the world's biggest retailer of general merchandise. More than \$4 of every \$100 spent in the United States on retail goods (exclusive of food, drink, motor cars and petrol) is spent at Sears. There are more than 10 million credit accounts on its books, or one for every five families in the country.

## Criminal Proceedings

IT was no surprise earlier this month when the new Attorney General, Mr Robert Kennedy, asked for new weapons to fight organised crime and, in particular, the big syndicates which profit, so it is said, to the tune of \$20 billion a year from their flourishing country-wide interests in prostitution, illegal gambling, narcotics and so on. They have grown too powerful, too wary and too mobile for state law-enforcement officers. But the federal government can prosecute only on the relatively few occasions when federal laws are broken. Enforcement is fragmented between 70 federal agencies and 10,000 state and local bodies and there is a sad lack of co-operation between them; even inside the federal government actual obstruction is not unknown. The special group which Mr Kennedy's predecessor set up in the Department of Justice to bring notorious offenders to book was short-lived largely for this reason. Moreover, its single outstanding achievement—the indictment and conviction, on a nebulous charge of conspiracy, of some of the sixty or so so-called "overlords of crime" who had the bad luck to be caught "visiting a sick friend" simultaneously at Apalachin, New York, in 1957—was overturned unanimously, on the grounds of lack of evidence, by the Court of Appeals late last year.

The President's brother is not likely to encounter much lack of co-operation from other law-enforcement agencies, but even he has had to shelve, for the time being, his idea of a National Crime Commission to collect and co-ordinate information about the top people of the underworld. Mr Hoover, the head of the popular Federal Bureau of Investigation, dislikes the idea of such centralisation; so do some local bodies. But much of this intelligence work will be done without fanfare in the Department of Justice which is to have an extra \$540 million to fight crime. Among the new tools Congress is being asked to provide is legislation making it a federal offence to transport gambling materials, as well as gambling machines, across state lines and banning the use of interstate communications for betting; most experts are convinced that the profits from illegal gambling are the lifeblood of organised crime.

The chief innovation would be a law prohibiting travel across state lines to promote illegal activities such as prostitution and gambling. Then organisers of crime who live respectably and safely in one state could be nabbed by the federal authorities when they leave it to collect their profits. Some people, including even the sponsor of the Bill in the House of Representatives, have qualms about this approach and fear it may circumscribe civil liberties. The Department of Justice (though not Mr Kennedy personally) is already in some hot water over the unceremonious way in which Mr Carlos Marcello, the alleged gambling czar of Louisiana, was hustled out of the country to Guatemala. The United States has been trying to deport this undesirable alien since 1952 (over 3,000 others have gone already), but after waiting so long it might have let him say good-bye to his wife; it also looks as though Guatemala may have been tricked into receiving him.

## Fresh Furrows

IN putting his agricultural proposals into legislative form President Kennedy has made it more probable that they will be approved by Congress, although to do so he had to weaken the safeguards (the most interesting part of his original proposals) against congressional interference with the details of the various schemes for farm commodities. Such schemes, to be drawn up by the Department of Agriculture in consultation with representatives of the producers, will now be laid before Congress (which will have sixty days in which to veto them) before, instead of

after, being submitted to a referendum of all the producers concerned. This means that Congress will have more say in the details than under the original proposals. Moreover, price supports for the commodity affected will now be reduced only if the farmers themselves reject the scheme, not if Congress does so. Finally, the draft Bill provides that no new controls on marketing can be set up without congressional approval; this is not at present necessary when a scheme is regional, not national.

While there is now a real chance that the Bill will get through at this session, it can hardly do so before the middle of May when plans for planting next year's wheat crop must be made. Wheat is the commodity about which something needs to be done most urgently since it is the one which shows by far the greatest surplus. The draft Bill provides for quick action on wheat but this grain will in fact probably have to be dealt with by special one-year legislation as feed grains already have been—by methods which promise to be successful if farmers co-operate as they seem likely to do. This year price supports on feed grains are going up substantially for farmers who cut their plantings by 20 per cent. Farmers who refuse to do this will get no support at all and will not benefit from other people's restraint since the government is to sell some of its surplus wheat to keep market prices down. Price supports will be available only on normal output so that there will be no point in pushing up yields by using extra fertiliser.

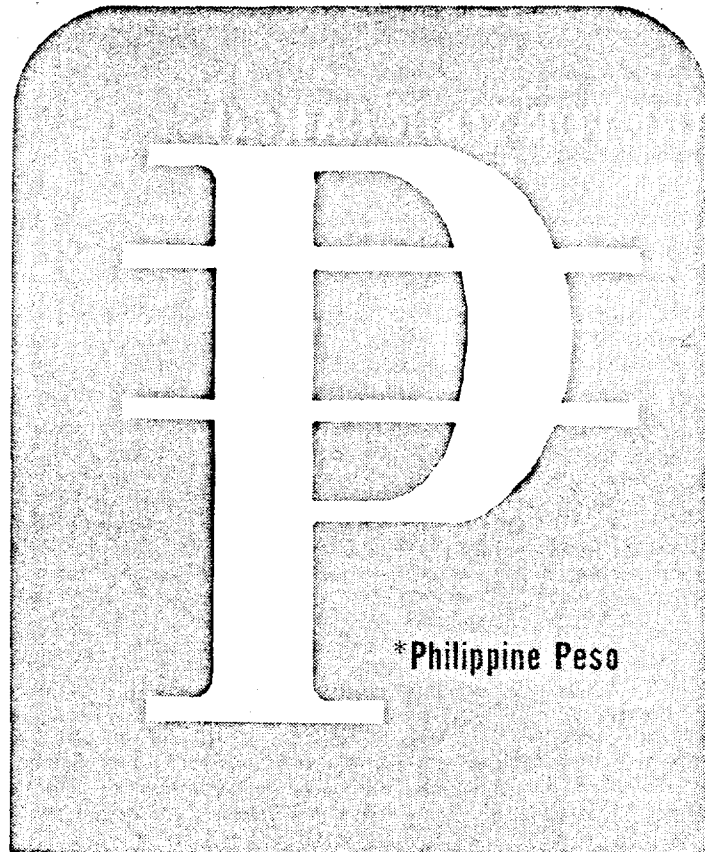
Mr Kennedy's farm Bill also asks for the extension of Public Law 480, under which surplus agricultural commodities are disposed of abroad, until 1966, with \$11 billion being provided for the purpose between now and then. This suggests, as do other things, that some, if not all, of Mr George McGovern's ideas for making America's superabundant agriculture into a positive asset instead of a negative problem are to be implemented. He directs the President's Food for Peace programme and already there have been changes in price support policies so that more vegetable oils and dried milk will be available under PL 480 for children and others abroad. Soon workers in several underdeveloped countries will be receiving part of their wages in surplus food from America, as workers in Tunisia have been doing for some time. These are examples of how Mr McGovern thinks that America's agricultural resources, redirected into new products if necessary, can be used to supplement other types of foreign aid and to stimulate development overseas.

## SHORTER NOTES

The St Lawrence Seaway opened last week for its third season of ocean-going commerce and the authorities hope that the results will come more nearly up to the original hopes for this new trade artery than they have so far. Last season traffic was slightly less than in the first season, but officials believe that neither year was normal, with a steel strike in 1959 and a recession in 1960.

In future fleas which bite dogs will be committing suicide—provided the dog has taken a new pill which does him no harm but makes his blood deadly to parasites.

There was an increase of about 35 per cent between 1950 and 1960 in the number of Americans over 65 years of age. About one in every eleven persons—16.6 million in all—is in that age group; in Florida and Arizona, both states whose climate attracts the elderly, the number more than doubled during the decade.



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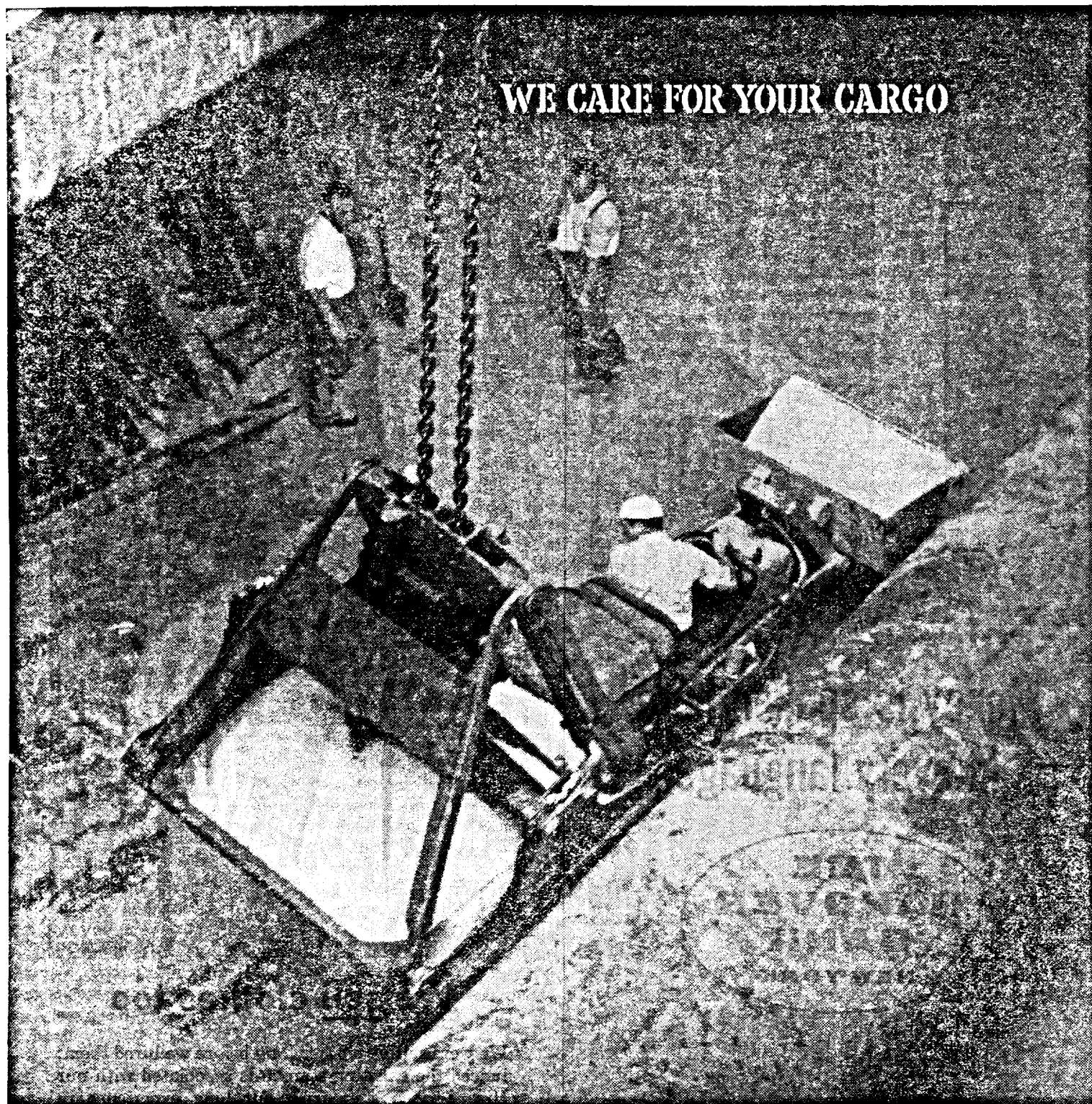
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## THE WORLD OVERSEAS

### Charles and the Kingmakers

FROM OUR PARIS CORRESPONDENT



IN May, 1958, the French army tasted political power. The government and parliament submitted to the will of the insurgent commanders in Algeria and were relieved that the choice of the military men fell on General de Gaulle. The French people sighed with relief; they were spared a fight for their rights. The saviour had once again come to their rescue. De Gaulle would come to terms with the officers in revolt and solve the Algerian problem. Thus one army *coup* was sanctified by a popular vote. The Fourth Republic was buried without tears. Its successor had new institutions, an assembly and a senate, parties old and new—all the trappings of a French Republic. The stature of the man at its helm, and the cult of his personality, concealed the fact that the president was surrounded by a political vacuum. But the first real test revealed that the dialogue that mattered in France was between the President and the army.

General de Gaulle was not burdened by gratitude towards the men who brought him back to power. He never shared their conviction that Algeria could remain French for ever. Gradually, he removed those most committed to this myth from key positions in Algeria, loading them with honours and setting them aside. By September, 1959, he felt strong enough to launch his policy of self-determination for Algeria. Four months later the barricades raised by the settlers in Algiers enabled the army commanders to show their strength during a few days of passive disobedience. General de Gaulle, assuming full powers, exhorted them to obey. He even threatened to use popular backing to crush resistance. At the same time, General Ely, a recognised keeper of "army unity," was sent to Algeria to persuade his colleagues that it was in the army's interest to play the game.

General Challe, who was then commander-in-chief in Algeria, finally decided to carry out the president's orders. The barricades vanished immediately in Algiers. In France, public opinion, scarcely aroused, fell back into its sleep. In a tour of officers' messes in Algeria General de Gaulle assured the army that it would stay there. The penalties for disobedience were virtually reserved for the civilian ringleaders, but again several officers were removed from Algeria.

The compromise was short-lived. The French president was aware that he needed peace in Algeria both to consolidate his position and to make his foreign policy work. After the failure of the talks with Muslim rebel envoys at Melun in June he began groping again towards a negotiated settlement about the end of last year. In recent weeks it has been obvious that such a deal could only be struck with the Algerian government-in-exile and would necessarily lead to an independent Algeria. The question was, would the French officers who for years had taken *Algérie française* as their slogan accept such an evolution? Only last week M. Messmer, the

minister of defence, dismissed this as an idle worry. Clearly he was not informed about the plans of General Challe and his fellow-plotters.

It is easy now for General de Gaulle's critics to point out that his policy of compromise with the army was wrong, and that to indulge the plotters merely encouraged them in their designs. Yet such charges beg the question, ignoring both the origins of the gaullist regime and its structure. The officers in revolt accepted General de Gaulle as president because he was a general as well as a national figure. He, in turn, always had a high place for the army in his concept of the state. Naturally it was an obedient army he wanted, a disciplined instrument of gaullist policy. He sought to fashion this tool circumspectly, by persuasion and gradual manoeuvre, avoiding a clash. A nation situated as France is, with a military power traditionally self-sufficient and traditionally political, needs strong political forces if the civil power is to hold its own. General de Gaulle has never hidden his distaste for the "intermediaries"—the parties and political organisations—standing between the nation and its ruler.

The French paratroopers have been trained to believe in force, not in political communion. The *coup* of Saturday last was staged despite the confirmation by January's referendum that the overwhelming majority of the French nation was in favour of a negotiated settlement in Algeria, and that the *ultras* were a tiny minority in France. This did not prevent generals Salan, Challe, Jouhaud and André Zeller and the colonels in league with them from staging a *coup* and coming very close to getting complete control of Algeria. So far the "unity of the army" was working in their favour. Even if it was true that only the shock troops—the paratroopers and the Foreign Legion—took an active part in the operation, they were helped by the passivity of the rest of the armed forces and the nation. To arouse "all Frenchmen, and first and foremost every soldier" to a sense of their duty, was therefore the main purpose of General de Gaulle's televised speech on Sunday night.

Armed with the powers furnished by article 16 of the constitution (though it was less on constitutional than personal authority that he depended) he forbade all co-operation with the insurgents, and called on the nation to use all means to block their path until they could be subdued. The issue then was whether the bulk of the officer corps was willing to abandon the extremists to their fate and follow this lead. There could now be no compromise between General Challe and the President. Both sides had burnt their boats. For the rebels, the seizure of government was now the only target.

Indeed, a few hours after the President's speech M. Debré, the prime minister, warned the public, and Parisians in particular, that there was reason to expect landings by paratroopers from Algeria that very night. There was something pathetic in his call to Parisians



General Challe: the tide ebbed

to go "on foot or by car, to convince these misled soldiers of their grave error" as soon as the sirens announced the landings. It was a tacit admission that, except for the *Compagnies Républicaines de Sécurité*, the armed forces could not be relied upon. Yet, as the night went by and there were no landings, the situation improved. The trade unions began to rally their members. Volunteers gathered at the ministry of the interior, where members of the neo-gaullist UNR were given precedence in the hasty enrolment that went on.

THE Sunday night alarm proved false. Rumour has since had it that an American warning in Algiers stopped the expedition; but there is no confirmation of this. While the alarm lasted the talk was of some thirty aircraft that were to have brought perhaps 1,500 paratroopers. For the second time in three years the fate of a modern nation seemed to depend on the actions of a tiny body of professional fighting men.

On the morning after the false alarm the government recovered its poise. There was no longer any question of distributing arms to volunteers. General de Gaulle developed his counter-offensive in masterly fashion. Unlike M. Pflimlin in 1958, he was determined to resist. Instead of pleading and imploring he ordered imperiously, as a commander. As soon as some units obeyed his orders, turning from passivity to action, the "unity of the army" began swiftly to work for instead of against him.

The turning point probably came late on Tuesday morning, when the navy fired some warning shots against a paratroop detachment trying to take over the base of Mers-el-Kébir. The tide ebbed at an extraordinary speed. The paratroopers fell back everywhere, and by midnight they had lost even Algiers without, surprisingly enough, offering any serious resistance. The professional knights of *Algérie française* did not even stage a heroic exit. General de Gaulle spoke about his opponents with real indignation. Yet the heroes of May, 1958, have once again rendered him a service, this time unwittingly. For three years he had tried to avoid a head-on clash with the army. They thrust it upon him and then lost so fast that the consequences he must have feared from such a clash did not have time to follow. The passivity and hesitations of the officers' corps did not prove so intractable that they must now compel General de Gaulle to discard the army as a pillar of his regime. They were sufficient, however, to enable him now, if he chooses, to eliminate his opponents, to purge and reshape the army and transform it into a disciplined gaullist force.

Armed with full powers, the French President can do as he pleases in this hour of triumph. He can alter the constitution and get his mandate renewed. Above all, he can try now to reach rapidly a negotiated settlement in Algeria, while the defeated champions of *Algérie française* can offer no resistance. It now remains to be seen to what advantage General de Gaulle will turn his undoubted victory.

## What Went Wrong in Algiers?

FROM OUR PARIS CORRESPONDENT

THE swift end of the generals' revolt in Algeria has been as much of a surprise as the beginning. It would be presumptuous, immediately after the four days' crisis with its extraordinary reversals of fortune, to try to give the whole picture of the coup that has failed. The historians may produce the missing pieces of the puzzle one by one. But it is already possible to raise some questions and suggest some clues.

**Timing of the Algiers coup.**—The coup had the benefit of surprise in Algeria. With one exception the plotters arrived on the scene of action together. The military and civilian commanders were seized, and the take-over met no resistance. But there was no immediate sequel in France. The theory that the moment of rebellion was advanced because of leakages is based on three points: M. Debré's own statement; the fact that in the insurgents' first proclamation the date of April 24th (Monday) was mentioned instead of the 22nd (Saturday); and the fact that General Salan did not arrive from Spain till Sunday. A change in the timetable might have complicated co-ordination between plotters on either side of the Mediterranean.

**The international context.**—Encouraged by the events in Cuba, an extraordinary story circulates in Paris; General Challe, a former Nato commander, had been led to believe by some members of the Central Intelligence Agency that he could rely on the benevolent neutrality of the United States in the name of anti-communism and Atlantic integration. If he really believed that, the prompt American reaction must have soon disillusioned him.

The other plan attributed to General Challe was an attack on the Algerian bases in Tunisia and Morocco. But this would simply have triggered off foreign intervention. The rebels' salvation lay in the seizure of power in Paris.

**Crucial night.**—Several sources suggest that a landing in the Paris area was actually planned for the night of Sunday to Monday. Yet, since 3,000 paratroopers is the maximum figure quoted, their landing must have been planned as a signal for other moves. These probably involved not only right-wing extremists but also army units stationed in France (say, at Rambouillet) or in Germany. Apart from a few arrests, there are as yet no proofs of such a simultaneous plan.

If M. Debré's intention was to wake up the people by scaring them, his Kafka speech over the radio at midnight on Sunday did the job. But what stopped the rebels? One of the factors increasingly mentioned is the behaviour of the air force. Apparently there were fighter units prepared to fire on the invading planes, and some airmen in Algeria are said to have opposed the take-off.

**Time against the rebels.**—Once the rebels failed to land in France, time was working against them for several reasons. First, they could not stage, this time, a comedy of fraternisation on the forum in Algiers. Though the European settlers were wholeheartedly with them, they could not even call them out too often, for fear of the Moslem reaction. The Moslems were watching events in hostile silence. Secondly, the young French conscripts were getting increasingly restive. At first they acquiesced grudgingly; then, gradually, they tried to influence the course of events. In a last desperate fling the junta decided to demobilise those national servicemen who had served more than 18 months and to recall European residents of Algeria to the colours. By then it was too late. Thirdly, when units of gendarmes and of national servicemen finally began to advance the paratroopers had to shoot it out or evacuate. They chose the latter. Knowing that their coup had failed, the generals decided to surrender or run.

**The army and Algeria.**—One thing is certain. On Sunday night (and probably even up to a few hours before victory came) the government was not confident of its ability to rely on a single military unit. There is also plenty of evidence that the insurgents had accomplices or sympathisers throughout the chain of military command. Orders from Paris were held up or distorted. General de Gaulle can hardly now avoid undertaking drastic reforms of the army.

## Calm in Malawi-land

FROM OUR SPECIAL CORRESPONDENT IN BLANTYRE

ONCE upon a time there will have been three ancient kingdoms: Malawi, Zambia, and Zimbabwe. It will happen when the African nationalists of Nyasaland, Northern Rhodesia and Southern Rhodesia can make it so. Nyasaland is nearest to believing in a former nation-state returning to future glory; the other two see their acquired names more in terms of public relations than historical reality. Southern Rhodesia would have been closer to the history books if it had chosen Monomotapa but—Voice and Vision style—the better publicity gimmick of Zimbabwe won out. The fancy names are more than labels: they express the African desire to prove the existence of a past civilisation (Europeans always talk of their 2,000 years), and are evidence of a determination that black men shall rule.

In Salisbury a Zimbabwean politician said "We used to beg the white man to govern us with kindness. Now he is trying to do that but it is too late—we want to be the governors." That is the tragedy of the federation. Whites are being dragged towards policies that would have been progressive five years ago; blacks are thinking five years ahead. Malawi, Zambia, and Zimbabwe differ widely in mood, character, and state of transition. They are united only in their desire to end white rule and, more important, to ensure that the pale monarchs from Britannia do not hold their central African kingdoms together against the black will.

Sadly, it looks as if the two Rhodesias may be disturbed yet again. But calm has come to Malawi-land. The Ngwezi (Hero), Dr H. Kamuzu Banda, is a cooing dove. The responsible hands of the United Federal Party have turned petulant, but there is little danger that they will break things. Intimidation (on both sides) has decreased and there is every chance that the elections, which will be held within a few months, will pass without violence. The change of Nyasaland governors at the beginning of April marked the change in political mood that had been encouraged by the outgoing governor, Sir Robert Armitage, since before Christmas: instead of being sworn enemies, the Malawi Congress Party and the government are edging towards the day when, after the elections, they will become one.

Malawi's contribution to the new mood was a farewell dinner party on April 4th for Sir Robert, who sat on a raised platform between the Great Kamuzu and Mr Dunduza Chisiza, secretary-general of the Malawi Congress Party. They were flanked by Lady Armitage and Mr Orton Chirwa, who was on his very best behaviour. His compère befitted a member of the English Bar, although it may have surprised guests who had seen him at nationalist meetings. There was not a whisper of murder plots, Devlin, or detention. Dr Banda was full of praise for Sir Robert and reminders that political enemies can be personal friends. Sir Robert almost rose to the occasion; his pleasant little talk was like that of a headmaster telling his school that if it were not for the canings and the lines these splendid boys would not have become the men they are today. It was the first real meeting between Blantyre society—black, white, and Asian—and Malawi. No one left without calling it an "historic occasion" and, indeed, in the history of Nyasaland it was.

But the whites have not yet come to trust Malawi. Some are feeling their way; others are certain that the country is doomed. Dr Banda went off to America a few days after the dinner he gave for Sir Robert, and Blantyre stayed behind and wondered whether his new mellowness will last. His policy now seems to be centred around attempts to pacify the whites; the measure of its success will come after the elections. He will need white men.

At the end of 1960 Nyasaland boasted 33 citizens with degree or professional qualifications; 43 Africans were on degree courses

and 29 on diploma courses abroad. On the basis of the present rate of development, it is expected that four trained graduates will be produced in 1966, eight in 1969, and twelve in 1971. With no increase in the rate there would be about 120 trained graduates and professional men available ten years from now; at present 580 posts in the civil service and teaching require degree or professional qualifications. Ways of speeding up the localisation of the civil service, and of providing more trained officers from local sources, have been suggested by a committee under the chairmanship of Mr H. L. Adu of Nigeria. In Blantyre they say that until a second report, on improving the educational system of Nyasaland, is completed, the first will remain much Adu about nothing.

It is difficult to say how much help will be accepted from the Rhodesias. The Federal government is responsible for health matters, and relations between the proud Nyasas and white Southern Rhodesian medical officers have never been good. A scheme to distribute polio vaccine has been shelved because the Federal health department feels its unpopularity amongst the Africans. Dr Banda seems to have advanced his fervour for a Malawi-state (complete with airline) to a point where, even if both Rhodesias went black, Malawi would be reluctant to enter a union.

The United Federal party theory (fondly held by Sir Roy Welensky) is that when Dr Banda comes to power he will see the economic necessity for federation and switch his policy. Estimates of the extent of Nyasaland's economic dependence on the Federation vary according to the source: it is said that between £3 million and £6 million a year has come to Nyasaland because of federation.



Mr Chisiza: Nyasa hopes.

The knots are too tangled for any figure to be acceptable to all. The Malawi party tries to believe that the country could go it alone—its chief economic theorist, Mr Chisiza, says that a case could be made out to prove that Britain is not economically viable if a statistician-economist were determined enough to do it.

Mr Chisiza, who studied economics while in detention and is never to be seen without a pile of economic works at his side, has written a pamphlet of his own, "Africa—What Lies Ahead." Published in New Delhi by the Indian Council for Africa (and shortly to be published in London), it is a remarkable sketch of the "secular and religious problems" facing the new nations of Africa. He describes his economic policy as a "pragmatic pattern of development," but it reads more like a list of the mistakes made (but not admitted) by the independent African states. With a dash of realism rare in nationalist politicians about to fight elections, Mr Chisiza asserts that social security in an undeveloped society is, if it is to be provided by the state, "something very close to a luxury." He warns against neglect of rural areas and the tendency of new countries to produce uneconomic "show pieces" for the benefit of foreign visitors. Sensible, if optimistic, ways of stabilising urban African labour are suggested. Mr Chisiza is hopeful of the prospects of economic growth for Nyasaland—he will soon be in a position to try out his theories in practice.

His pamphlet shows Mr Chisiza to be a conservative politician. His solution to the problem of party dictatorships in the new African countries is a temporary system of "national" governments composed of all parties, to wage economic war against the past. He believes, heretically, that pan-African unity cannot be imposed by political leaders—grass-roots "regional consciousness" must be



fostered first. He warns against "rewarding friends and punishing foes" after independence; against "petty jealousies," personal dictatorships and other mistakes that have been made in parts of Africa (although no names are named). Perhaps surprisingly, Mr Chisiza devotes half of his pamphlet to a call for religious and moral values in Africa. He lectures the missionaries (of all sects) on their mistakes, and describes how they can be rectified. None of this sounds like the wild, "irresponsible" politics so feared in Salisbury. But Mr Chisiza's pamphlet is no more than a blueprint, and one that has not yet been read by many people in central Africa. If Malawi, Zambia, and Zimbabwe go the way the United Federal party predicts they will when Africans take over, Mr Chisiza's work would amount to sedition. The fact that he has written it gives hope that things, in Malawi-land at least, will not be quite so bad as that.

## Cairene Anxieties

FROM OUR MIDDLE EAST CORRESPONDENT

**M**ARSHAL TITO was on a state visit to Egypt when the landing on Cuba was foiled by Dr Castro's forces. He and President Nasser lost no time in issuing a statement of their views on the subject. The habitual intemperance of Arab comment on colonialism (neo- and otherwise) suggests that the statesmanlike language of this communiqué owed much to Marshal Tito's influence. But its very moderation served to underline the completeness with which the American action was condemned.

The two neutralist leaders registered "resentment, concern and great shock," and appealed for "sanity, decency and the rule of law in international relations." Although no statement has yet been published, officials here are confident that President Nasser and Marshal Tito will soon call a conference of uncommitted nations in Cairo or Belgrade to bolster their common front against forcible interference in other countries' affairs. Although, as some western observers here are too quick to point out, the Cuban issue seems pretty remote to the average Cairene, the strength of feeling in official circles is undeniable. The Cuba affair suggests to them that the Suez spirit has not died out.

Anxiety goes further. President Kennedy at the beginning of his term, and the United States as a whole, have suffered a grievous reverse in a traditional American sphere of interest. It is thought here that a bigger and better second attempt is, therefore, more than probable, and that it would bring with it a certain Soviet reaction. Therein, for Cairo, lies the rub. Nobody here thinks it likely that the Russians would intervene militarily so far afield as Cuba. But Mr Khrushchev's pointed mention in his message to Mr Kennedy of American bases in Iran suggests to sensitive Arab minds that a Soviet counter-move might be launched there. Thus further action against Cuba carries with it the danger that cold war tensions would be heightened in the Arabs' own backyard.

The Cairo reaction to the military revolt in Algeria was a mixture of alarm and *Schadenfreude*. Most of the blame was put on the shoulders of General de Gaulle himself. He is accused of hesitation, tergiversation and downright muddle in his Algerian policy. Much as he may have confused Algerian opinion, he has confused French opinion even more; thus, it is held, he has brought trouble on his own head. One senior official in the Cairo government remarked acidly that General de Gaulle could not make up his mind whether he was Joan of Arc or Napoleon.

The collapse of the revolt has been received with relief. The attempt of the rebellious generals is regarded as the dying gasp of the Algerian *ultras* and its failure is believed to remove the most implacable and rigid enemies of the Algerian government-in-exile in Tunis. General de Gaulle's victory is also welcomed in

that there is now no likelihood of the movement spreading to the French troops in Tunisia and Morocco and so threatening the independence of these two countries.

Nevertheless, the air here is full of cautionary exhortations to the Muslim rebels. Their leaders are reminded that General de Gaulle's authority is fully restored and that there is therefore all the more need to be on their guard against his vague statements that may well mask an attempt to induce the Algerians to accept substantially less than their full demand for independence. Another idea gaining ground here is that the time has come to "internationalise" the Algerian issue. This means in effect the discussion of the Algerian problem in the United Nations. The countries who in the past have helped France to block the two-thirds majority that is necessary in order to have the issue brought before the General Assembly should now "realise their responsibilities." Even in Cairo this suggestion is regarded as somewhat forlorn at present, since General de Gaulle's spectacular victory may persuade many countries to give him at least one chance of coming to grips with the Algerian nationalists through negotiation without disturbance from outside.

## Pan-African First Steps

FROM A CORRESPONDENT IN DAKAR

**T**HE conference of African states which is to meet at Monrovia on May 8th could be an unusually important African event. The initiative for it came from Senegal, a member of the "moderate" Brazzaville group. At the beginning of February, the United States proposed a plan to solve the Congolese crisis which was greeted with reserve by most African countries. The Senegalese, for their part, officially declared their disapproval on February 10th; but they proposed instead that the uncommitted African countries—such as Togo, Nigeria and Liberia—should organise a conference at which all African countries would try to reach and define a common policy towards the Congo.

First reactions were sceptical, but gradually the idea caught on, and it has now been agreed that seven countries of remarkable diversity should jointly invite the 27 independent states of Africa to a conference in the Liberian capital. The inviting states are: Ivory Coast and Cameroun, which belong to the French-speaking Brazzaville group; Guinea and Mali, which are among the "militant" countries that took part in the Casablanca conference at the end of January; and Togo and Nigeria, which are known as "uncommitted," because they have stayed out of either group. It has also been decided that the conference should study not only the Congo question but also all international questions of interest to Africa. The Monrovia conference will therefore, if all goes well, be the first meeting of independent African states of all categories, French and English speaking, black and white, moderate and militant, Commonwealth and Community.

Since the beginning of the year the twelve Brazzaville countries have gained considerably in cohesion. When they first met at Abidjan, and even at their second meeting at Brazzaville last December, they lacked self-assurance, and their first objective was to reach a common attitude towards the Algerian problem that would be acceptable to their own peoples, while not cutting them off entirely from the former ruling power. There has been much progress since then; and it is a measure of the growing assurance of the twelve that they now feel able to tackle domestic matters and economic co-operation as well as external problems. At Dakar, at the beginning of February, the technical experts of the twelve drew up a number of plans for harmonising their economic policies and their fiscal and customs legislation; these were adopted by their heads of state when they met at Yaoundé at the end of March.

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The Yaoundé conference reactivated the customs union of the former French West Africa, which had been dormant for two years, and set up a permanent secretariat with its seat at Abidjan. The conference signed a treaty creating a common investment area and a joint market to be known as OAMCE (*Organisation afromalgache de co-opération économique*), with a permanent secretariat at Yaoundé. A joint company for air transport was also set up, and it was agreed that a joint approach should be made to the European Economic Community. A common defence treaty is to be signed, telecommunications co-ordinated, and legislation concerning justice and nationality harmonised; and the twelve are to consult on foreign policy. New treaties and agreements covering all these subjects are to be presented at the group's next meeting at Tananarive in July.

These decisions reflect the new self-confidence of the moderate states. Last year the twelve were far from certain that they were on the right track in asserting that only bilateral negotiations between the French and the Algerians could solve the Algeria problem; their view was almost unanimously opposed by the other Afro-Asian countries. But the United Nations debate on Algeria was hardly over when the Algerian rebel government-in-exile adopted this thesis. The Congolese question has also changed in a way that helps the moderates. The twelve have consistently refused to condemn what the United Nations has done in the Congo, but they have carefully kept their distance from the UN. Although they support President Kasavubu, and even to a lesser extent Mr Tshombe, they have always argued that it was up to the Congolese to solve their problems themselves; for that reason they have avoided coming out against Mr Gizenga and his rival government at Stanleyville. Thus they have been far less involved in the Congo than Guinea, Ghana, the United Arab Republic or Morocco have; and should the Congolese factions settle their differences and agree on a central government, the Brazzaville group would be better placed than other African states to give it their support.

The twelve have been helped to develop their new self-assurance by the relative failure of the Casablanca group. At first apparently very dynamic, this group soon revealed that it was united only by common professions of anti-imperialism. Guinea, for instance, is clearly finding it more and more difficult to support Ghana in its individual line. In private, President Sékou Touré is vigorously reproaching President Nkrumah for having utterly failed to respect the decisions taken at Casablanca in January. Both the Ghana-Guinea union, and its later extension to Mali, seem lifeless.

Both Mali and Guinea have serious domestic problems. The break-up of the original Mali Federation (Soudan-Senegal), and the financial isolation of Guinea, together with the haste of both countries to socialise their economies while they still lack the necessary trained personnel, have caused serious shortages and wide-spread popular discontent. The twelve are not unaware of all this.

## Nasution in Australia

FROM OUR CORRESPONDENT IN CANBERRA

INDONESIA's young minister for national security, General Abdul Haris Nasution, who has been in Australia this week and last, smilingly argued before the cabinet his country's claim to Dutch New Guinea, and later had talks with Mr Menzies. General Nasution had been invited by the Australian government as part of an effort to be friendly to Indonesia. He was originally expected some months ago, but went to Moscow instead to acquire some more weapons to train on west New Guinea. From Australia, by contrast, all he wants is sympathy.

One practical expression of sympathy could be shown when next the question of west New Guinea comes before the United Nations General Assembly as it is likely to do this year. When last it did so, in 1957, Australia took the view that the Papuans, whether in the Dutch or Australian part of the island, must determine their own future, and the opponents of that view lacked the necessary majority. The new African members have already altered the arithmetic in Indonesia's favour, and the Kennedy Administration seems more anti-colonial than its predecessor. It would still, however, be gratifying for General Nasution to feel that he had weakened the zeal with which Australia would argue its case in the corridors of the United Nations.

General Nasution may also have hoped to talk Australia out of any inclination to give military help to the Dutch in defending New Guinea. This is a point on which Australian intentions have never been made plain. The general cannot ask the question directly, since he has repeated the assurance (which President Sukarno gave when Mr Menzies visited Jakarta in 1959 and which Dr Subandrio, Indonesia's foreign minister, gave in Canberra earlier in that year) that Indonesia would not try to take Dutch New Guinea by force. The Australian government has accepted that assurance, and therefore from both the Indonesian and Australian points of view the question of Australian military help for the Dutch does not arise at present. But for all that, it is in everyone's mind.

CERTAINLY there is uneasiness on the Australian side. Indonesia's huge military build-up of the last three years, the periodically belligerent speeches of its leaders, and lately some signs and portents of imminent aggression, are alarming. So is General Nasution's reference, soon after his arrival, to the possibility of an "incident." Everyone concerned, not least the Australian public, would like to know what Australia would do if the Dutch found themselves involved in anything more than a police action.

The Dutch especially would like to know. It is not that they want to stay in New Guinea; on the contrary, the impoverished colony is merely a source of great anxiety and expense (and not, any longer, of oil). But pride forbids them to flee from Indonesian threats, and conscience prevents them abandoning those whom they have started to develop. They have therefore embarked on a crash programme designed to bring west New Guinea to self-government in ten years or so by concentrating on the coastal belt while in the remotest jungle the tribesmen are left to eat each other in peace for the time being. The Papuan élite are delighted with their new dignity and their new semi-legislative council, and would like to remain under Dutch rule until they are ready for self-determination. There is no doubt, either, that the Dutch are doing their best for them—probably far more than Indonesia would or could do. In these circumstances some Dutch leaders have long felt that the Netherlands is entitled to a declaration of support from Australia—a firm statement of military commitment that might deter Indonesia from staging an "incident."

Australia's attitude is unavoidably ambivalent. On the one hand it recognises Dutch sovereignty unless and until a transfer is agreed between the Netherlands and Indonesia. It knows the Indonesian arguments; when the Dutch relinquished their sovereignty over the former Dutch East Indies in 1949, west New Guinea was specifically excluded from the agreement on ethnic grounds and reserved for further discussion. What the Indonesians had thought was merely a delay proved, when the agreement was reached, to be the permanent exclusion of west New Guinea from their domain. Be that as it may, Dutch sovereignty was never abrogated, and therefore Australia has recognised it unequivocally.

Quite apart from the legal position, there is much to be said, from Australia's point of view, for having west New Guinea under the rule of the Netherlands. It is true that the pace towards self-government set by the Dutch is embarrassingly rapid. "Just

window dressing" some Australians have called it; but it may nevertheless be the envy of Papuans under their rule. On the other hand, it is reassuring to know that so long as the Dutch are there, west New Guinea is both non-communist and co-operative, and the ultimate possibility of a united and independent New Guinea is not ruled out. Indonesia, by contrast, is a relatively unstable power, and not everyone would share the confidence of its present leaders that it will not turn communist.

From this point of view it is in Australia's interest that the Dutch should stay. Why then does it not proclaim that it would help them to do so? The answer is that it also has a vital and incompatible interest in being friends with Indonesia. The Dutch may be in this area for another ten years or so; the Indonesians are there for ever—not 300 miles from Australia's shores, commanding the direct route to Singapore, already eight times as numerous as the Australians, and multiplying faster. Moreover, they are not the only friends whom such a commitment would alienate. Australia's fellow members of the South East Asia Treaty Organisation would hate to see the Australian forces, which are pledged to resist the spread of communism, instead chasing Indonesian infiltrators through the jungles of New Guinea.

In this dilemma, Australia's policy on the question of armed support is to have no policy and meanwhile through friendship to hold Indonesia to its peaceful promises. Peace, however, can only mean capitulation by one of the disputants, since no trusteeship or condominium would suit either Indonesia or, in these days, the UN. Australia may seem to the Dutch to be unheroic and unhelpful. At least however they have the slight comfort of knowing that even after exerting all his charm on the prime minister and cabinet, General Nasution still feels that the Indonesian people too will not be "wholly satisfied" with the Australian attitude.

## Problems for Mr Foncha

BY A CORRESPONDENT LATELY IN THE CAMEROONS

BEFORE dispersing on April 22nd, the United Nations General Assembly settled the future of the British Cameroons. It endorsed the results of the plebiscite held last February, and decided that the Northern Cameroons should join Nigeria on June 1st, and the Southern Cameroons, the Republic of Cameroun on October 1st. Although there were some stormy arguments in the assembly's trusteeship committee about alleged improprieties in the plebiscite of the Northern Cameroons, the territory's union with Nigeria will probably be a comparatively simple affair. But the search for some sort of viable union between the Southern Cameroons and the French-speaking Cameroun Republic is far more difficult, and will be watched with lively interest by the other newly independent countries of West Africa. Africa is at present divided by the vertical ties existing between the ex-colonies and their former masters in Europe. African leaders are becoming increasingly anxious to substitute for this vertical relationship a horizontal solidarity between the English and French-speaking blocks. They feel that only in this way can a fast rate of economic development be combined with real independence.

The people of the Southern Cameroons seem determined that their unification with Cameroun shall be stronger than the tenuous association between Guinea and Ghana; but it is hard to see how initially they can achieve very much. In the first place, despite an extensive common frontier (which is more than Ghana and Guinea can claim) communications between the two territories are practically non-existent; there is no telegraph link, no regular air service and the few roads are shocking. A programme to improve communications is a priority, but will require money and time.

In the second place, the Southern Cameroons is at present as dependent economically on the Commonwealth as Cameroun is on the French Community. Officially, both connections are to be broken after union, but in private nobody takes these official declarations seriously. The main export of the Southern Cameroons, bananas, receives a Commonwealth preference of 150s. a ton; it would be a crippling blow if this were to be cancelled before other marketing arrangements had been made. Both territories depend upon their European associations for the direct aid that is essential for their economic development. Probably, therefore, far from breaking these links, they will try to strengthen them in an effort to get the best of both worlds. This would mean a considerable degree of regional autonomy, which would suit Mr Foncha, the Southern Cameroonian leader, who is not anxious to subject his country to an intensive course of gallicisation. Some British officials, however, fear that this may be exactly what the leader of the Cameroun Republic, Mr Ahidjo, intends; they argue that Mr Foncha, having failed to get an agreement on the division of power before the plebiscite when his bargaining power was greatest, now faces the prospect of having the terms of union dictated to him. Mr Foncha, whose trust in his "Cameroonian brothers" seems boundless, is deeply hurt by any such suggestion. Fortunately, however, Mr Ahidjo is unlikely to want too close a political association, since most of the Southern Cameroonians are believed to support the opposition party in Cameroun.

Presumably, then, unification will be confined to a customs union and a common currency. But even on this Mr Foncha is vague, and seems uneasily conscious of the drawbacks. The cost of living in Cameroun is two or three times as high as in the trust territory, and Mr Foncha says he "will not allow prices to rise after unification." But unless he keeps his own customs and currency it is hard to see how this can be avoided.

The other great problem will be the replacement of the Nigerian staff in government departments that are now the responsibility of the Federal Government of Nigeria. Very few Southern Cameroonians have received more than an elementary education, but it would be neither popular nor easy to try to solve the problem by importing French-speaking Cameroonians from the Republic. Temporary arrangements might perhaps be made with Nigeria for secondment of staff and for the crash training of Cameroonians in Nigeria. Language and cultural differences will make it almost impossible for English-speaking Cameroonians to receive their higher education in Yaoundé.

It is not surprising that, confronted with so many formidable difficulties, Mr Foncha takes refuge in hazy statements about national solidarity. He gives the impression that he has failed to do sufficient homework on the practical side of what is still mainly an emotional issue. Now, however, he can hardly escape the need for some realistic planning.



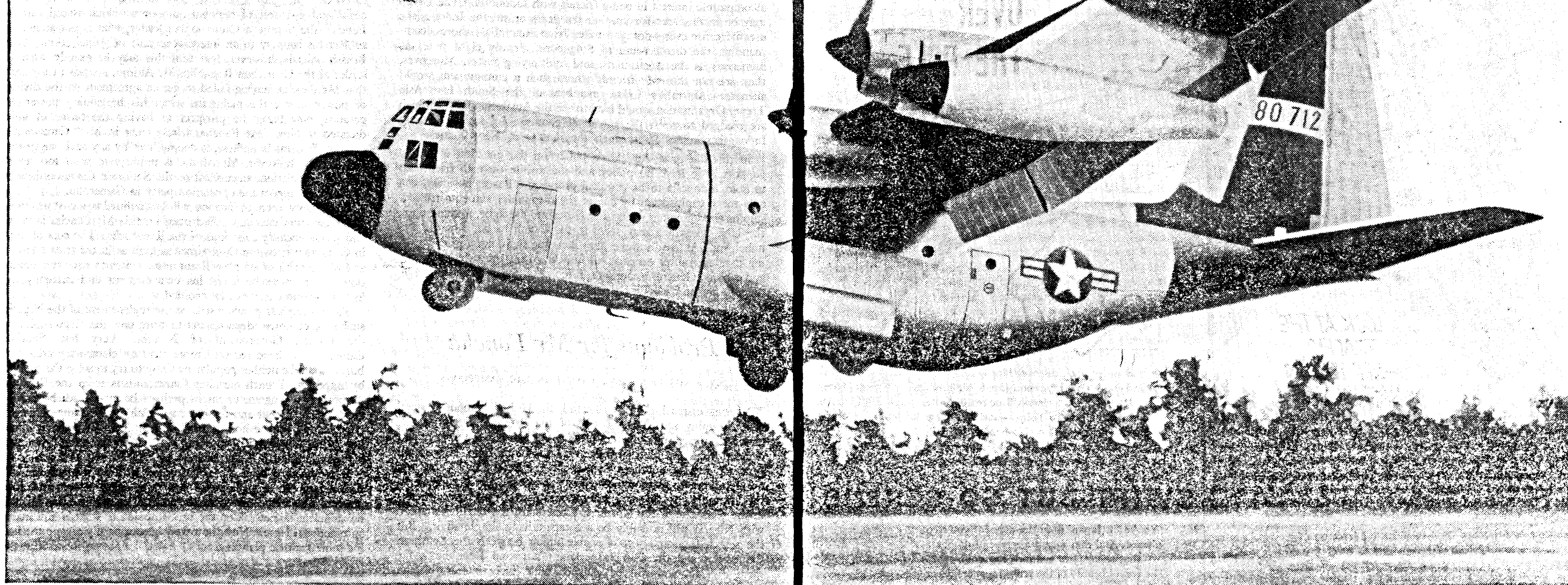
Mr Foncha: homework neglected



Mr Ahidjo: intentions obscure



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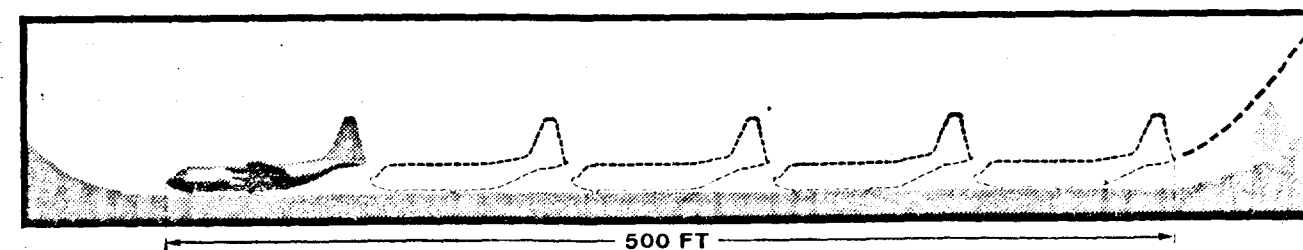


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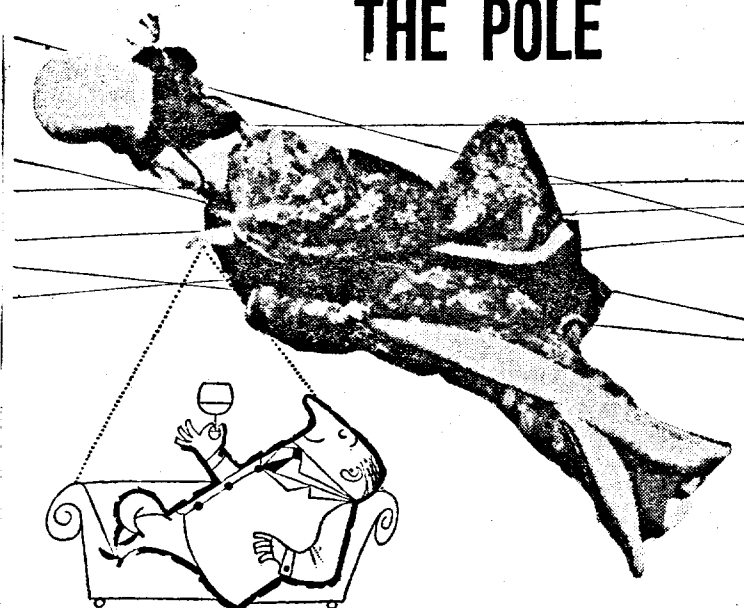
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## HOME REPORT

HOME REPORT is a new section of the paper, in which members of the editorial staff and local correspondents will report on life and happenings in and around Britain.

### Blue Blood in Bristol

FROM OUR SPECIAL CORRESPONDENT



**Bristol  
BACKS  
BENN**

THE Government's plans to make a better place of Another Place have come too late to save Mr Wedgwood Benn from disqualification should he win the by-election at Bristol South-East next Thursday; but, though they were designed to a different end, they will do his cause some service. The Conservatives' move appears to have been timed with exactitude to have the maximum diversionary effect on Mr Benn's thrusting campaign and to force him to fight on the chosen ground of his opponent, Mr Malcolm St Clair—that is, on the Labour party's record. Mr Butler's announcement may, however, prove more damaging to Mr St Clair than to Mr Benn, whose supporters can now not only claim a victory for reason but also resolve any doubts they may have had about their candidate's cause.

And there were doubts. Bristol South-East is not an area of affluence or higher education: its 59,000 voters are ageing manual workers, young technicians, skilled artificers, small traders, living on council estates or in tiny Victorian terraced houses. They are, in the main, content to believe that they have never had it so good, and they are not much disposed to cerebration. They are set in their political habits: for the past 30 odd years they have returned a Labour member to Parliament, and returned him, not because he was Sir Stafford Cripps or Mr Wedgwood Benn, but because he was (in approximate Bristolese) the "Label Paddy": those who voted for the "Tarees" were party-men too. And they are somewhat confused by the personal issue in the impersonal business of politics. Their natural indifference originally looked like hardening into a firm lack of interest.

Mr Benn, however, chose to fight on the issue of his unwanted peerage, and to adumbrate from that particular futility "a deeper malaise in Britain today," "failure to adapt ourselves to modern life," "our fear of the future," our decline in "this exciting world

of the 'sixties" and our need to join The New Generation—none of it talk calculated to arouse the enthusiasm of anyone but people like Mr Benn himself, very few of whom live in his constituency.

To bring this campaign home, Mr Benn has engaged the support of a great many eminent personalities, some of whom will speak in his favour at the meetings before polling day. This is in pursuance of what Mr Benn calls a "summer school for the electors of South-East Bristol" during the campaign. But how many of his electors will turn up to hear dilations on the decay of England in the Space Age? The halls will be packed—but chiefly with people like Mr Benn, drawn from the university and the intellectual Labour supporters living elsewhere in the city.

Mr Benn is a unilateralist (and how Mr St Clair jabs at it!), and has therefore drawn support from the extreme Left, who are less than popular in Bristol South-East, where the general attitude to the bomb seems to be tolerance "as long as it keeps the Commies out." Other supporters are Tories of a colour particularly disquieting to Labour voters—and other peers. None of them endears Mr Benn to his followers. There is also a tiny body of opinion which condemns Mr Benn because he is a peer—"like the mark of Cain," said one of them; once a lord always a lord.

Mr St Clair has worked with great diligence on just the points likely to put Mr Benn in an unfavourable light for his electors: his unilateralism, the strange quality of the support for which Labour is paying and, above all, the wasted vote. Mr St Clair plans to enter the House of Commons by any means open to him after the election, and he has made this clear to the voters. Of course the votes will not be wasted or, as one of Mr St Clair's campaign leaflets has it, "thrown away and be null and void." But the attack has worried Mr Benn. And now that Mr St Clair's eventual expectations of a peerage have been coyly revealed, the voters of Bristol may decide it is high time they struck a blow to end the whole wearisome and complicated business.

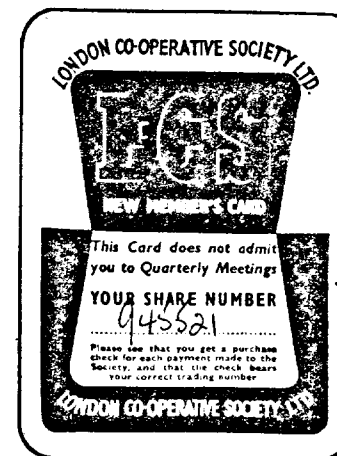
## Passive Co-operation

FROM OUR SPECIAL CORRESPONDENT

ONE and a quarter million people—enough to populate a large city or a small country—could vote in this week's election to the management committee of the London Co-operative Society. Five seats out of fifteen are at stake on the committee, whose members are elected for three years. By Co-op standards, this is a thrilling contest: the society has a fully fledged party system, and some people have predicted that this year will see the end of the rule of the London Co-operative Management Organisation which has held power for close on forty years.

The LCMO has ten seats on the committee at present: last year a new entrant, the 1960 Committee, increased its numbers

to five (and won the separate presidential election). The 1960 Committee has vaguely communist affiliations, but supports the



Gaitskell recommendations for a reorganisation of the Co-ops which were indignantly rejected by the movement's Establishment. Also supporting the Gaitskell reforms are the brand-new Co-operative Enterprise Movement, young, non-communist and fairly left-wing.

But even this close-run and crucial election, with two young Davids fighting each other as well as the LCMO Goliath, is not likely to be very exciting. Last year only 6,000-odd of the society's members took the trouble to vote, and the figure will be phenomenally high this year if it reaches one per cent of the membership. Voting is easy, being open to anyone who has made a few purchases and paid a couple of shillings to become a member. It can be done at sectional meetings which take place throughout the week in different areas of London, or all day on Saturday at 221 of



the society's shops.

Perhaps the main reason for the membership's vast apathy is the fanatical democracy with which the society runs its affairs. Each year no fewer than four elections take place, for delegates to the Co-operative Congress, for the management committee, and for the education and political committees. Every three years there is yet another election of the president. The very normal housewives who form the majority of Co-op shoppers no doubt disregard notices of even the most important elections as a permanent feature of the shops' traditional decor.

## The Stamp World

FROM OUR SPECIAL  
CORRESPONDENT



**M**OST collectors of stamps—as, indeed, of such diverse trivia as cheese-labels, matchboxes and orange-wrappers—are adolescent schoolboys steered into a relatively harmless passion by parents fearful of the gap between lead soldiers and girls. It is on this shifting sand that Britain's—and the world's—huge business in stamps is firmly founded: the ceaseless, unspectacular transactions in Commonwealth Beauties, 111 Russia All Differents and Maldivian Pictorials keep many a dealer in daydreams of Penny Blacks. Boys grow up, discard or destroy their embryonic collections, or leave them to younger brothers to build on; but there are some who never get over the craze and pass from mere collection to full-blown philately. And both these developments are good for the stamp trade.

They are good, too, for the post offices of the world, many of which base their accounts on the certainty of selling the greater part of their stamp outputs to collectors and the dealers who serve them. Normal postal issues are, naturally, sold mainly to letter-writers in the countries concerned; but every country, for a variety of reasons, produces each year a number of special issues, and of these, it is estimated, possibly 80 per cent are destined for the albums. Nobody is willing to say how much this trade is worth in Britain, but in the United States the turnover exceeds \$100 million a year. At the meanest guess, Britain's approaches £5 million.

Like other businesses, stamp-dealing depends on buying cheap and selling dear,

Legend tells of the attempt by a newspaper magnate to buy control of a co-operative society, only to find that he had not read the rules properly and all his cash had secured him exactly one vote. But if money cannot do the trick, people could: although a candidate for election must have been a regular shopper at the Co-op for two years, anyone can become an elector. So almost any reasonably competent organisation—say the Empire Loyalists or the Society of British Vegetarians—should be able to rustle up the necessary 4,000 cardholders to get control of one-third of the

and selling dear used to be a matter of patience: the mere passage of time was enough to enhance the value of a discontinued line. Now, however, these leisurely methods are threatened by a new spirit of hard business which has alarmed more than the British trade alone.

**A**T one time a dealer or collector anxious to have a new-issue set would deal directly with the issuing authority, and would pay face value for his stamps; or he went, in a gentlemanly way, to the Crown Agent and bought them there. Now much is changed. Partly in response to the dealers' own demands for more stamps to fill blank albums, new issues have proliferated, and every anniversary or event, important, insignificant or fictitious, is celebrated with a batch of large, cheap and colourful stamps. The number of these new issues has risen to between 2,000 and 3,000 annually and, while in itself this might not have been detrimental to the trade, it was a source of income waiting to be tapped by a sharp mind.

The method was simple. An agent in possession of the sole selling rights of a new issue can charge what he likes for stamps vital to the currency of specialised collections. And it is not difficult to persuade the issuing authorities of the advantages: they do no work apart from ordering the printing, make a handsome profit—as high as 10,000 per cent.—in attractive foreign currency for themselves and are able to get on undisturbed with the design of the next

management committee.

This vulnerability may have contributed to the success of some communist candidates in elections, both to the management committee and for delegates to the Co-operative Congress whose votes on unilateral disarmament have so embarrassed Mr Gaitskell. As it appears, the communists agree with Mr Gaitskell (and with many observers outside the co-operative movement) on how to run the shops commercially. But it seems a funny way to run a retail organisation with a turnover of £59 million a year.

issue—which seems the least risky way of printing unlimited and unsupported paper money. The agent, too, makes a convenient profit. With the negligible exception of the dealers and collectors, everyone is made happy.

For them, costs rise, which is bad for business. After exhausting—at prices as high as a hundred times the face value—the really enthusiastic market, the agent tends to lower his prices to get rid of the unsold precancelled sheets in his stockroom, which is even worse for business. Finally, when interest in the issue is dying, the agent can flood the market with the remainder of his stock at face value, which is the worst thing that can happen to the dealers, left nursing costly but worthless stock. A case in point is the Afghanistan "Olympics" issue: handed over *in toto* to a New York agent, the first (six-cent) values of this series were sold for \$8.50 each. Their value is now considerably lower.

The daily stream of new issues sold legitimately through the issuing authorities is itself beginning to cause anxiety. At the rate of 50 a week—and worth, at face value, an average of 4s. a set—dealers cannot maintain their wonted catholicity of stock: they have neither the resources to carry several sets of each nor the volume of trade to get rid of them all if they could. Their gradual and inevitable specialisation causes many a heartache, ruptures many a sentimental and mutually profitable business association.

**B**UT the dealers are not spending their time in idle wringing of hands. At a joint meeting of the two most powerful trade associations a resolution was produced which, if adopted by philatelic societies elsewhere, may kill off the parasites: stamps sold through agencies and not available at face value over the post office counters of the country of origin will simply not be countenanced as authentic, and hence will remain uncatalogued, unwanted and valueless except as curiosities. If nothing else, this would at least prevent a repetition of the gulling of dealers and collectors alike by a craftsman who, noticing that Cuba had not produced an "Olympic" issue, privately obliged with one of his own design from Italy, where he now languishes, a rich but chastened prisoner.



## The difference between her home and yours is steel

**I**N THE GLOSSY WORLD of 1961, this scene comes as a reminder that there are still parts of these islands where the cooking is done with a cauldron and a kettle over a fire smouldering on the bare stone floor, and water has to be carried from the local pump.

The difference between this spartan interior and your home is largely a matter of steel. Steel is the modern material that goes into cookers, refrigerators, sinks, washing machines, central

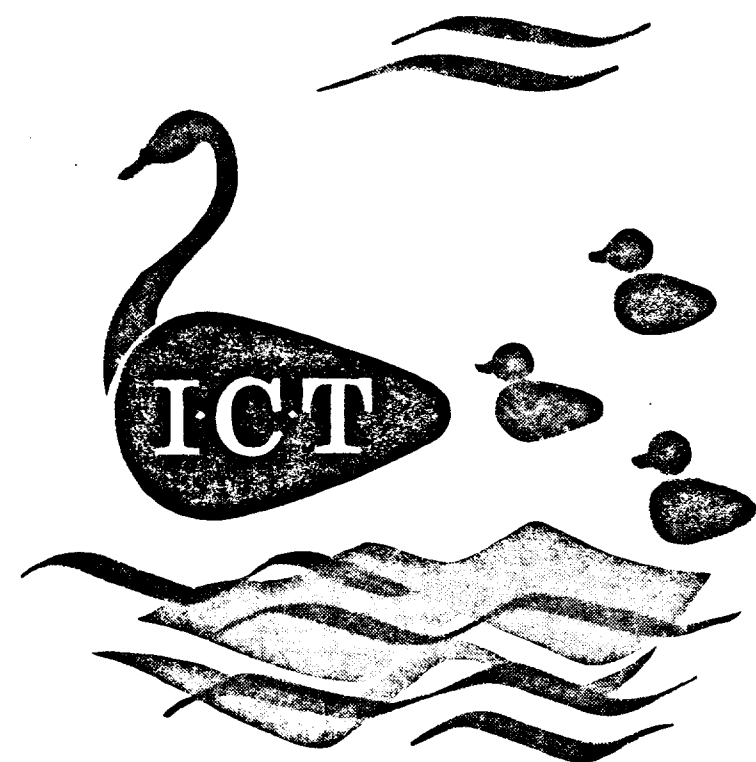
heating equipment, and all the other effort-saving equipment needed to turn a mere house into an ideal home.

Steel has a behind-the-scenes rôle too, because it is used in the machines that make all these things. It is used in the lorries and railway rolling stock that transport raw materials and finished goods. It goes into electricity generating stations and into electricity pylons; into gasometers and industrial chemical plant.

Steel has transformed the world we live in because it is strong, cheap, plentiful, easily shaped. Steel can make itself useful in so many different ways. Now flexible and resilient in a spring. Now hard and tough in a cutting tool. Now workable and ductile, so that it can be pressed into the shape of a car body.

Steel is the versatile metal—the essential metal of modern life.

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# THE BUSINESS WORLD

## Steel: An Essay in Planning

SINCE the war, the British steel industry has aligned its capital investment to accord with three long-term development plans; this week it produced a fourth. No other industry in the country does so in quite the same way. The electricity supply industry is constantly engaged in detailed forecasting of demand for power seven years ahead; and from time to time, when it needs an increase in its borrowings from Parliament to help finance its vast investment programme, it sets the current results down and publishes them. The gas industry on occasion publishes a similar account and justification of its projected investment. The coal industry and the railways committed themselves after the war to very long-term plans, reaching 10-15 years into the future—and both have had to recast them since. One or two quite private industries, such as chemicals, did some years ago publish collective plans, or accounts, of what investment was being done. But only steel regularly carries through and publishes fairly full results of a full-scale exercise that a French *dirigiste*, for example, would recognise as planning. And it is useful at a time when so much vague discussion about long-term plans in British industry is going on to have one British industry actually publishing one (or rather more than one).

In aggregate, the totals postulated for 1965 by the steel plan which has been most fully published\* were already known. The Iron and Steel Board believes that the industry ought to provide capacity to produce 32 million ingot tons by that year; the British Iron and Steel Federation, representing the actual steel companies, thinks that it should have a capacity of 34 million ingot tons. Both these estimates provide for a margin of spare capacity over and above expected demand (which the industry has never before planned for, though it has at times, inadvertently, been left with capacity to spare). The difference between the two central bodies' estimates of the amount of steel that the British economy may actually use and export in 1965 is narrower in absolute terms: the board puts it at the finished steel equivalent of 28.6 million

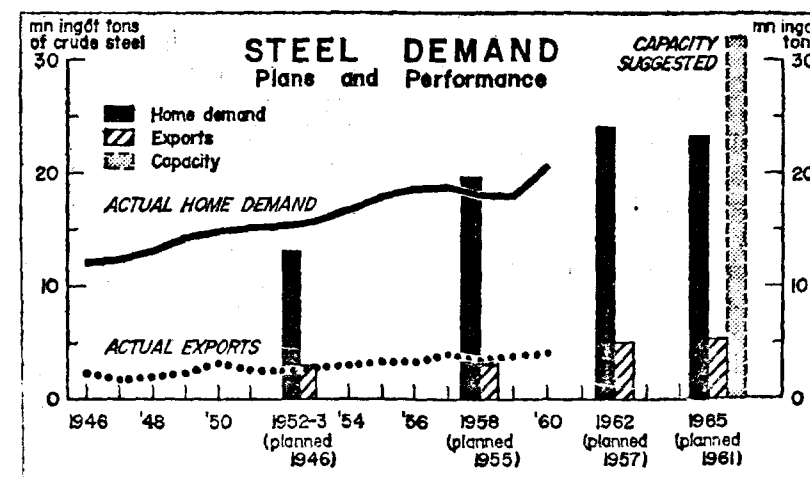
ingot tons, while the federation said 29.9 million.

Over and above this, the federation allowed for a 5 per cent fluctuation either way, requiring 32 million tons for possible peak demand: and what the companies actually plan to do—giving margins of capacity not simply in terms of crude steel, but for many different kinds of finished steel—appear to promise over 34 million tons in being by 1965. There are some significant differences in emphasis, and even it would appear in economic analysis, between these two exercises in forecasting, of which only the board's has been published in any detail. But the amount of new capacity that is expected to be built does not differ, since it comprises not calculations, but the companies' actual plans to spend money. And whichever estimate of demand turns out nearer the mark, the difference can largely be taken up in scrapping some old plant a little earlier or a little later.

For 1965, the home demand for steel that the Iron and Steel Board is now forecasting is not quite as high as the demand that it thought in 1957 might be reached in 1962: 23.34 million ingot tons for consumption and stocks in 1965, against a figure of 23.91 million tons for 1962 in its forecast then. It also forecast then that direct exports of steel might reach the equivalent of 4.85 million ingot tons by 1962; now it thinks that they may reach 5½ million ingot tons by 1965. This plan exceeds its last exercise in forecasting, therefore, largely by envisaging the building-up of a significant margin of spare capacity, and by raising the ante slightly on exports. In this report the board also briefly glances further forward. It expects a rise of, say, 3 million or just possibly 4 million ingot tons in home market requirements between 1965 and 1970; doubts if there will be much further increase in direct

exports of steel; and there being no need to provide for more than a *pro rata* increase in spare capacity, comes out with a tentative capacity requirement for 1970 of 35 or possibly 36 million ingot tons.

Consumers do not buy crude steel: one of the differences between the steel industry's planning exercise and those that other industries occasionally carry out is the detail into which it has to go





about demand for particular families of steel products for which specialised finishing capacity has to be laid down. The board has to find out the expectations of major consumers of the various kinds of steel and compare these with its own. For example, it says that its estimates of sales in 1965 of, say, 860,000 cars in the home market and 700,000 abroad (plus 605,000 commercial vehicles and tractors) are both slightly higher (!) than those of the motor industry. It has then to estimate demand for steel in motors, allowing for contingencies, and fit this into its other forecasts of demand for sheet; the main contingency here, for which it is allowing an extra 800,000 tons of capacity a year, mainly in sheet, is that by 1962-63 the motor companies plan to have capacity for 3½ million vehicles. The board has to provide against the possibility that, in spite of the forecasts, up to about 90 per cent of this capacity could after all be used by 1965. Technological substitution may upset forecasts in some markets. In 1959, for example, the construction industries built about 47 per cent "more" structures than in 1954, but used 16 per cent less heavy sections; these requirements were about a third less than they might have been on earlier "factors of use". The board has taken the 1959 "factors of use"—i.e. the amounts of steel notionally required for a given volume of building—in forecasting 1965 demand: today, it considers these factors low, but by 1965 it thinks they may have become normal, since more ferro-concrete, better structural beams, and other light sections are being used.

Between the board's estimates of capacity required and the production that the companies expect to be able to achieve in 1965—from schemes already approved by the board—there is a margin of nearly 2 million ingot tons; and other schemes the producers have in mind would add another half a million tons. Against this, there exists at present some 2½ million tons a year of steel melting capacity which the board thinks may still exist in 1960, but which by then will be so obsolete as to be uneconomic, along with nearly a million tons a year of capacity for semi-finished steel and just over a million tons a year of finishing capacity in the same category. The board is not worried about any surplus of capacity over demand; it says approvingly that

for the first time for many years there is the firm prospect that capacity in every section of the industry will be sufficient to meet the probable home and export demand, and this from plant that is modern and efficient or from older units which can compete effectively.

The new capacity that it hopes will be built under this plan, plus other schemes produced in the meantime and an overlap of investment from the 1957-62 plan, may cost the industry, with some Government help, £600-£700 million.

The process of formulating such a plan as this is as interesting as the content of it. From about the end of 1958 onwards, both the board and a working party of the federation were preparing estimates, both jointly and independently, of possible demand in 1965. This meant consultation with all producers, and with major consuming industries: it involved, moreover, consideration of possible growth rates for the economy as a whole, in consultation with Government departments. For this report, the board tried out "models" of the economy, using alternative rates of future growth. In 1957 it reckoned on an average growth of 2.8 per cent in

gross domestic product up to 1962 and for some increase in the "steel intensity" of the economy; so far, neither has been achieved. It is now providing for a rise in GDP from 1959-60 to 1965 of 3.2 per cent a year. That implies quite an acceleration over the performance from 1957 to 1960, or indeed over any five-year period of increase in output per head since the immediate postwar recovery.

To support such an increase in national output, the board has to assume some modestly heroic progress in certain sectors. An economic model postulating expansion at this rate without balance of payments difficulties, for example, must probably have as a necessary condition its assumption of a 7½ per cent annual increase in engineering exports. This would do more than enough to keep Britain's share of world exports in manufactures; but it would be twice what we have been managing recently. And the report provides for a much faster rate of growth of investment (other than in dwellings) than in the whole economy. The rate of growth for which it is providing, indeed, seems to be more than its own more refined calculations would suggest. Its belief that capital-output ratios may be tending to fall in the economy, plus studies of the assets due for replacement, "suggest distinctly lower investment requirements than have been included for 1965". This raises questions about its own forward estimates; its reply is:

The provision made in assessing industrial requirements would allow for a continued reduction in the average age of existing assets, and/or for a growth of industrial capacity about 1965 which would imply that the country would then be equipping itself for a more rapid growth than is assumed for the period up to then.

It has not however reckoned on that rapid later growth itself, in looking from now towards the period from 1965 to 1970. It reckons that by then its country will have no growth in working population to speak of, and its guesses for steel expansion (which on the 1960-65 basis would be the same as its guesses for general economic expansion) are no more than 2½ per cent a year.

In discussing its 1957 report, the board says it is often asked how far the figures estimated then were a "best guess" of what would happen and how far they were an objective of policy. "They were certainly more than the former alone," it says. "The 1957 report did involve taking a view about what was necessary for an expanding and dynamic economy." Of its estimates for steel now it says: "This is not presented as a forecast. It is rather the sort of development that the iron and steel industry ought to be prepared to meet to avoid any risk that good management elsewhere—or good luck—might be frustrated. Such good management is in fact assumed in this estimate."

This is unashamedly, therefore, a plan for steel for growth—more growth than the economy may attain, though no more than it ought to attain; and fortunately no more than the steelmakers are prepared to invest in. There are large elements of faith here as well as of calculation: perhaps in planning there would always have to be. But one difficulty in extending such planning to other parts of the economy is the lack of other bodies that are so independent, so critical, and yet so deeply committed to the industries they serve.

## Should Gilt-edged Rise?

*The gilt-edged investor can very well face the months ahead with just a little more confidence.—Sir Edward Boyle, Financial Secretary to the Treasury, in the budget debate.*

MR SELWYN LLOYD's budget has left the Treasury and the Bank of England with a monetary problem of an unfamiliar kind. By raising taxation to cover almost all Exchequer outlays on capital as well as current account, and by making ready two new fiscal regulators, the Chancellor has lightened the load on monetary policy. The City, which likes an active monetary policy as little as does Mr Harold Wilson, has been less reluctant to cheer. Mr Anthony Tuke, chairman of Barclays Bank, believes indeed that the balanced budget may well have "a profound moral effect." Not everyone is so confident of the public's ability to read the Financial Statement, but some more clear-cut consequences can be foreseen.

In its task of monetary management, the Bank of England has hitherto felt itself to be fighting an uphill battle, in which its attempt to check the expansion of the credit base by selling long-term Government securities to the public has perpetually been undermined by the Government's calls for new money for its recurring net deficit. Now the net deficit is to disappear. Open market policy has at last been given room for manoeuvre. And the problem arises: what is to be done with it?

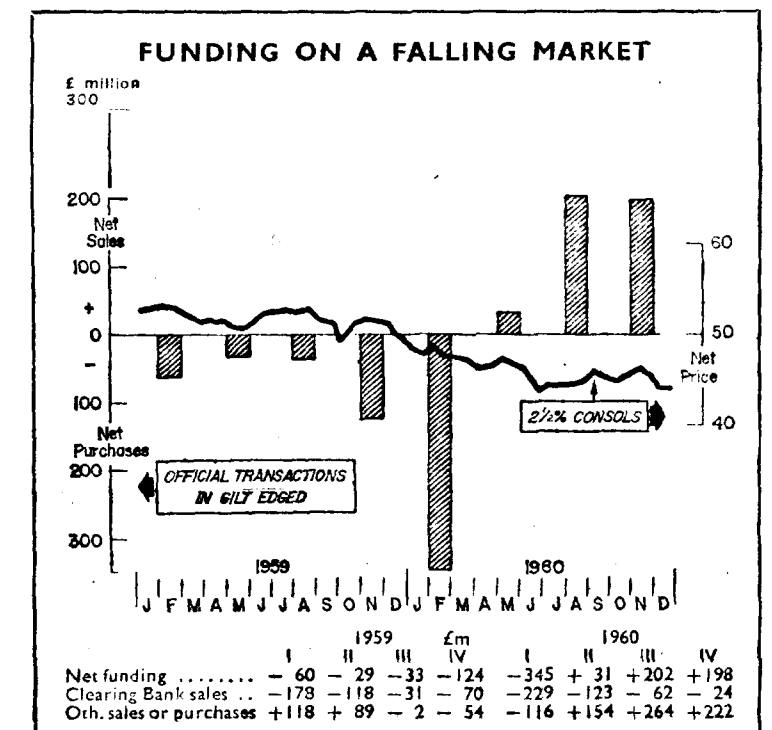
The problem is given special point because even before the budget there was actually more freedom of manoeuvre for open market policy than was readily recognised in official quarters. On the face of it, the gilt-edged market presented a depressing look. Only briefly in the autumn did prices rise, and then they drifted down, to new low points. But all the time the authorities were in fact selling very large quantities of stock. In the nine months from the beginning of April to the end of December official sales exceeded purchases by £431 million, in spite of continuing large sales by the banks. The popular conception that the gilt-edged market is finished and demoralised cannot stand up to these published figures. In 1960, moreover, the substantial volume of funding took place while market prices were falling. The first downward jolt, in February that year, had an unfavourable effect, as the champions of "funding on a rising market" had always said it would; but once investors felt that prices had probably touched bottom they came in to buy, attracted by the increased yield. Later they were proved wrong, as prices fell further, but the buying went on. In the new year quarter the market became more subdued, but it held up surprisingly well to the attack on sterling in early March. The budget provided an immediate and unexpected fillip; and this week Americans have come back as buyers of War Loan.

The impression that funding was perhaps being pursued too inflexibly occurred to outside observers as early as last autumn, when it became apparent that the liquidity of the banks was being squeezed so far that the authorities might have to take special steps to relieve it. This they duly did, partly by taking gilt-edged securities direct from the banks without penalty.

Now comes a budget with a planned reduction in Exchequer borrowings from £394 million to £69 million, in a year when the Exchequer is likely to get substantial finance both from Lord Mackintosh's National Savings and from the operations of the Exchange Account (which bring sterling into the Exchequer when gold flows out to finance a current deficit, but do not on balance affect domestic credit when gold flows out as a result of the encashment of foreign-owned sterling balances previously invested in Treasury paper). This year's problem is not how to borrow money in the gilt-edged market; it is whether to repay it.

Assuming the Exchequer accounts follow something like their projected course—which has not always happened in the past—the managers of gilt-edged can choose between three policies. They can continue their present policy of selling the maximum amount of long-dated securities and trying wherever possible to replace short-term by longer-term debt; if they do this they will almost certainly force the banks to make wholesale and unjustifiable cuts in their advances—unless special deposits are released at the same time. Secondly, the authorities can suspend this long-range policy of maximum funding and press no sales on the market this year; in that case, unless public demand for gilt-edged dries up altogether, market prices for gilt-edged will tend to rise. Thirdly, they can continue to sell long-dated stocks and push forward the queue of corporation issues (on Thursday they let through an issue of £10 million of 13-15 year stock by Glasgow), but at the same time buy in or redeem at least an equivalent amount of short-dated bonds. In this way they could continue both to lengthen the life of the debt and to keep a check on long-term interest rates, without any further tightening of technical bank liquidity—though the repayments of short bonds would cut into the banks' second line of liquid assets.

This compromise course seems on the whole the most



likely. No doubt it would concentrate the influences making for a decline in interest rates on the short-dated end of the market. But, especially if the Government felt that it was in line with the new international gospel of not coveting one's neighbour's hot money, this might be more acceptable than a fall in long-term rates. The Bank of England now makes little attempt to disguise the fact that it does "take a view" of these rates, as the Radcliffe report urged it to do. But the view itself tends to be pretty long-term—concerned less with shifts of course to correct movements in the business cycle than with the rate of interest at which, over a run of years, the public's savings can be attracted and retained.

The passionate dispute before the Radcliffe committee whether gilt-edged securities could best be sold by raising their prices or by lowering them seems, happily, to have been forgotten. It has been seen that a yield basis of around 6 per cent attracts substantial demand. Having found a basis for successful funding, and for re-establishment of control over the credit base, the Bank of England may not be anxious to see it undermined. And since one can reasonably reckon that the equilibrium long-term interest rate for Britain over the years is more likely to be 6 per cent than 5 per cent, any substantial rise in gilt-edged prices from their present level might seem precarious and to hold disillusionment in store.

This continuing bias among the market managers against the flexible variation of long-term interest rates is understandable. If markets are influenced in accordance with the requirements of the ups and downs of business, prices will fluctuate, and investors who have bought at the wrong time will let out a howl. Next time, the market may anticipate

official response to business conditions so far in advance that rates will start falling at the beginning of an upturn and start rising before recession has begun; that is more or less what happened in the United States last year. Yet if long-term interest rates are made too rigid they will cease to serve as a regulator; and if at the same time they are largely the reflection of the official "view," as is now the case, the "market" will lose much of its meaning. One could logically turn over the whole job to Lord Mackintosh.

These are the difficult issues of general principle which the Treasury and the Bank have to resolve if they mean to preserve open market policy as one of the effective monetary regulators. But, whatever the arguments against inflexibility *per se*, there is no case for letting the market pull prices up now. The present stage of the business cycle is not altogether easy to define. But, certainly, if the Chancellor thought it reasonable (or at any rate politic) to put profits tax up he can hardly find a case for letting interest rates go down.

It may be, of course, that this unaccustomed gilt-edged problem will evaporate. It will do so if trustees sell out very heavily when they gain their new freedom later in the year, or if the general appetite for gilt-edged is damped down by a renewal of inflation or of serious trouble for sterling. In any case, the reduced call on the capital market by the Government seems likely to release money for investment in equities. But, if the public goes on buying gilt-edged, and the authorities want to resist any marked fall in rates, they will have to over-leap some tricky technical hurdles. One wonders, indeed, whether all the consequences of Mr Lloyd's budget have been fully thought out.

## Questions About Supersonics

**M**ORE haste, less speed" is a phrase the Minister of Aviation might ponder when he listens to reports brought back by his technical advisers from the conference on supersonic airliners that ended in Montreal last weekend. Delegates had been all but incarcerated in a hotel for five days and nights worrying, among other things, about metals cracking under heat, fuel bursting spontaneously into flame, pilots landing aeroplanes as long as an office block (200 ft) from a cockpit 50 feet above the ground, and the fertility of the world's 39 remaining whooping cranes.

They had reason to worry. Although aircraft makers in the West can without any question build large airliners to fly at two, three or conceivably even four times the speed of sound, they are a long way yet from producing one that the airlines would be prepared to buy. The need is for research and still more research. How well is this understood in Britain? How widely is it appreciated that no one is sure yet what the right speed of a supersonic airliner should be? In this respect the American attitude is a deal more open minded than the British. The American industry may lean, for commercial reasons, towards an aircraft flying three times as fast as sound, in the region of 2,000 miles an hour. But it has not shut its eyes to the equally powerful arguments for trying a lower target, twice the speed of sound or about 1,500 miles an hour, and is doing a good deal more thinking about this kind of aircraft than it admits in public. But

Britain's effort appears to be concentrated now on the slower aircraft to the exclusion of all else. Mr Thorneycroft needs a good devil's advocate to speak up for the faster machine before the country wakes up to find itself committed to building a £200 million airliner that no one may want to buy.

The airlines are less interested at the moment in the precise speed of the aircraft than in whether public opinion will permit them to fly it at all. A big supersonic airliner is a public nuisance. As it climbs off the ground and accelerates to supersonic speed, it sends back shock waves that reach the ground with an ear- and window-splitting crack; as it levels off, a "sonic boom" travels along the ground beneath like the roll of a bass drum. The size of the aircraft, rather than its speed, will decide the amount of disturbance that this boom is capable of making.

How much of this will the public stand? Not much, if the sharp reaction to jet noise is any guide. Now that the worm has turned at last, airlines are treating it with as much respect as they would a king cobra. They tried, but failed, last week to get some inkling from the licensing authorities present at the conference about the likelihood of a ban on supersonic flying over land—including regions populated only by game (hence the meeting's concern with the neuroses of the whooping crane). Were such a ban introduced, few airlines would be interested in buying the machines at all.

Certainly no American airline wants an airliner that cannot be flown supersonically across the continent.

Even without such a ban, the sonic boom recoils on both the design and the operating economies of any supersonic airliner more seriously than is perhaps realised. To prevent broken windows and collapsing garden sheds from marking each spot where an airliner accelerated to supersonic speed after take-off, airport authorities may order the airliners to delay the transition from subsonic to supersonic speeds until they are high enough to reduce the impact of the shock wave on the ground to tolerable proportions. A height of eight miles and upwards was the figure mentioned. But it is not certain that the kind of narrow delta-winged aircraft which designers are minded to build can in fact meet this requirement so high up. It certainly cannot do so without huge engines of far greater size, weight and fuel consumption than are strictly necessary and more than a modicum of luck in design.

Manufacturers, for their part, are in no hurry to build supersonic airliners. Some of the biggest commercial aircraft builders in the United States have said flatly that they do not have enough data at the moment to start the detailed design of one. To build a military aircraft with a short working life and a small payload is one thing. To sell a civil airliner measuring 200 feet from its narrow nose to its pointed tail, weighing perhaps as much as 170 tons (400,000 lb) and carrying 130 people is a very different undertaking. The airlines reckon, for a start, that the aircraft must have a working life of ten to fifteen years in order to give them time to recover their investment. The makers have no idea at the moment whether they can build an aircraft that will stand up to this work.

For the first time, they have to take account of the fact that these airliners are going to get really hot during flight, up to 250 degrees Fahrenheit for an airliner flying at twice the speed of sound and 500 degrees for one flying at three times the speed of sound. The former could be constructed out of some of the newer light alloys, although this is coming fairly close to the upper limits of the temperatures they can endure; and the latter would certainly need to be built out of a combination of titanium and stainless steel. But no one can yet tell how these materials will stand up to repeated cycles of heating and cooling extended over a working life of ten years or more, and it may take years to find out.

One reason why British designers favour a 1,500 mph aeroplane flying at about twice the speed of sound is because they have data on the behaviour of the light alloys out of which they intend to build it, while seals, lubricants, fuels and other materials will be much the same as those used on present-day aircraft. Designers aiming at three times the speed of sound, who include every major aircraft company in the United States, know that when they have worked out techniques for fabricating large airliners out of stainless steel and titanium they have still to find materials for small but vital components like seals that are not made of metal but which will stand up to supersonic working temperatures.

Fuelling of a 2,000 mph airliner, again, raises three separate questions. There is the technical one—how to stop fuel decomposing chemically in tanks that may get heated to between 200°F and 300°F during flight. There is the question of

safety; how to stop vaporised fuel in the hot tanks from bursting spontaneously into flames (the solution of blanketing the fuel tanks with nitrogen left some of the delegates at Montreal unimpressed). Finally, there is the question of the cost of this super-fuel. The oil companies refused to allow either the manufacturers or the airlines to think that there would be any cheap or easy way of meeting these requirements. And fuel costs could make or break the 2,000 mph design.

**I**F the difficulties are so great, why should anyone seriously consider either building or buying such an airliner? The majority opinion in this country thinks it not worth the effort. The slower, British type of aeroplane has one great advantage over its faster competitor—if anything so nebulous could be called a competitor—namely, it could be built in perhaps ten years whereas the other might take fifteen. But no one, least of all the airlines, seems in any hurry to get quick delivery of supersonic airliners, since there will not be enough traffic to fill them on present forecasts until the early 1970s.

The strongest argument against the British airliner, however, is the fact that it is not capable of further development; the materials out of which it is made will not permit it to be flown any faster. Development costs must be written off within a relatively short space and a fresh start made on a radically different type of steel airliner, capable of better, faster flying. The steel and titanium considered now for aircraft flying at three times the speed of sound could in theory continue to be used for steadily faster aircraft until they approached close to four times the speed of sound—say about 3,000 miles per hour. And this seems as fast as the airlines are ever likely to want to fly around this planet, whatever they might do in outer space. When manufacturers are thinking in terms of world orders for only 150 aircraft, two sets of development costs incurred within a short period of each other hardly seem to make sense.

From the airlines' point of view, the case for the British type of airliner is a marginal one. They expect a minimum of ten years of life from their supersonic equipment, and would like longer. If the 1,500 mph aircraft is in service five years before the more complicated 2,000 mph machine, can it continue to draw traffic during the following five years when it is flying in competition with the newer, faster airliner? In their present mood, and with their present traffic, many airlines might wait the extra five years for the faster aircraft with the longer life.

This is not to say that the British policy is wrong; time could even prove it triumphantly right. But it will be right only if the faster airliner proves too difficult to build, or if the aircraft turns out to have startlingly lower costs than its faster competitor. The 600 delegates at the conference would dearly have liked to discuss costs if they had been given any data to go on. But, in all honesty, most manufacturers had to say they had no idea what the aircraft might cost, and it was a tribute to the general common sense of the conference that what figures were proffered were politely disbelieved. And so they went home, airlines, manufacturers, electronics engineers, oil men, air traffic controllers, pilots' unions, government representatives, radiologists, meteorologists, consultants and your correspondent—some to change their views on supersonic airliners and some, without doubt, to change their designs.



# BUSINESS NOTES

## IN THE MARKETS

### Jolts from the Generals

CUBA and Algeria caused violent fluctuations on Wall Street and the Continental bourses this week, but in the London market did no more than impose a momentary check on the advance. Share prices in the United States and European stock markets are, in terms of their present dividends and prospective earnings, higher and hence more vulnerable than British equities. The failure of the attempt to overthrow Dr Castro and the generals' coup in Algeria certainly battered Wall Street, where on Monday the Dow Jones average fell by over 12½ points. But some reaction from the recent climb had been widely expected and the market remained orderly; and even before the Algerian revolt collapsed the market had recovered much of the losses made on Monday. But there was no strong follow-through and on Wednesday the Dow Jones average stood at 682, compared with its peak of 697 earlier in the month.

The Paris bourse was even more volatile, and this was reflected in quite sharp swings in prices on other Continental exchanges. The Algerian revolt led to heavy selling in Paris on Monday, when prices fell by over ten per cent and in the more speculative North African issues by as much as 20 per cent. The firm stand taken by General de Gaulle, however, steadied nerves on Tuesday and prices began to climb back. The collapse of the revolt pushed prices up very strongly on Wednesday, often to new peaks above their pre-crisis levels.

Throughout these three days of sharply changing fortunes, the London market took note of the crises but, phlegmatically, was not really perturbed by them. While prices fell sharply elsewhere, the London market marked time. Gilt-edged and equity prices slipped back a little but the comparatively big number of bargains marked in equities suggests that much of the selling was coun-

tered by buying. On Wednesday and Thursday, with the crisis in Algeria over, the London market, both in gilt-edged stocks and equities, resumed its advance. The *Financial Times* index rose to a new peak of 359.2 on Wednesday and, spanning the week, *The Economist* indicator rose from 419.1 to 422.6. At the moment, there is plenty of confidence in the London market that prices will move higher. Ideas, it may be, are being adjusted to different concepts of what dividend and earnings yields are appropriate. Those who preach caution appear to be banging their heads against a brick wall but where they argue that particular equities, such as electronics and brewing shares, rather than prices in general are too high their apparent masochism has some point.

## THE EXCHANGES

### Rebound in Sterling

STERLING again came under pressure last weekend. Uncertainties arising from the events in Cuba and Algeria were heightened in some Continental quarters by new talk about a further appreciation of the mark—despite the fact that the exchange inflow for the previous week was the lowest since revaluation in early March. On Saturday morning the sterling-dollar spot rate dropped to \$2.79½. By Monday operators had to reckon too with the weekend coup in Algeria; this unsettled sterling as much as the franc. Both the Bank of England and the Bank of France supported their currencies in the exchange market. The widespread anxiety was evident too in the gold markets. In Paris the Napoléon rose by nearly 5 per cent to 39.30 N.F., and in London private buyers

returned in force, pushing the dollar price up to \$35.09-11. Central banks, which had previously re-entered the market, withdrew.

By midweek when it became clear that President de Gaulle had the upper hand the markets simmered down. Demand for gold in London dried up almost completely on Wednesday and the price dropped back to \$35.08. Sterling was in strong demand, and was bought against dollars by the Bank of France—though there is no clear evidence that this was in connection with the Basle agreement among European central banks to hold each other's currencies. Strong demand for security sterling from New York, partly for purchases of gilt-edged but also, it seems, for one particular transaction, lifted the rate by over 2 cents to as high as \$2.79½ at one time on Wednesday.

The German Bundesbank continues to take piecemeal action to ease credit and lower interest rates other than its official discount rate. It has now permitted the banks to deduct from total liabilities subject to minimum reserve requirements their placings of funds in overseas money markets. These exports of short-term capital should also be encouraged by further cuts in fixed rates on German Treasury paper, to 2½-2¾ per cent on Treasury bills. The German capital market is also preparing for a loan to Japan. But a broader fronted attack on domestic interest rates is needed if calm in the exchange markets is to be restored.

## OIL

### Oddities of the Tax

SOME have suggested that it is naive to suppose that the purpose (of the tax on heavy oils) was to raise revenue and not to give protection to coal. I emphatically deny this and willingly accept the charge of naivety, because I am convinced that coal is in no need of such protection," said Mr Richard Wood, Minister of Power, who had the unenviable task three days after the budget of opening BP's new oil terminal at Milford Haven. He added, "Few things are certain, but this tax will barely check the growth of oil in our economy and more and more oil will certainly come to Britain."

His officials at the Ministry of Power, meanwhile, in consultation with the Customs and Excise department and the Treasury, were trying to sort out some of the new anomalies that the new duties have imposed on the British fuel market. One of these, the fact that gas made from oil quite escapes duty while electricity made by burning oil has to pay, was mentioned in these

columns last week. But gas—and indirectly coal—will probably be slightly affected by it, at least, for the new duty applies to some coal tar derivatives. It seemed clear this week that creosote-pitch mixtures, such as the steel industry has on occasion used to fire steel furnaces instead of fuel oil, would have to pay tax, and probably at full rate. Even road tar might have to; it was perhaps hardly in the Chancellor's mind, whatever Mr Wood may feel about protection one way or another, to give a competitive advantage to bitumen. These tar products never in fact paid the 1937 duty that Mr Lloyd said he was re-imposing: but the excise definition now seems to rest on a question of liquidity at a given temperature, which may pull them in. It is not clear how the duty will affect the use of by-products from coke ovens inside integrated iron and steel works; but there are some presently profitable exchanges of tar for other products between the steel and gas industries that may be quite awkwardly affected. Liquid petroleum gases are not liquid at normal temperatures, and will escape this duty. Its imposition therefore could give a fillip to large-scale sales of this gas to industrial consumers, which are so far only occurring to a limited extent in this country.

## OVERSEAS TRADE

### How Freedom Worked

NO one will be surprised that imports of goods on which controls were relaxed or abolished in 1958 and 1959 have risen more sharply than other imports. But figures compiled by the Board of Trade will scotch exaggerated notions of the part played by these goods in last year's import boom. The classification of commodities used in derestriction orders has been related as closely as possible to the normal classification used for trade statistics and comparisons have been presented between the performance of imports of goods freed in those two years and other imports. Between 1958 and 1960, imports into the United Kingdom rose by £809 million, c.i.f. Imports of the type of goods affected by the relaxations increased by £381 million; but only £175 million of this increase came from sources to which the restrictions previously applied.

If imports of these goods had risen no faster than the 17 per cent increase in similar imports, they would have increased by £50 million. Even if controls had been maintained, extra licences would presumably have been issued in view of the powerful surge in demand—officials had been growing more liberal about the granting of licences for some time and many of these imports would have passed muster as essential or desirable. Frustrated importers would in any case have attempted to get the goods they required, or passable substitutes, from other sources. Whatever is claimed about the effects of earlier trade liberalisa-

tion, no more than a small part of the responsibility for last year's deterioration can be laid at the door of the liberalisation in 1958 and 1959.

The greatest changes have occurred in imports of machinery on which control orders had possibly been an impediment to efficiency: two-thirds of the £96 million increase in liberalised imports of finished manufactures is thought to have consisted

## EFFECT OF RELAXATION OF IMPORT CONTROLS\*

| IMPORTS (c.i.f.)              | 1960  | Change between 1958 and 1960 |         |
|-------------------------------|-------|------------------------------|---------|
|                               | £ mn. | £ mn.                        | %       |
| Food, beverages and tobacco — |       |                              |         |
| Liberalised .....             | 52    | + 11                         | + 26.8  |
| Unaffected† .....             | 422   | — 14                         | — 3.2   |
| Group total .....             | 1,546 | + 55                         | + 3.7   |
| Fuels —                       |       |                              |         |
| Liberalised .....             | 79    | + 9                          | + 12.7  |
| Unaffected† .....             | 384   | + 39                         | + 11.3  |
| Group total .....             | 482   | + 43                         | + 9.8   |
| Basic materials —             |       |                              |         |
| Liberalised .....             | 35    | — 2                          | — 5.3   |
| Unaffected† .....             | 41    | + 7                          | + 21.2  |
| Group total .....             | 1,063 | + 174                        | + 19.6  |
| Semi-manufactures —           |       |                              |         |
| Liberalised .....             | 133   | + 62                         | + 87.3  |
| Unaffected† .....             | 273   | + 95                         | + 53.1  |
| Group total .....             | 906   | + 311                        | + 52.3  |
| Finished manufactures —       |       |                              |         |
| Liberalised .....             | 175   | + 96                         | + 121.5 |
| Unaffected† .....             | 295   | + 76                         | + 34.7  |
| Group total .....             | 542   | + 224                        | + 70.4  |
| All imports —                 |       |                              |         |
| Liberalised .....             | 475   | + 175                        | + 58.3  |
| Unaffected† .....             | 1,423 | + 206                        | + 16.9  |
| Total imports .....           | 4,557 | + 809                        | + 21.6  |

\* In 1958 and 1959. † Other imports of similar goods.

of capital goods. Even so, dollar imports of machinery contributed less than one-tenth to the total increase in the import bill between 1958 and 1960.

The reduction of £5 million a month in seasonally adjusted imports in the first quarter of 1961 was caused by a fall in the value of imported foodstuffs. Imports of basic materials were unchanged in value, but, corrected for seasonal influences, are apparently still rising, as indeed are imports of finished manufactures. With the exception of North and South America, exports to all the main trading areas have increased since the last quarter of 1960. Exports to western Europe have risen strongly since the middle of last year, and improved by a further 5 per cent in the first quarter of 1961. Nearly all the improvement was in exports to members of the Common Market.

## FINANCE BILL

### No Surprises

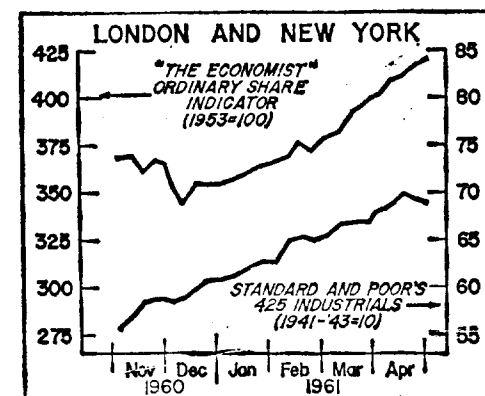
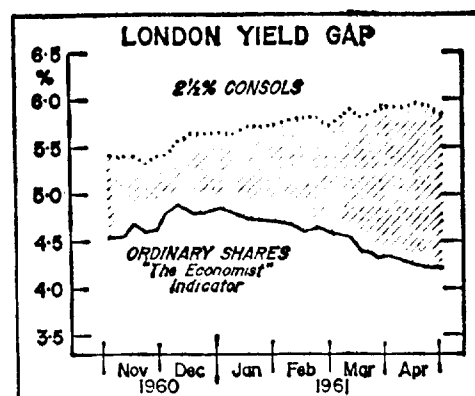
THIS year's Finance Bill, published on Thursday, follows quickly on the budget and, at first glance, contains no major surprises or controversial interpreta-

tions of the budget proposals. It provides for certain minor reforms, including relief to jobbers from having to pay *ad valorem* stamp duty when they have made use of borrowed stock to complete a transfer. This is a minor relief for, as Government bonds are free of stamp, it will be of concern almost exclusively to jobbers in corporation stocks. The clause dealing with the surcharge on employers provides, as had been foreshadowed by Treasury spokesmen in the budget debate, that different rates of surcharge may be prescribed for "different descriptions of persons"—that is men, women, boys, girls and the retired—who pay separate rates under the National Insurance scheme. This reserve power, and the power to vary revenue duties by up to 10 per cent in either direction, may be introduced by order "if it appears to the Treasury that it is expedient, with a view to regulating the balance between demand and resources in the United Kingdom. . . ." Although the variations will not apply to protective duties, the margins of Commonwealth preference in the revenue duties themselves would be temporarily increased to a very small extent.

## MOTORS

### Back to the Boom

CAR production in March began to rise sharply to match the recovery in sales, but the inevitable delays in getting production going again after the drastic cuts of the winter meant that it reached only 19,557 a week. A year before it had been 32,000 a week; but the sales in the home market were nearly 300 higher this year than last, at the record level of 89,614. Manufacturers report that there has been only a small seasonal fall in sales at home this month. Ford states that sales continue to be higher than last year, and the British Motor Corporation that its programme of deliveries to the home market for the summer is the highest ever. Production too should soon be close to last year's level; BMC states that it has set a production programme for several months ahead that calls for capacity output, or over 15,000 vehicles a week—though the strike at Pressed Steel means that output now is much less than this. Ford has been making as many cars as it can for about a month past, though the loss of labour in the winter and the delays in getting the supply of bought-out parts worked up again mean that output is lower than it was last year. Standard-Triumph International is also affected by the Pressed Steel strike; it reports a record rate of orders for the Herald 1200, but the big cut in the labour force must mean a lower output than last year. Rootes and Vauxhall have both been hit hard by the fall in sales to America, the latter worst of all: no 1961 Vauxhalls have gone to the United States, but both have benefited from higher home sales.



Exports remained the black spot in March; at 26,359 they were even lower than in January or February and only 40 per cent of those a year before. Shipments to the United States remained a trickle—only 1,077. Fewer went to Canada, too; though sales there have not fallen, they have not risen as much as dealers had hoped. They had built up stocks last year and now are running them down. There was also a surprising fall in shipments to some European markets, including Belgium and Holland, where sales seem to be going well; here again stocks had risen last year and dealers may have wanted to reduce them, as they still do in Sweden. This month should have seen a reversal of the downward trend in exports; makers report a seasonal rise in

sales to Europe, and BMC began shipping sports cars to the United States again at the beginning of the month. But there seems no chance at present that exports will return to the level of the last two years.

#### WORLD FINANCE

### Jacobsson Chooses Bernstein

THE chiefs of both the International Monetary Fund and the World Bank have reported to the Economic and Social Council of the United Nations in the past week or so. Dr Per Jacobsson took the

opportunity to declare his intentions about increasing the Fund's resources. The time is now ripe, he said, to replenish the Fund's stock of particular currencies by borrowing, which it is empowered to do under its Article VII. A study of the various possible methods is in hand; but the most appropriate method seems to be

a network of stand-by arrangements with the main industrial countries under which the Fund will be able to use increased amounts of their currencies, whenever the need for such use would arise as part of a Fund operation.

This is in effect the Bernstein plan. Dr Jacobsson stated that in his opinion the present articles of agreement give sufficient latitude for constructive and flexible

### Profit Curve

INDUSTRIAL profits now appear to have passed their peak and to be heading downwards. Profits reported in the four quarters of last year climbed steadily; as compared with the corresponding quarter of the previous year, they rose by 8½ per cent, 14½ per cent, 18½ per cent and 21½ per cent consecutively. In the quarter to March 31st this year, the profits of the 406 companies included in our customary analysis, set out in detail on pages 500 and 501, rose by 14 per cent. Almost all these companies made up their accounts either on September 30th or December 31st. It had been widely expected that the rate of increase in profits would slow down; but that evidence of this should appear in this particular quarter is all the more remarkable because the steel companies have a big influence on the statistics and they reported an increase in profits of as much as 27½ per cent. Other

statistically important groups that reported an increase in profits above the average were: breweries and distilleries (23½ per cent); clothing and footwear (20 per cent); engineering (15 per cent); and motors, cycles and aircraft (27½ per cent). But of no less significance, a less than average increase was reported by shops and stores (10½ per cent); tobacco (8½ per cent); chemicals and paint (10½ per cent); electrical manufacturing (1½ per cent); and in miscellaneous manufacturing, profits actually fell by 5½ per cent.

As tax did not rise proportionately with the increase in gross trading profits, the net ordinary earnings of the 406 companies rose by 17 per cent. More was paid out in ordinary dividends, but the earnings cover on these dividends went up from 2.2 to 2.3 times. This confirms earlier evidence that the tendency to distribute a greater propor-

tion of earnings has been reversed. This is not surprising, for the companies had more invested in working capital and less in liquid form than they had a year ago.

The rise in profits reflected in an average increase from 9.4 to 9.9 per cent in the net rate of return on the net equity capital employed; this increase was less than that recorded in the previous quarter. The net rate of return of the steel companies has risen the most steeply, going up from 10.5 to 12.7 per cent. Elsewhere, the rise in the net return has been modest; the oddity that the net return of shops and stores has fallen from 17.2 to 14.3 per cent arises from the property revaluation of the Lewis's group. But if profits reported in the coming months are sluggish—as they are expected to be—true declines in net returns may occur and this, together with the latest increase in profits tax, may well have an important effect on dividends, especially if the companies concerned have decided to invest more.

| PROFITS, PROVISIONS AND DEPRECIATION<br>(£'000) |                |                                                    |                |                                     | ANALYSIS OF BALANCE SHEETS<br>Published January to March, 1961 (£'000) |                |                        |                            |                |           |
|-------------------------------------------------|----------------|----------------------------------------------------|----------------|-------------------------------------|------------------------------------------------------------------------|----------------|------------------------|----------------------------|----------------|-----------|
| Reports Published<br>January to<br>March, 1961  |                | Reports Published<br>April, 1960 to<br>March, 1961 |                | Capital Liabilities<br>and Reserves | 406 Companies                                                          |                | Assets                 | 406 Companies              |                |           |
| 406 Companies                                   |                | 2,286 Companies                                    |                |                                     | Previous<br>Year                                                       | Latest<br>Year |                        | Previous<br>Year           | Latest<br>Year |           |
| Previous<br>Year                                | Latest<br>Year | Previous<br>Year                                   | Latest<br>Year |                                     |                                                                        |                |                        |                            |                |           |
| Gross trading profit.....                       | 577,016        | 657,985                                            | 2,307,217      | 2,672,603                           | Capital:—                                                              |                | Fixed Assets:—         |                            |                |           |
| Income from investments.....                    | 24,074         | 28,152                                             | 138,172        | 148,486                             | Debtenture.....                                                        | 434,917        | Land, property         | 2,649,759                  | 2,995,486      |           |
| Other current income.....                       | 371            | 302                                                | 2,522          | 1,924                               | Preference.....                                                        | 186,671        | and plant.....         | 812,366                    | 918,218        |           |
| Non-recurring credits.....                      | 20,657         | 10,782                                             | 71,404         | 56,181                              | Ordinary.....                                                          | 847,438        | Less depreciation..... |                            |                |           |
| Total income.....                               | 622,118        | 697,221                                            | 2,509,315      | 2,879,194                           |                                                                        | 1,468,966      |                        | 1,837,393                  | 2,077,268      |           |
| Depreciation.....                               | 120,635        | 134,342                                            | 486,335        | 547,069                             | Reserves and                                                           |                |                        |                            |                |           |
| Income tax.....                                 | 165,677        | 182,344                                            | 704,387        | 791,850                             | Surplus:—                                                              |                |                        |                            |                |           |
| Profits tax.....                                | 34,370         | 44,072                                             | 145,228        | 164,381                             | Capital reserves.....                                                  | 496,158        |                        |                            |                |           |
| Directors' emoluments.....                      | 12,928         | 13,984                                             | 62,711         | 67,847                              | Revenue res. and                                                       | 907,658        |                        |                            |                |           |
| Administrative charges.....                     | 5,095          | 7,441                                              | 18,924         | 22,407                              | carry forward.....                                                     |                |                        |                            |                |           |
| Contingencies, provisions, etc....              | 9,221          | 9,198                                              | 49,342         | 48,417                              |                                                                        | 987,535        | Trade investments..... | 88,057                     | 113,690        |           |
| Pensions.....                                   | 7,176          | 8,639                                              | 32,980         | 35,044                              | Total Capital,                                                         |                |                        |                            |                |           |
| Minority interests.....                         | 7,871          | 9,145                                              | 30,137         | 33,777                              | Reserves and                                                           |                |                        |                            |                |           |
| Loan interest.....                              | 21,764         | 23,174                                             | 69,599         | 75,925                              | Surplus.....                                                           | 2,872,782      | 3,148,407              |                            |                |           |
| Preference dividends.....                       | 6,236          | 6,474                                              | 33,510         | 36,186                              | Outside Interests                                                      |                |                        |                            |                |           |
| Profits retained by subsidiaries.....           | 46,052         | 48,416                                             | 177,593        | 197,002                             | in subsidiaries.....                                                   | 107,056        | 117,225                | Intangible Assets.....     | 63,386         | 78,493    |
| Ordinary dividends.....                         | 95,062         | 105,853                                            | 360,193        | 453,538                             | Current Liabilities                                                    |                |                        |                            |                |           |
| Reserves (parent company).....                  | 77,711         | 106,590                                            | 298,760        | 332,537                             | and Provisions:—                                                       |                |                        | Current Assets:—           |                |           |
| Brought in (parent company).....                | 98,907         | 112,227                                            | 489,579        | 529,195                             | Bank overdrafts                                                        |                |                        | Stocks.....                | 1,143,513      | 1,265,769 |
| Carried forward (parent company)                | 112,227        | 109,756                                            | 529,195        | 602,409                             | and loans.....                                                         | 191,917        | 298,687                | Debtors.....               | 681,024        | 805,032   |
|                                                 |                |                                                    |                |                                     | Creditors.....                                                         | 470,285        | 551,879                | Glit-edred securities..... | 70,638         | 62,797    |
|                                                 |                |                                                    |                |                                     | Other current                                                          |                |                        | Other marketable           |                |           |
|                                                 |                |                                                    |                |                                     | liabilities.....                                                       | 311,729        | 354,184                | Investments.....           | 21,585         | 25,486    |
|                                                 |                |                                                    |                |                                     | Future taxation.....                                                   | 229,101        | 259,098                | Cash.....                  | 328,677        | 380,219   |
|                                                 |                |                                                    |                |                                     | Other provisions.....                                                  | 51,402         | 59,309                 |                            |                |           |
|                                                 |                |                                                    |                |                                     |                                                                        | 1,234,435      | 1,483,157              |                            | 2,245,437      | 2,479,338 |
|                                                 |                |                                                    |                |                                     |                                                                        | 4,234,273      | 4,748,789              |                            | 4,234,273      | 4,748,789 |

The usual detailed analyses of Company profits and balance sheets appear on pages 500 and 501.



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arrangements, and he considers that the problems can be considered calmly and deliberately, since he sees no evidence of any general lack of world liquidity at present.

The Fund has already made a little progress in widening the basis of its operations. Almost immediately after Britain's acceptance of Article VIII in February, sterling was for the first time used for repayments to the Fund, by Burma. Chile has drawn Argentine pesos to repay an accumulated bilateral balance—the first time that a Latin American currency has been drawn. Latin America and other non-industrialised countries are playing a growing part in the Fund's lending.

### Black Warning

THE World Bank too, as Mr Eugene Black points out, is doing more in Latin America, as more countries have achieved relative financial stability. The pace of the bank's lending as a whole, however, seems to be showing signs of slackening. In the nine months to end-March its new loans totalled only \$380 million, compared with the recent annual rate of around \$700 million. In many countries the check is imposed by the borrower's existing debt burden. It is in these instances that finance may be made available through the new International Development Association. For the first projects, not yet announced, credits will be for 50 years, free of interest, and repayable in foreign exchange by amortisation after a ten year period of grace. It is already clear, Mr Black recognises, that the needs of potential borrowers are far greater than can be covered from IDA's slender resources. He hopes that in due course there will be a "substantial increase"—and also that countries contemplating an increase in their aid programmes may channel part of the additional funds through IDA.

At the same time Mr Black gives an urgent warning. All the efforts of industrial countries could be nullified, he declares, if population in the poorer countries continues to grow at its present rate of 2 or even 3½ per cent a year. He argues that to point to the favourable economic effects of a growing population are "widely irrelevant" to the problems of most developing countries today. "We are coming to a situation in which the optimist will be the man who thinks that present living standards can be maintained."

### BANK CREDIT

#### Relief for How Long?

THE April statements of the clearing banks show a marked improvement in liquidity, despite a further substantial rise in advances. The average liquidity ratio rose from 30.4 to 32.0 per cent—higher than in April, 1960—and the three big

### BUSINESS NOTES

banks whose ratios fell below 30 per cent in March are now all above the minimum. One important influence in bolstering liquidity was the maturity of the 2½ per cent Funding Loan on April 15th. This accounted for the bulk of the further decline of £72 million in bank investment portfolios—bringing the ratio of gilt-edged holdings to deposits down to 13.7 per cent. The encashment of these bonds must also be partly responsible for the unusually large rise in the banks' holdings of Treasury bills and other liquid assets in April. For a year or so previously the substantial volume of funding through the gilt-edged

### LONDON CLEARING BANKS APRIL 19, 1961

|                                           | £ mn. |      | Change on<br>Month<br>£ mn. | Year<br>£ mn. |
|-------------------------------------------|-------|------|-----------------------------|---------------|
| Gross deposits .....                      | 7,332 |      | +143                        | +121          |
| Net deposits* .....                       | 6,857 |      | +160                        | +227          |
| Liquid Assets .....                       | 2,349 | 32.0 | +160                        | + 87          |
| Cash .....                                | 591   | 8.1  | - 12                        | + 18          |
| Call money .....                          | 612   | 8.3  | + 29                        | + 71          |
| Treasury bills .....                      | 918   | 12.5 | +127                        | - 86          |
| Other bills and<br>"Liquid" credits ..... | 228   | 3.1  | + 16                        | + 84          |
| Special deposits .....                    | 142   | 2.0  | - 1                         | +142          |
| Risk Assets :—                            |       |      |                             |               |
| Gilt-edged .....                          | 1,002 | 13.7 | - 72                        | -307          |
| Other market in-<br>vestments .....       | 113   | 1.5  | Nil                         | - 17          |
| Advances* .....                           | 3,423 | 48.4 | + 69                        | +330          |
| (to State Boards)                         | 64    |      | + 2                         | - 14          |

\* Excluding all transit items, except ratio of advances to deposits; all ratios are of gross deposits.

market together with the sterling funds accruing to the Exchequer as the counterpart of the large external deficit had reduced the government's need to borrow from the domestic banking system. The revival of demand for gilt-edged after the budget will tend to put renewed pressure on bank liquidity—unless the authorities do something about it.

The increase of £69 million in net advances in April was spread across most categories of borrowers, and included some known seasonal and temporary influences—a number of big banks showed virtually no change. From now on seasonal influences should become less expansionary. But so far advances have shown surprisingly little response to the slackening in stockbuilding that appears to have taken place in industry. Even with many personal borrowers being held back, the underlying demand for advances is strong.

### ENGINEERING

#### Home Orders Increase

THE Board of Trade's latest figures for engineering output and orders show no sign of any slackening in the total pressure of demand on this group of industries, which make a wide range of capital goods from steel works to small machine tools and some consumer products such as household appliances. Indeed, the flow of new orders appears to have picked up again during

### THE ECONOMIST APRIL 29, 1961

January and February after running fairly level for the greater part of 1960. Virtually the whole of this increased ordering has come from the home market for capital goods of one kind and another: export orders are still running at almost the same rate as a year ago.

### ENGINEERING OUTPUT AND ORDERS

|              | Output<br>(1958=100) | Home<br>Orders<br>(1958=100) | Export<br>Orders<br>(1958=100) | Total orders<br>on hand<br>(Jan., 1958<br>=100) |
|--------------|----------------------|------------------------------|--------------------------------|-------------------------------------------------|
| 1959-60:     |                      |                              |                                |                                                 |
| Nov. . . . . | 115                  | 129                          | 125                            | 89                                              |
| Dec. . . . . | 114                  | 115                          | 139                            | 90                                              |
| Jan. . . . . | 108                  | 134                          | 104                            | 92                                              |
| Feb. . . . . | 116                  | 154                          | 129                            | 95                                              |
| 1960-61:     |                      |                              |                                |                                                 |
| Nov. . . . . | 120                  | 130                          | 133                            | 105                                             |
| Dec. . . . . | 125                  | 115                          | 121                            | 104                                             |
| Jan. . . . . | 111                  | 132                          | 115                            | 105                                             |
| Feb. . . . . | 123                  | 161                          | 120                            | 108                                             |

Engineering production is now about three to four per cent greater than last year but the volume of orders has been higher still. The total engineering order book has therefore begun to lengthen out once again. The back-log of orders for the home market, provisionally estimated as standing at 110 (January 1958=100) at the end of February, is about six per cent larger than at the end of December. Total outstanding export orders, put at 104 at the end of February, are barely any more than at the end of last year.

### PENGUIN BOOKS



PENGUIN-STAGS—or should it be stag-penguins?—are a zoological absurdity. But not so in the City of London, where there was a rush on Monday for application forms to subscribe for 750,000 ordinary shares of Penguin Books at 12s. each and a prompt and massive over-subscription for the issue on Thursday. This, like the recent Jaeger issue, was an instance of the household word. Perhaps it was even more than this, for the sight of the familiar penguin on every bookstall in this country (and a good number abroad) was as much as an advertisement for the offer of 30 per cent of the company's equity as the solid text of the prospectuses published in the City columns.

Unless the shares were offered at an absurdly low yield—which, in fact, they are not—this is one of those issues which simply could not fail. But, for those who care about such mundane things, the financial details are not unimpressive. Net tangible assets amount to just over 5s. per share; but who, least of all the stags, denies the goodwill? Profits have fluctuated widely in the last ten years, as a result largely of variations in the provision made against book stocks. In a bad year, such as 1955,

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this amounted to a charge of £107,000 and gross profits came to only £44,000; in a good year, such as 1960, it resulted in a credit of £48,000 which was included in the profit of £365,000; and, on the average, it has resulted in an annual charge of £35,000 against profits. But, over the last decade, the trend in profits despite the increase in competition from other paperbacks has been upwards. Last year, *Lady Chatterley's Lover* added £62,000 to profits and this year it is thought it will add another £50,000. The directors, however, have preferred to make their forecasts ex the lady, saying that, ignoring the £50,000, gross profits should amount to £200,000. Such a profit would indicate an earnings cover of just under 2½ times on the forecast dividend of 13½ per cent. The yield on the issue price is 4.6 per cent. The shares will obviously go to a premium and once the market has settled down the dealers can decide whether to call the shares "Penguins" or "Chatterleys." One hopes they will take the long view and plump for the former.

### BREWERY SHARES

#### ICTA Merger Terms

WHILE shareholders in Ind Coope, Tetley Walker and Ansell's will appreciate the reasons given by their directors for the merger between the three of them to produce the biggest brewing group in this country, they may wonder how quickly the benefits of a merger carried out through the medium of a holding company will be reflected in actual profits. Can all three breweries be expected to drive forward at the same pace? And, if they cannot, then is it not the shareholders in the laggard company that are the gainers? Perhaps, therefore, shareholders should content themselves with the thought that a merger such as this is as much a defensive shield as an offensive weapon. On those grounds, they can look upon the terms of the merger as being satisfactory.

They are based, as had been expected, on earnings and some account has been taken of profits earned since the close of the financial year; this is especially important for Tetley Walker shareholders, for that company has done particularly well since it was created in the autumn by the merger of Tetley and Walker Cain. The terms for ordinary shareholders are: 600 5s. shares in the holding company, ICTA, for every 400 in Ind Coope; 440 ICTA shares for every 100 in Tetley Walker; and 880 ICTA shares for every 400 in Ansell's. Thus about 45 per cent of the ICTA ordinary capital will be attributable to Ind Coope, about 28 per cent to Tetley Walker and 27 per cent to Ansell's. On the basis of the last published figures Ind Coope contributes about 47 per cent of the equity earnings and 54 per cent of the net equity assets to ICTA; Tetley Walker 26

### BUSINESS NOTES

per cent of the earnings and 25 per cent of the assets; and Ansell's 27 per cent of the earnings and 20 per cent of the assets.

Ordinary shareholders in all three companies, on the basis of the dividend forecasts, will gain immediately in income, ICTA will pay a final dividend of 8 per cent for the period to September 30th next; and a reasonable minimum assumption is that in a full year it will pay not less than 12 per cent. If the market prices the ICTA shares on the same yield as Ind Coope (currently offering 3.9 per cent) that dividend assumption points to a price of about 15s. 6d. on the ICTA shares. This, in turn, puts an effective price of 23s. 1½d. on Ind Coope (against a price of 22s. 3d. before the announcement of the terms), 67s. 9d. on Tetley Walker (against 58s. 9d.) and 34s. on Ansell's (against 33s. 3d.). To bid much above these prices for the shares before the merger has had time to produce any

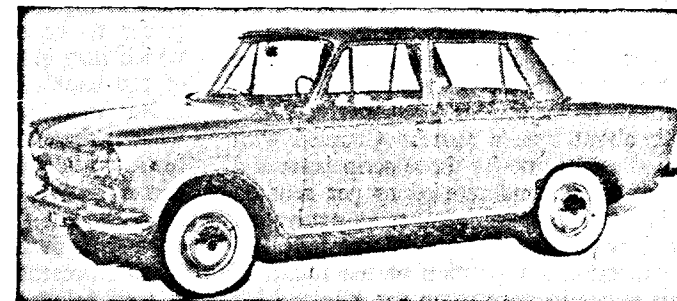
tangible results would be to take a needlessly optimistic view of the future of brewing in this country.

### WAGES

#### The Spread of Earnings

FOR the first time since 1938, the Ministry of Labour has collected information about the spread of industrial earnings as distinct from average earnings, which in October last year were £15 a week for a man working in manufacturing industries. When the usual half-yearly inquiry was made last October, employers were asked to give, as additional information, the numbers of their full-time adult wage-earners receiving weekly earnings within specified earnings bands. In manufacturing

### Fiat Extends Its Range



THE new Fiat 1300 and 1500 models that have been announced this week are not replacements for the familiar 1100, but additions to the range of this Italian group, which now becomes almost as diverse as that of the British Motor Corporation. They are essentially compact, high-performance cars, intended to give much the same performance as the six-cylinder 1800 and 2100 models from which they are derived, and not low-priced economy cars. Though the price has not been announced, they seem likely to compete in performance and capacity with cars like the Volvo, Peugeot 404, Sunbeam Rapier, and perhaps even the Alfa-Romeo Giulietta and Lancia Flavia—but probably selling for about £675, a rather lower price than most of these. If this is so, they should give Fiat a stronger position than it has ever had before in the medium capacity range.

The mechanical design of the 1300 and 1500, which differ only in engine size, is strictly conventional by British standards; the engine is at the front, it drives a solid rear axle, which is suspended on half-elliptic leaf springs, while the front wheels are mounted on wishbones and sprung by coil springs. And following what is almost a British convention by now, disc brakes are fitted on the front wheels. The weight of the car has been kept down to about 18 cwt; with highly efficient engines that develop 65 or 72 bhp, this gives a power-weight ratio roughly the

same as that of the 1800 and 2100. The engines are four-cylinder versions of those that power these bigger cars, but with a slightly longer stroke and bigger inlet valves to increase the power. A top speed of 87 mph is claimed for the 1300, and one of 93 mph for the 1500—speeds comparable to those of the 1800 and 2100 though acceleration, especially in top gear, is likely to be inferior with the smaller engines. These models should prove strong competitors for the new British cars that are expected to appear this year in the same capacity range. Though this would have seemed bizarre only two years ago, some at least of the British cars will be more adventurous in design.

The new cars will not be sold in Britain until next October; the first marketing efforts will be concentrated, it would seem, on the common market. Fiat has ambitious plans for the production of this model, with capacity at first for some 600 a day. This means a total output of 2,700 a day, but by the end of the year Fiat plans to reach a daily rate of 3,000. Eventually, after the present extension plans have been completed, it will have capacity for 5,000 a day. It will then be in the Volkswagen class for total capacity, though not for individual models. But it should be making more of each model, if it can sell all these cars, than most of its other European competitors—with some advantage in costs as the result.

industries alone, returns have been analysed covering about four-fifths of the total numbers concerned.

The table shows that about one-quarter of full-time men in manufacturing had earnings below £11 10s. a week, a quarter had earnings between £11 10s. and £15, a quarter between £15 and £18, and the remaining quarter had earnings over £18. At the top, 10 per cent got over £21, but only 1 per cent over about £28 10s. Women's pay varied less: three out of five earned between £6 and £9 a week, only 3 per cent earned over £12.

The surprising fact that seems to emerge

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from this inquiry is that there seem to be numbers of men and women working full-time for less than what would now be regarded as a living wage. This needs some qualification. The analysis is supposed to be confined to whole-timers (excluding office staff, commercial travellers and the like), but the definition of "whole-time" is more elastic than might be supposed. Anybody classified as part-time—working less than 30 hours a week—or who regularly worked less than the full normal hours of his class should have been excluded. But, for example, a weekend watchman working 31 hours would properly be included. More-

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over, this inquiry made clear that there were substantial numbers of women who regularly, and by agreement within their establishment, work a shorter week than the legal minimum. Such arrangements help to explain why the average weekly hours worked by full-time women in manufacturing last October was only 40.4 compared with 47.4 for men.

Such inconsistencies may well blur the difference between industries in pay at the

### SPREAD OF WEEKLY EARNINGS IN MANUFACTURING (October, 1960)

| Range of earnings £ | FULL-TIME MEN* |                       | FULL-TIME WOMEN† |                       |
|---------------------|----------------|-----------------------|------------------|-----------------------|
|                     | Per-centage    | Cumulative Percentage | Per-centage      | Cumulative Percentage |
| Under 4             |                |                       | 0.77             | 0.77                  |
| 4-5                 | 0.37           | 0.37                  | 3.56             | 4.33                  |
| 5-6                 |                |                       | 11.53            | 15.86                 |
| 6-7                 |                |                       | 20.94            | 36.80                 |
| 7-8                 | 0.54           | 0.91                  | 22.33            | 59.13                 |
| 8-9                 | 2.17           | 3.08                  | 17.61            | 76.74                 |
| 9-10                | 4.39           | 7.47                  | 11.15            | 87.89                 |
| 10-11               | 6.32           | 13.79                 | 5.98             | 93.87                 |
| 11-12               | 8.09           | 21.88                 | 3.14             | 97.01                 |
| 12-13               | 9.40           | 31.28                 | 1.53             | 98.54                 |
| 13-14               | 10.00          | 41.28                 | 0.72             | 99.26                 |
| 14-15               | 10.13          | 51.41                 | 0.37             | 99.63                 |
| 15-16               | 9.29           | 60.70                 | 0.18             | 99.81                 |
| 16-17               | 8.08           | 68.78                 |                  |                       |
| 17-18               | 6.85           | 75.63                 |                  |                       |
| 18-19               | 5.60           | 81.23                 |                  |                       |
| 19-20               | 4.59           | 85.82                 |                  |                       |
| 20-21               | 3.58           | 89.40                 |                  |                       |
| 21-22               | 2.73           | 92.13                 |                  |                       |
| 22-23               | 2.09           | 94.22                 |                  |                       |
| 23-24               | 1.56           | 95.78                 |                  |                       |
| 24-25               | 1.15           | 96.93                 |                  |                       |
| 25-26               | 0.86           | 97.79                 | 0.19             | 100.00                |
| 26-27               | 0.59           | 98.38                 |                  |                       |
| 27-28               | 0.41           | 98.79                 |                  |                       |
| 28-29               | 0.31           | 99.10                 |                  |                       |
| 29-30               | 0.21           | 99.31                 |                  |                       |
| 30-35               | 0.48           | 99.79                 |                  |                       |
| 35-40               | 0.13           | 99.92                 |                  |                       |
| 40-50               | 0.06           | 99.98                 |                  |                       |
| 50 & over           | 0.02           | 100.00                |                  |                       |

\* 21 years and over. † 18 years and over.

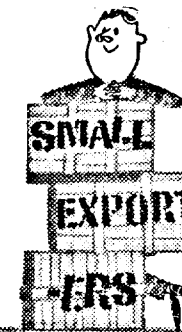
bottom of the scale. At the top end, this survey shows the newspaper printing industry well ahead with 40 per cent of the men in it earning £20 or over, 10 per cent £30 or over, and 2 per cent £40 or over. About a third of men in the motor vehicle industry earned £20 or over and more than a fifth of those in printing, iron and steel manufacture, engineers' small tools, hosiery, cement and the aircraft industry. Industries in which at least 1 per cent of men earned £30 upwards included iron and steel, synthetic resins, industrial plant, shipbuilding and motor vehicles.

## COCOA

### Unstable Still

JUST when it seemed that cocoa was heading for very low prices or that big surpluses would be left in producers' hands, speculators hastened to their relief. Official figures for sales of Ghanaian and Nigerian cocoa were discontinued towards the end of February when disposals had reached 385,000 tons. At the start of this month the marketing agencies of Ghana and Nigeria blandly stated they had only 100,000 tons to sell out of combined main crops of roughly 600,000 tons. Neither

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In the first year of insuring their export business a firm of marine machinery manufacturers shipped goods to the value of £12,000. In nine years this figure had reached over £1,000,000.

## MIDLAND BANK

### A New Round—or Catching Up?

THIS week's proposal of the Midland Bank to raise £24 million by a rights issue has boosted an already buoyant market in bank shares and yields are beginning to look very thin. The Midland's shares rose to over 120s. on the news, so that the one-for-three issue at 60s. makes the rights worth about 15s. a share. Coupled with this issue is a one-for-three scrip issue and a forecast dividend rate of 15 per cent on the increased capital, against an equivalent of 14½ per cent last year. Some investors are expecting a repetition of the round of rights issues in 1959 when the Midland led the field and was quickly followed by all the other big banks. This could happen again; but it can be held that this issue simply brings the Midland into line with the other banks rather than carrying it ahead.

A bank is much less dependent than an industrial company on its capital funds. Ratios of issued capital and published reserves to deposits were eroded drastically by the threefold inflation of deposits after 1939, and the 1959 issues made good only part of the erosion. Most bankers probably agree with Lord Monckton, chairman of the Midland, that the capital funds of a bank should be "well in excess of" the balance sheet value of fixed assets—which should be backed by permanent capital rather than short-term deposits. The Midland's fixed assets—investments in premises, hire purchase and other subsidiaries—amounted to £23.8 million last December 31st, covered almost twice over by its exist-

ing capital funds. There are, however, a number of other long-term commitments, such as export credits, which some bankers prefer to be covered as fixed assets, and which may in fact bring the total in excess of the bank's capital and reserves.

But there is no means of laying down what is the acceptable ratio between capital funds and deposits, and the tendency is for banks to keep in line with each other. The Midland had the lowest ratio at the end of 1958 and then raised only £4 million, so that its present capital ratio at 2.6 per cent is well below the average of the other six banks of 4.1 per cent. The Midland's present rights issue, although the largest ever made by a bank, will still not quite lift its capital ratio to this average level. With these ratios roughly in line, an issue on the scale of the Midland's by any of the other banks would push them well ahead.

The £24 million, Lord Monckton says, "is needed to finance the continuing expansion of the bank's business generally." But any gain in cash resources will be limited by the transfer of deposits by Midland shareholders who also bank with the Midland. The bank would admittedly secure some residual increase in resources to help it regain some of the ground it has recently lost to competitors. But if all the banks decided to raise new capital the total of their aggregate balance sheets, and also their total liquid assets, would remain unchanged. Expansion of the banks is limited by the liquid assets the authorities make available, not on new money raised on the market.

### GUIDE TO BANK CAPITAL

|                     | Date of last rights issue | Number of shares and issue price | Ratio to existing shares | Amount raised (£ mn.) | Ratio of capital funds to deposits (per cent) |          | Share prices (per cent) |               |              | Yield (per cent) |
|---------------------|---------------------------|----------------------------------|--------------------------|-----------------------|-----------------------------------------------|----------|-------------------------|---------------|--------------|------------------|
|                     |                           |                                  |                          |                       | End-1958                                      | End-1960 | Jan. 1959†              | Apr. 20, 1961 | Apr. 2, 1961 |                  |
| Barclays            | May, 1959                 | 5,561,914 at 40s.                | 1-for-5                  | 11.1                  | 3.1                                           | 3.7      | 47/-                    | 84/6          | 89/6         | 2.9              |
| Lloyds              | Mar., 1959                | 6,961,901 at 37/6                | 1-for-4                  | 13.0                  | 3.6                                           | 4.4      | 37/-                    | 71/-          | 73/6         | 2.9              |
| Midland             | Mar., 1959                | 2,019,464 at 40s.                | 1-for-8                  | 4.0                   | 2.1                                           | 2.6*     | 63/9                    | 108/-         | 124/3        | 3.5              |
|                     | April, 1961               | 8,035,657 at 60s.                | 1-for-3                  | 24.0                  |                                               |          |                         |               |              |                  |
| National Provincial | April, 1959               | 10,513,162 at par                | 1-for-1                  | 10.5                  | 2.8                                           | 4.1      | 78/9                    | 89/6          | 94/3         | 3.0              |
| Westminster         | July, 1959                | 3,535,495 at 25s.                | 1-for-4                  | 4.4                   | 3.2                                           | 4.0      | 42/6                    | 77/3          | 83/9         | 3.2              |
| District            | July, 1959                | 1,994,265 at 25s.                | 1-for-2                  | 2.5                   | 3.2                                           | 4.2      | 69/4½                   | 86/-          | 89/6         | 3.6              |
| Martine             | Jan., 1960                | 13,191,064 at 7s.                | 1-for-2                  | 3.3                   | 3.3                                           | 4.6      | 18/3                    | 21/6          | 23/-         | 3.3              |

\* This rights issue will bring Midland's capital ratio to 4.0 per cent. † Allowing for scrip issues, but not for favourable element in rights issues.



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MANCHESTER, NEWCASTLE, NOTTINGHAM, SHEFFIELD



Russia nor the American government, to whom the rumour-mongers persistently ascribed large purchases, claim the credit for lightening the producers' load. Considerable quantities of cocoa seem to have gone to speculators who either believed that after the chilling fall from 290s. a cwt over the past eighteen months cocoa beans at 160s. a cwt were too good to miss, or despite earlier disappointment, anticipated that price support policies assiduously cultivated by some producers would soon bear fruit.

In the swift recovery in prices that was accelerated by the premature disclosure in America of what purported to be the cocoa stabilisation committee's thoughts, the marketing boards sold still more cocoa at prices ranging up to 185s. a cwt. The producers did in fact appoint a committee to draft an international stabilisation agreement based on export quotas. Proposals will therefore be submitted to participating countries. But in the absence of a firm agreement, the market price reacted sharply, but recovered this week following rumours that Ghana's main crop had been over-estimated. Cocoa bean grindings so far announced for the first quarter of 1961 have been disappointing and the surplus from this season's crop will be about 200,000 tons. Ghana has sold this season's cocoa, thanks to the bumper crop, at no loss in exchange earnings, and seems to have become rapidly acclimatised to a price support scheme.

## RAILWAYS

### Discussion Continues

OFFICIAL replies from the Ministry of Transport and the Transport Commission to last year's report on British Railways by the Select Committee on Nationalised Industries show that there are still certain differences of approach between the ministry and the railway management, particularly on such matters as regional accounting and aspects of the ministry's control of railway investment. As about half of all railway freight traffic and about a third of all passenger traffic now passes through more than one region, railway managers ever since nationalisation welded the former companies into one organisation have never thought there was much value to be got from regional accounts.

They still apparently hold to the same view. In its reply, the commission quotes the firm of accountants it asked last year to advise it on how (not whether) regional accounts could be best established as saying that they will not enable the relative efficiency of the regions to be measured nor have "the same meaning" (whatever that phrase is intended to mean) as the consolidated accounts for British Railways. Clearly, the commission—whose writ has now probably less than two years to run—still prefers its own set of costing and statistical measurements for judging per-

## BUSINESS NOTES

formance and adds, no doubt to underline its point, that it proposes to develop in conjunction with regional accounts a series of costing accounts for the main freight traffic flows and passenger services, setting out for comparison the expenses (other than track and signalling however) and receipts of each. The ministry, in its reply, sticks to the view that the Government "attaches considerable importance" to these regional accounts as a means of assisting the regional boards to "secure the highest level of efficiency and economy of operation."

The ministry's and commission's views on control of railway investment seems to be much less far apart. The commission would like the limit for schemes that have to be vetted by the ministry to be raised above £250,000 and it would also like to have some assurances about probable investment allocations beyond just one year ahead to give a firmer basis to its forward planning. The ministry seems willing to accede to the request for a higher limit once it has got a grip on the process of vetting the schemes set out in the four-year programme of investment that it has more recently received from the commission. And the new Government policy for nationalised industries, which was announced after the ministry dispatched its reply to the select committee, goes some way towards meeting the commission's second request in that the Government will now fix an upper limit on investment by each of the state industries for two years ahead.

The likelihood that the Government will be meeting the railways' losses for several years to come makes somewhat academic the select committee's proposal that the railways should be paid separately for running any uneconomic services that are retained on grounds of social need. But the commission states that there would also be considerable practical difficulties in ascertaining just what losses such services made. Branch lines are relatively easy, but other services, such as commuter trains, Sunday and holiday services, and some freight services would be harder to isolate with precision. It is these services, however, that presumably account for much of the present deficit and which would have to be sloughed off, or subsidised in some way, if the railways are to be turned from a public service virtually "on call" that loses money to a commercially viable transport system that sets out to cater only for "base-load" demand and leaves private transport to meet the rest.

## SOYABEANS

### Unbridled Growth

EDIBLE oils have just seen the decade of the soyabean. Output of soyabean oil has doubled since 1950, outstripping the rise in production of its nearest competitor, groundnut oil, though that came a good

## THE ECONOMIST APRIL 29, 1961

second with a rise of two-thirds over the same period. From the middle of 1958, prolonged drought in the coconut countries of the Far East made coconut oil so scarce and dear that western Europe cut its purchases to little more than half and margarine manufacturers turned to soya-beans to make good part of the deficiency.

Coconut oil is now in surplus, and prices have slumped by one-third from last year's peak to less than the current prices for groundnut and soyabean oils. Liquid oils can be hardened and used as substitutes for coconut oil in the manufacture of margarine, but coconut oil cannot be substituted for liquid oils when its own price falls. Just when soya-beans might be expected to end their good run, a calamity befell the Chinese farmers who produce most of the half of world supplies that the United States does not produce. Speculation broke out in this commodity, whose staidness had become a byword, prices advanced sharply last autumn and they are still rising. A year ago, soyabeans cost £34 a ton; the price is now £49 a ton.

Members of the Common Market take over 10 per cent of all American exports of soyabean oil and one-third of its soya-beans and, unlike customers under foreign aid programmes, they pay cash on the nail. "The Six" has an Achilles heel in so far as half of its requirements of oils and fats have to be imported and their proposed import policy would admit oil-seeds and oilseed meals—but not processed oils—duty free. France may therefore remove the tariff on soyabeans. The United States Department of Agriculture has surveyed this market and its conclusion favours soyabeans. Because of the encouragement of domestic agriculture no one expects that "the Six" will provide an expanding market for imported fats and oils. But higher incomes, a growing demand for animal products and the spread of mixed feeding should ensure greater imports of feeding meal containing soyabeans.

## SHORTER NOTE

Lloyds Bank has revealed this week that the funds administered by its trustee department total £200 million. This may be the largest at any bank—none of the others have disclosed their figures.

## COMPANY AFFAIRS

Comments on pages 495, 496 and 497 on:  
Dunlop Rubber Charterhouse  
Thomas Tilling Sears Holdings  
Elliott-Automation Vickers  
Gallaher United Drapery  
Royal Mail A E I  
Reynolds Burmah Oil

## LONDON AND NEW YORK

Stock prices, yields and security indices on pages 498 and 499

## LONDON STOCK EXCHANGE

The week's movements reported on page 497

## MONEY AND EXCHANGES

Money market report, exchange rates and public finance on page 502

## THE ECONOMIST APRIL 29, 1961

## COMPANY MEETINGS

# UNILEVER LIMITED

## MR GEORGE COLE ON INCREASED COMPETITION ON MANY FRONTS

### CHANGING SCENE IN AFRICA

#### THE CONGO IN 1960

The annual general meeting of the members of Unilever Limited was held on Thursday, April 27th at the Hall of the Chartered Insurance Institute, 20, Aldermanbury, London, EC2. Mr George Cole presided.

Addressing the meeting the chairman said:

In the Directors' Report and the Review of Operations which accompanies it, we have tried, as usual, to give a picture of how your business has fared during the year, and, as usual, our chief problem has been how best to give you a sight of the wood without bewildering you with a multitude of individual trees. You will not want me to go over the same ground again this morning. But 1960 was dominated, so far as Unilever was concerned, by one or two dramatic events quite outside the normal pattern of our experience. It is largely about those that I wish to tell you something more today.

#### UNILEVER'S POSITION IN AFRICA

In world affairs, 1960 was above all the year of Africa, a continent in which Unilever has many and diverse interests. Last year we had about £133 million, or nearly 22 per cent of our capital resources, invested in that Continent, and besides that we had £12.75 million invested in Palm Line, which meant 21 ships plying between Europe and West Africa and dependent, while employed in that way, on the prosperity of Western Africa.

By territories, our African investments in order of magnitude look like this:—

|                                                                | Million | Total Unilever capital employed % |
|----------------------------------------------------------------|---------|-----------------------------------|
| Commonwealth W. Africa                                         | 76.5    | 12.6                              |
| Congo Republic .....                                           | 22.75   | 3.7                               |
| West African States formerly under French Administration ..... | 14.0    | 2.3                               |
| Kenya, Uganda, Tanganyika .....                                | 9.25    | 1.5                               |
| Union of South Africa ...                                      | 8.25    | 1.4                               |
| Central African Federation                                     | 1.75    | 0.3                               |
| North Africa and other territories .....                       | .75     | .1                                |
|                                                                | 133.25  | 21.9                              |

#### MAJOR POLITICAL EVENTS

Let me now remind you of only a few of the year's major political events in Africa.

Nigeria achieved independence: this is the country in which we have our greatest invest-

ment in Africa—£48.5 million. Our business there had a most successful year and we continue to find new outlets for our enterprise and our management skills.

Ghana was declared a Republic on July 1st. We have been able to adapt ourselves to the changing patterns of commerce in this country, and our business has done well.

The satisfactory results from Commonwealth West Africa as a whole are the outcome of applying specialised skills to our merchandising business, of developing techniques of marketing and of the introduction of manufacturing processes, ranging from motors to mattresses and from plywood to plastics.

The year saw, too, all the remaining French-speaking dependencies of Tropical Africa achieve full independence and our businesses there, adopting similar specialised patterns of organisation, had a highly successful year. There was, however, the outstanding exception of Guinea, a subject to which I will return.

Over in East Africa the story is less satisfactory. Our main business there, which operates under The United Africa Company, is concerned principally with the sale and servicing of agricultural machinery, motor vehicles and technical goods. Its most important market is in Kenya where political uncertainties have led to a flight of capital. This has caused the business to run at a loss and we have had to trim it. However, East African Industries, in which, in partnership with the Colonial Development Corporation and the Industrial Development Corporation, we manufacture soaps and edible fats, had a good year.

We also have a substantial investment in South Africa. This business has, happily, been unaffected by the political issues which are familiar to you all. It has not only successfully combated increased competition, but returned record sales and profits. And we can report similar results from the Rhodesias and Nyasaland.

#### THE CONGO

But it is the Congo, above all, that has most attracted the world's attention in 1960 and it is there that, apart from our stake in West Africa, we have our largest investment—nearly £23 million. The Congo Republic is a country as big as Western Europe, but with only 14 million people. Over a great deal of it, from the air, you see nothing but forest and river—sometimes only forest—stretching away to the horizon without a trace of human settlement. Leopoldville and the other modern cities are very small indeed in that immensity: most of it is very far removed from city life.

We have three main businesses in the Congo.

First, we have Marsavco, a company which makes and sells soap, margarine and edible oils. The business is a modest one and it is of the same general character as a good many other Unilever businesses scattered about the world. It has been operating since 1922. Its sales have run recently at about £1,400,000 per annum and it may surprise you to know that in 1960, in spite of everything, it achieved nearly 90 per cent of that figure.

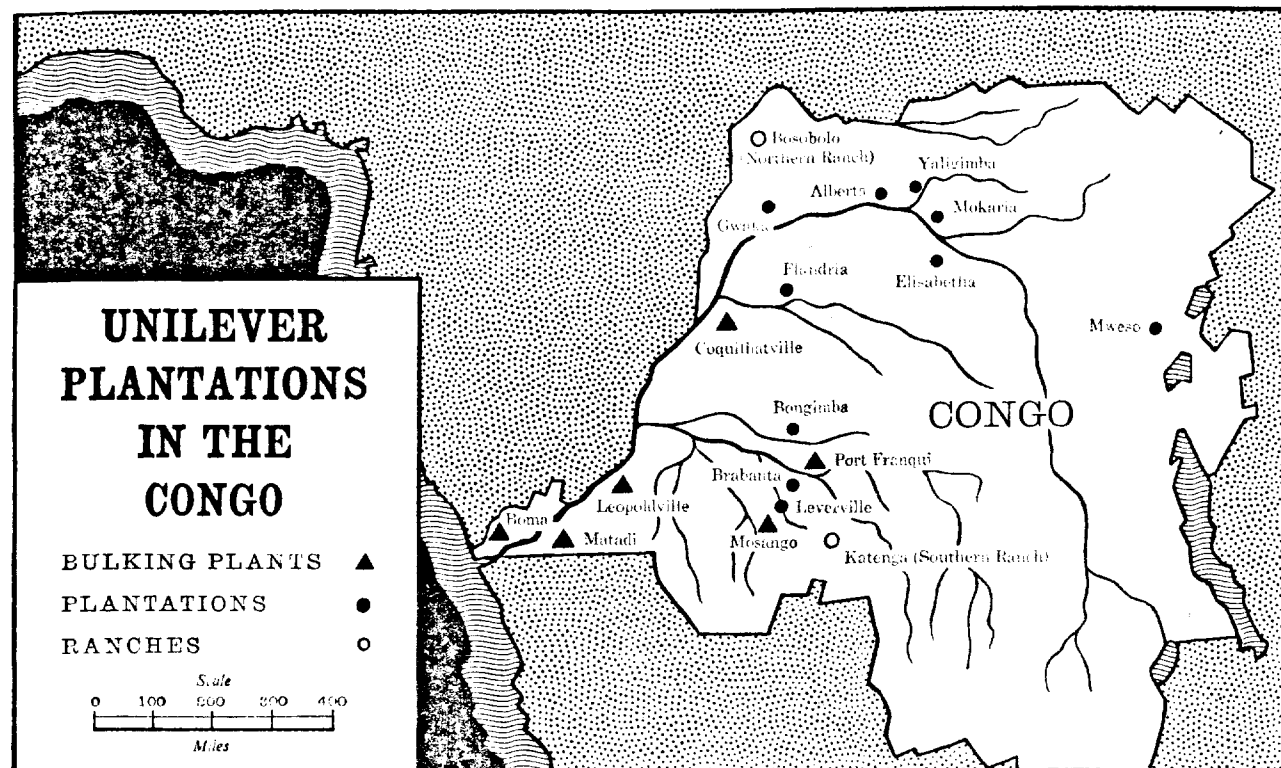
Next there is Sedec, our trading business, an altogether larger affair. It operates under its own name and through subsidiaries, throughout the Congo and Ruanda-Urundi. It deals in manufactured goods, including motors, and in the natural produce of the country. It touches the life of the people at many points, and its operations are of a kind essential to a rising standard of living. The operation demands an expert service to seek out goods from all over the world suitable to the people and the territory.

Manufactured goods include both those which are imported and those which are made in the Congo—about half the goods we sell are locally produced—and they are distributed to stores throughout the country: some in very remote places indeed. From these stores the goods are sold wholesale to trading firms run by Africans and expatriates of many nationalities. The business is done mainly on credit and through it Sedec plays its part in financing the country's trade. The Company normally had debtor balances running to several million sterling.

Sedec's motor business, besides dealing in motor vehicles and accessories, tyres and petroleum, also includes tractors, power units, scooters, refrigerators and air-conditioning plant. The motor trade in the Congo, before the troubles, had become as competitive as it is elsewhere, and it was well acquainted with such things as hire-purchase and part-exchange. It did not, therefore, hold out the promise of making an easy living but, in a developing economy, it ought to have a future, and that was how we saw it.

Wholesale trade, through country stores, is a well-established tradition of African business. As well as this trade, and matching the motors business in the way it looks towards the future, Sedec has a retail business which centres on departmental stores in the main towns. In the larger places, in normal times, they would carry the same kind of varied stock as you would find in departmental stores in Europe.

A pharmaceutical subsidiary of Sedec, Pharmaf, operates chemists' shops in a number of the larger towns. Each is in the charge of a



qualified pharmaceutical chemist and we consider that they represent a useful contribution to the health services of the country.

The other main side of Sedec's business is in produce for export. The main commodities are palm oil and palm kernels, but there is also a substantial trade in coffee, particularly from Ruanda-Urundi. Coffee is that territory's main cash crop, and in normal times Sedec finances the processing and marketing of some considerable part of it: at present we have a substantial sum blocked there by exchange difficulties. As well as the things I have mentioned, Sedec's produce trade covers the buying and marketing abroad of a great deal else—hides and skins, for instance, and rubber, cocoa and various oil-seeds.

Sedec's business, as you see, is varied and important, both to ourselves as a profit-earner and to the Congo as part of its essential distributive machinery. It has recently had a turnover running at about £25 million a year divided between manufactured goods and produce roughly in the proportion four to one.

#### SUBSTANTIAL PLANTATION ENTERPRISE

I turn now to our third business, our heaviest capital commitment, Plantations Lever au Congo. We have about 150,000 acres under cultivation, an area rather larger than Middlesex, and we regularly harvest 225,000 acres of natural palmieries as well. Besides that, we have a substantial interest in Cultures au Congo S.A. and Plantations de Bokonge, which have, in all, some 43,000 acres more. To give you an idea of the size of individual plantations, ours vary between 8,000 and 38,000 acres each.

Some of our properties, particularly the group of three near Bumba on the Congo River, are fairly close together, with not more than 80 miles between them, but others are very widely separated, 700 miles or more apart. You must always remember the size of the country. Events in the Congo that you read of in two successive paragraphs of your newspaper may be happen-

ing in places as far apart as are Madrid and Berlin, Ostend and Istanbul, or Tunis and London.

Plantations are more than agricultural ventures, important as that aspect is. There have to be mills and factories, bulk oil tanks and clarifying stations: crushing plant and bleaching plant: all the apparatus of road, rail and river transport, and port installations. All these our plantation enterprise owns and operates, and at the same time we are experimenting with ranches to supply meat to the people who work for us. As well as everything else, we run research units which have had very great success in improving the yield of various crops.

Every acre has had to be hacked from the forest. As we have pushed the forest back, people have come from an uncertain subsistence to find a livelihood where formerly there was none. About 50,000 people are on our payroll for plantations and natural palmieries in the Congo and they live, with their families, in communities which we have set up and which, without the plantations, would wither away—houses, shops, roads, schools, churches, hospitals and all. Taking account of wives and children, there must be about 150,000 people living on our plantations and, as I have tried to indicate, they depend on our activities for the whole material framework of their lives.

Some people think we run these plantations purely as a service to our manufacturing interests in order to provide them with cheap raw materials, but that is not true at all. Our manufacturing companies do, in fact, use material which may well have originated from our plantations, but they buy it from a selling agency, Congopalm, which represents a number of producers and is under a duty to seek the best market price in the interests of all its members. It competes with other selling agencies in the Congo and elsewhere, and its produce competes with other oils from all over the world.

Our plantation enterprise is run as a profit-earner in its own right, and the profit it makes is directly dependent on market prices. It is not

concerned with who eventually uses its produce, and much of what we grow is in any case of no use to any Unilever company as raw material. We make more money out of rubber than out of palm oil: we grow cocoa and coffee and we have made a start with tea. Altogether, last year, our Congo plantations yielded over 90,000 tons of produce worth nearly £7 million.

I have tried to paint a picture for you of Unilever in the Congo. This year marks the fiftieth anniversary of the founding of the first of our businesses there, and I think the total enterprise, as it is today, is something of which we can justly be proud. I have looked at it, so far, as it was in more tranquil times: now let me deal with what has happened since last July.

#### A MAJOR DISASTER

What happened following the granting of Independence in the Congo last year was a major disaster. As the country stood on the eve of Independence, it had a stable administration, one currency and free trade throughout the whole area. These were not advantages to be despised anywhere, least of all in that part of Equatorial Africa, where the mineral resources of some provinces balanced the purely agricultural character of others. As things stand now, the country is split, in fact if not in law, into mutually hostile fragments, with separate governments and separate currencies. The movement of money and of goods has been impeded, partly by the multiplication of currencies and partly by physical obstacles such as the blockade of the Congo River. To all this has been added insecurity of life and property because the administration of law and the maintenance of order have been uncertain and fragile.

Our worst difficulties have arisen in Orientale Province and Kivu and along the uncertain frontiers of those areas. Two of our plantations—Mokaria and Elisabetha—have been severely harried, and the blockade has stopped

the movement of produce down the river, so that work has been interrupted for that reason alone, if for no other. Sedec's business in these areas has also been badly disorganised.

Other parts of the country are calmer, but they suffered disorder in the first months of the troubles. We endured damage and looting, especially in Sedec stores, and in the general terror of the time some of Sedec's customers fled, leaving bad debts behind them. Some have come back and paid what they owed, and things do not now look so black as eight months ago. In the longer term Sedec's most serious difficulty will be the replacement of merchandise that can only be obtained abroad. Except for the Katanga the Congo's economic plight has created a scarcity of foreign exchange, and one result is that many lines of goods cannot be replenished as stocks run down. This is a serious state of affairs for our business.

#### A TERRIFYING EXPERIENCE

The story would have been grimmer if we had not been magnificently served by our people in the Congo. Since last July they have had to bear their full share of discomfort and danger, and some have been very roughly handled. We have a good many African managers and some have been treated worse than Europeans. It has been a terrifying experience for everybody, African and European alike, and some of the labourers on our plantations have been among the worst to suffer.

Before the troubles began, we had arranged for the families of Europeans to leave if they wished, and many did. Communications are especially important at a time of anxiety and danger, and we found our wireless system, established for some years, very heartening to our European staff. Many of them work in remote areas; and by wireless they were linked with their colleagues on other plantations and in Leopoldville. In addition, we had built airstrips on some of our plantations.

Both the wireless sets and the airstrips unfortunately attracted suspicion when the disorders broke out. The wireless sets were taken away from time to time and we were forced to plough up the airstrips.

In spite of all the adversities I have been talking about, things are calm in a great part of the country, and Sedec is indeed at this moment making profits, but in local currency. The plantation results are dependent on our ability to ship the existing stocks, and the signs are that we may be able to do so. Altogether, the African outlook is less dark than one might think.

#### THE PLANTA MARGARINE EPISODE

Now let us come back to Europe.

In the Annual Report stockholders were informed of the unfortunate events that followed the addition of a new ingredient to Planta margarine in the Netherlands. You will have read that the direct losses which resulted from this episode are estimated at a maximum of £700,000 and this amount has been charged against the profits for 1960. The major part of this cost was incurred in buying back margarine which was already in the shops. Claims from those who have suffered from the illness attributed to Planta, which we have voluntarily paid irrespective of legal liability, have so far cost about £80,000.

The report stated that the indirect losses cannot easily be assessed in money. They are mainly the consequence of lower sales. The

total consumption of margarine in the Netherlands in the last three months of 1960 was about 10 per cent lower than normal, and this was, in part, undoubtedly due to the Planta episode, but also in part to the presence on the market of low-priced cold store butter. Our own share of the margarine market fell by about 20 per cent. Since then, however, over half of the lost ground has been recovered.

As stockholders know, a judicial inquiry is now proceeding and its findings are awaited. Meantime, the Board invited Mr Drees, Mr De Monchy and Mr Rykens to form a committee independently of the Company, but with full rights to examine all records and take evidence from any member of the Concern. This very strong Committee was asked to inquire into the events leading up to the introduction of the new emulsifying agent and into any possible shortcomings in the organisation and communications in Unilever, and to ascertain whether the precautions taken when new substances are introduced are adequate.

This Committee has now submitted its findings to the Directors.

#### COMMITTEE'S FINDINGS

The Committee has recognised the correctness of the principle of decentralisation as practised in Unilever but takes the view that responsibility for the addition of new substances to foods and cosmetics should be taken centrally, in order that all factors and experience gained in all countries can, so far as possible, be taken into account.

In conformity with that view, it has been arranged that the final responsibility for all such matters shall rest with one central authority.

As regards the experiments and investigations made before the emulsifying agent was put into use, the Committee believes that, in the light of the knowledge available at that time, it is unlikely that any injurious effect, such as is now imputed to the agent would have been discovered, even

though the tests had been continued for years.

The Committee is satisfied that before the decision was taken to use the emulsifying agent in the Netherlands, many tests of various kinds had been carried out, some of them over long periods. The Committee felt that only experts could express a view as to whether these tests were scientifically adequate. It is a fact that even today the biological explanation of this skin disorder is not known, although a number of scientific bodies have been working on the problem for many months.

As this episode is of particular interest in the Netherlands, my colleague, Mr Tempel, is today giving a rather fuller account of the matter in Rotterdam.

#### THE BRIGHTER SIDE

At the start I mentioned the difficulty of giving you a sight of the wood without confusing you with a multitude of trees. If, today, I have spent rather more time on two particular trees which, in these last 12 months, have in a sense towered above the rest, I hope I have also said enough to show you that they have by no means cast their shadow over the whole of the Unilever wood. Throughout the year many others have been growing and prospering—the metaphor reminds me that not the least of these is our own timber venture in West Africa—and the picture is far from being one of unrelieved gloom.

Even in Guinea, the situation seems somewhat brighter. More than any other territory in West Africa, this country has since independence been largely under the influence of policies usually associated with the Eastern bloc. The application of extreme socialism made it very difficult indeed for our company to operate and our business was gradually brought to a standstill. The government has found, however, that it has not been possible entirely to replace private enterprise by State-owned and regulated organisations.

As recently as March 3rd, President Sekou Toure recognised this quite frankly. In an out-

#### UNILEVER LIMITED AND N.V. GROUPS

|                                         | SALIENT POINTS |               |
|-----------------------------------------|----------------|---------------|
|                                         | 1960           | 1959          |
|                                         | £              | £             |
| Turnover .....                          | 1,847,000,000  | 1,787,000,000 |
| of which Third Party Sales .....        | 1,387,000,000  | 1,329,000,000 |
| Trading Profit .....                    | 104,623,000    | 113,458,000   |
| Taxation for the year .....             | 53,631,000     | 55,805,000    |
| Exceptional profits .....               | 1,861,000      | 3,997,000     |
| Consolidated Net Profit .....           | 51,982,000     | 60,125,000    |
| Ordinary Dividends .....                | 14,544,000     | 13,692,000    |
| LIMITED—per £1 of capital .....         | 4s. 10.9d.     | 4s. 6.5d.     |
| N.V.—per Fl. 100 of capital .....       | Fl. 21.00      | Fl. 20.00     |
|                                         | £              | £             |
| Profit retained in the business .....   | 33,605,000     | 42,666,000    |
| Capital Employed .....                  | 608,391,000    | 577,073,000   |
| Expenditure on Fixed Assets (net) ..... | 50,590,000     | 41,244,000    |
| Depreciation .....                      | 27,279,000     | 25,482,000    |

LIMITED and N.V. are linked by a series of agreements of which the principal is the Equalisation Agreement. This, inter alia, in effect equalises the right of the ordinary capitals of the two companies as to dividends and, on liquidation, as to capital value, on the basis of £1 nominal of LIMITED's ordinary capital being equivalent to Fl. 12 of N.V.'s ordinary capital.



spoken address to the Economic Council of the Republic of Guinea, he acknowledged that the structure introduced was more theoretical than practical, and had failed to produce regular food supplies for the needs of the population. He emphasised that within the framework of national aims private enterprise must have freedom of action. He said that the newly installed methods had resulted in a sacrifice of speed and he spoke of stocks of certain goods being depleted not through the fault of business men but simply from the inexperience of those whom the State had put in charge of business.

We feel that you should know of this courageous recognition of the failure of a state organisation to match the services rendered by private enterprise.

#### INCREASED COMPETITION

Finally, I do not want to leave you with the impression that it was Planta and the Congo that were the only causes of the fall in our profits last year—a fall which took place at the same time as there was an increase in sales. Our Congo and Planta experiences, which were both outside the normal pattern, contributed to the fall. But another factor, which in itself is nothing new, played its part. This was competition, which last year was intensified and more widespread, and to get our sales above their 1959 level we have had to fight very hard. The fight continues, and fighting is always expensive. But competition is a normal part of our lives, and I do not stand here to complain of it. I think our managers are well able to look after your interests.

The Chairman concluded by moving the adoption of the Report and Accounts for the year 1960. Mr J. A. Connel, Vice-Chairman, seconded the motion and it was carried unanimously.

The proposed final dividend of 3s. 1.2d. per £1 of Ordinary Stock and a dividend of 6 per cent on the Deferred Stock payable on May 12, 1961, were approved.

The retiring Directors were reappointed with the exception of Mr F. D. Morrell who for reasons of health did not seek re-election.

The remuneration of the Auditors, Messrs Cooper Brothers & Co. and Messrs Price Waterhouse & Co., who had been re-appointed under the provisions of the Companies Act, 1948, was fixed.

*(Copies of Mr George Cole's speech are available on application to Information Division, Unilever House, Blackfriars, London, E.C.4.)*

#### UNILEVER N.V.

The annual general meeting of the Members of Unilever N.V. was held on Thursday, April 27th, at Burgemeester s'Jacobplein, Rotterdam, Mr F. J. Tempel presided and made a speech in similar terms to that delivered by Mr George Cole at the annual general meeting of Unilever Limited, reported above.

The Report and Accounts for the year 1960 were adopted. The proposed final dividend of 13 per cent on the Ordinary capital (being the equivalent of the final dividend for the same year to be paid by Unilever Limited on its Ordinary Stock, calculated in accordance with the provisions of the Equalisation Agreement) was approved; the retiring Directors, with the exception of Mr F. D. Morrell, and the Auditors, Messrs Price Waterhouse & Co. and Messrs Cooper Brothers & Co., were re-appointed.

## COMPANY MEETING REPORTS METAL CLOSURES GROUP LTD.

### PROFITS PASS THE MILLION MARK

The twenty-fifth annual general meeting of Metal Closures Group Limited will be held on May 17th in London.

The following is an extract from the circulated statement of the Chairman, Mr Keith D. Erskine:

1960 was the first complete year of trading since the merger of Metal Closures Limited and John Dale Limited. Metal Closures Group Limited is now a holding company with Metal Closures Limited and John Dale Limited as its two main operating subsidiaries.

I am glad to report that 1960 was a successful year and we earned well over £1 million before tax. Both Metal Closures Limited and John Dale Limited broke their previous profits records without taking account of the profits of companies acquired during the year.

The net profit of the whole Group before the deduction of minority interests and before taxation amounts to £1,121,177. This compares with the 1959 figure of £856,066 which included a full year's profits of John Dale Limited.

Your Directors recommend a final dividend of 6½ per cent which makes a total distribution of 11½ per cent for the year on the Ordinary Capital as increased. The distribution for 1959 would have been equivalent to 9.6 per cent on this increased Ordinary Capital.

The results show a satisfactory continuation of the growth which has taken place in the business of Metal Closures Limited and John Dale Limited in recent years.

## POLLARD BALL AND ROLLER BEARING CO.

### INCREASING DEMAND FOR PRODUCTS

The annual general meeting of Pollard Ball and Roller Bearing Company Limited was held on April 25th in London, Mr F. C. T. Lane, FCA (the chairman), presiding.

The following is an extract from his circulated statement:

The consolidated Profit and Loss Account for the year ended December 31, 1960, shows that, after deducting all expenses including depreciation, £625,128 was earned before tax compared with £514,950 for the previous year. Taxation takes £291,248 of our earnings leaving £333,880 available as a net result of the year's effort.

Available for distribution, including the amount brought forward, is £470,626. The net dividend on the preference shares takes £3,675 and a final dividend of 15 per cent on the ordinary capital as increased during the year, together with the interim dividend already paid, will absorb £123,901. General Reserve Account receives £203,979 and there remains a balance of £139,071 to carry forward.

#### EXPANSION OF FACTORIES

Whitehouse Industries Limited has been rehoused in its own freehold factory at Pontefract, to which a new bay has already been added and adjoining land has been bought to allow for further growth. The "Philidas" Self-Locking nut had its best year ever and we look forward

## THE ECONOMIST APRIL 29, 1961 FURTHER GROUP EXPANSION

Since the last Annual General Meeting a number of other companies have joined the Group. The policy behind these acquisitions has been to strengthen the Group in the packaging industry at home and overseas. Continuity of management has been preserved and I am confident that these companies will add to the future stability and earning power of the Group.

The demand for almost all the Group's products, which consist mainly of closures, collapsible tubes and other containers, was at record level during 1960.

The urgent need for increasing British exports has become even more apparent in the past year. I am therefore particularly glad to report that the Group's exports reached record levels. Our exports take several forms: the sale of finished products, principally metal closures, the hire and sale of specialised plant to licencees overseas and the export of "know-how" for which we receive payment under licence agreements. There have been increases under all these headings.

In Europe negotiations are in an advanced stage for setting up our own production facilities in order to give us a full opportunity of taking advantage of the expanding demand in the Common Market.

After reviewing the progress of the subsidiary companies in South Africa and Canada the chairman, in referring to the current outlook, said: The demand for our products continues good but competition is increasing and it becomes less easy each year to find further ways to combat rising costs. Nevertheless in the absence of unforeseen circumstances we look forward to another satisfactory year.

to increasing demand for this specialised product.

We have already extended our main building at Ferrybridge, now exclusively used by Pollard Bearings Limited, and are in course of erecting other buildings to cope with the increasing demand for our products.

Pollard Bearings (Northampton) Limited has made a very satisfactory contribution to the trading profits.

Canadian Pollard Bearings Limited has made steady progress and while S.A. Pollard Roulements, our French subsidiary, traded at a small loss in its first full year, some contribution to our wellbeing will be forthcoming from that Company in the future.

1960 gave us a substantial increase in our direct exports and present indications are that this will continue.

#### SATISFACTORY CURRENT ORDER BOOK

Our sales for the first two months of 1961 are in excess of those for the corresponding period of last year and our order book is in a satisfactory condition. Your Board are confident that while margins are tending to narrow, given reasonable conditions of world trade some further progress can be expected in the current year.

The results are due to the willing and happy co-operation of all members of our organisation from the management to the factory floor and our thanks are due to them for their sustained efforts.

The report and accounts were adopted.

## THE ECONOMIST APRIL 29, 1961

## COMPANY MEETING REPORTS

# THE PRUDENTIAL ASSURANCE COMPANY LIMITED

(Incorporated in England)

## ANOTHER VERY SATISFACTORY YEAR

### RECORDS ACHIEVED AT HOME AND ABROAD

The Annual General Meeting of the Prudential Assurance Company Limited will be held on May 11, 1961, at 142, Holborn Bars, London, E.C.1.

The following is an extract from the Statement by the Chairman, Sir Frank Morgan, MC, on the Report of the Directors and Accounts for the year ending December 31, 1960.

I am departing this year from the custom of delivering a speech at the annual general meeting of the Company. And in place of the remarks I would normally have addressed to shareholders on May 11th, I am issuing now the following statement dealing with the progress of the Company during the year under review. The welcome with which changes made three years ago in the form of the Report and Accounts were received leads me to hope that the present change of procedure will also commend itself to shareholders as helping to provide a clearer picture of the Company's affairs than might be possible from a study of the Report and Accounts in isolation.

It is gratifying to report another very satisfactory year.

At home, record business was written in all Branches, thanks mainly to the excellent work of our Field Staff.

Group Pension with profits business has continued its rapid expansion.

Overseas Ordinary Branch business again made new records.

Further substantial increases were obtained in investment income.

Substantial increases were given in policyholders' bonuses, and in shareholders' dividends.

New electronic data processing equipment was ordered.

I have to announce that Lord Spens is retiring from the Board on May 11th. He joined the Board in 1948 after an eminent legal and public career and his services have been invaluable. The Directors are recommending that The Right Honourable Lord Coleraine, PC, be elected in his stead.

#### ORDINARY BRANCH

Record new business figures were achieved, both in the United Kingdom and Overseas.

In the United Kingdom the new premium income was nearly £8 million, securing sums assured of £190 million and annuities of £11½ million per annum. The sums assured under individual policies, which are obtained almost entirely through our Field Staff, were £151 million, showing an increase of 13 per cent over the corresponding figure for 1959.

The 1956 Finance Act provided well-justified taxation concessions for retirement annuities for the self-employed and the Company has welcomed the opportunity of making these benefits widely available. By the end of 1960 the annual premium income from this class of business had reached £24 million, securing retirement annuities of over £5 million per annum,

an increasing proportion of this business being issued with participation in profits. The same Act also remedied the tax basis for immediate annuities, and with the improved rates which we introduced towards the end of 1960 we hope to obtain a larger proportion of this class of business in the future.

In the Overseas branches the total new premium income of over £3 million, securing sums assured of £122 million and annuities of 2½ million per annum, accounted for 28 per cent of the figure for the Ordinary Branch as a whole. Record amounts of new premiums were written in Australia, New Zealand and South Africa, and Canada showed an increase over the previous year. Of the total increase for the year in new premiums written overseas, more than half is attributable to Australia and New Zealand.

In November 1960 the Government of Ceylon introduced a Bill, enacted early this year, enabling it to establish an Insurance Corporation and providing that, from a date yet to be announced, new life business could no longer be written in Ceylon by private insurers, whether foreign or local in origin. Despite the strong representations which were made to the Ceylon Government the legislation makes no provision for compensating life insurers for the loss of the fruits of effort in training staff and building goodwill among the public. Our Ceylon business is, of course, relatively small and last year the new premiums accounted for less than one-half of one per cent of the total secured in the Ordinary Branch. This does not however mitigate this disturbing departure from fair principles.

#### PENSION SCHEME BUSINESS

The Prudential has played a worthy part in the development of occupational pension schemes. At our annual general meeting ten years ago my predecessor, Sir George Barstow, announced the introduction of group pension schemes with participation in profits. Four years later the yearly premium income from such schemes exceeded £1 million. Since then, the business has expanded at a remarkable rate, partly through the introduction of new business and partly through the conversion of existing non-profit business. Last year the premium income exceeded £15 million, of which approximately £13 million arose in the United Kingdom and over £2 million Overseas. It has thus developed into one of the Company's main classes of business.

The growth in public demand for schemes with participation in profits has clearly justified our belief ten years ago that such business would become a prominent feature in British insurance and we are naturally proud to have been pioneers. We have been fortunate in the latter part of these ten years in that favourable investment conditions have enabled us to earn higher interest yields, the benefit of which we have been able to pass on in the form of high bonus

rates under the large proportion of the pension scheme business which is now on a with-profit basis. We look forward with confidence to a continuing expansion of our business in this field.

A major overhaul of the law and practice relating to the approval of pension schemes is however overdue, and radical simplification of the procedures could do much to facilitate the spread of the pensions movement among smaller undertakings.

As was expected, the introduction of the state graduated pension arrangements has focussed attention on provision for retirement generally and has resulted in the setting up of new schemes with the Prudential on an exceptional scale. Many of these did not start until after the close of 1960, although the arrangements were by then already completed, and they do not therefore appear in our accounts for the year. Under the majority of these schemes—and, indeed, under most of our existing schemes where a decision has been reached—those concerned have elected to contract out of the new state graduated pension arrangements.

#### INDUSTRIAL BRANCH

New sums assured and new premium income were again a record in this Branch. Although the provision of death cover is still a basic purpose of industrial assurance, as exemplified in the payment of nearly £15 million in death claims last year, the public are increasingly attracted to policies which combine saving with death cover. Over three-quarters of the 1960 new premium income in this Branch was from endowment assurance business. The average sum assured per new policy last year was £82, three times that in 1938.

For many years endowment assurances for sums assured of £100 and over issued in the Industrial Branch have been granted additional accident benefit automatically, the sum assured being doubled in the event of death by accident. Last year this benefit was extended to new whole life assurances for sums assured of £100 and over, and there has already been an increase in the average sum assured under this class of policy.

#### BONUS DECLARATIONS

You will already have seen announcements in the Press regarding our bonus declarations and fuller details are set out in the Directors' Report and the accompanying Valuation Report of the Chief Actuary. Increased rates of reversionary bonus have been declared for policies issued in this country and in most of the major overseas territories in which we operate. In addition, final bonuses have been declared in both Life Branches at increased rates, applying to policies of assurance issued in the United Kingdom up to the end of 1958 which become claims by death or maturity during the remainder of 1961.

It is five years since we introduced the principle of final bonuses into our bonus declara-

tions. The decision to depart in some degree from our normal uniform reversionary bonus declarations was taken because of the circumstances arising from the substantial increases in the dividends on our holdings of ordinary shares in this country. Our view was that since these increases had largely arisen from investments made in the past and were thus attributable in greater measure to older than to newer policies, the older policyholders had a prior claim on the resulting surpluses. In subsequent years dividends have further increased and we have, therefore, been able not merely to continue these bonuses each year but to make a number of increases in the rates. Last year we also extended the range of policies entitled to participate but, as I then stated, it is not to be expected that the range will be further extended. An aggregate of nearly £10 million had been allocated by way of final bonus from previous years' surpluses to the policyholders of the two Life Branches and this year's allocation has contributed a further £5 million.

The effect of these final bonuses can be seen in the case of a typical Ordinary Branch claim that we paid this month. The policy was a 25-year endowment assurance for £1,000 taken out in 1936 when the policyholder was 28. Over the 25 years he had paid £974 in premiums but this outlay would, of course, have been appreciably reduced by income tax rebate. In return he had been covered against death for £1,000 with bonus additions. At maturity he received the sum assured of £1,000, reversionary bonuses of £407 and final bonus of £172 making a total of £1,579. In addition, therefore, to the security provided by his policy during the period of 25 years, the amount received on maturity represented for the policyholder a most remunerative investment.

#### GENERAL BRANCH

In the General Branch the premium income for 1960, together with that of our American subsidiary, exceeded £22 million, an increase of £1½ million. Nearly half of this total arose from overseas sources.

Our gross underwriting profit for 1960 was £864,000. This was less than the record figure of over £1 million for 1959 but was well over twice the 1958 figure of £334,000. These considerable fluctuations in total underwriting profits illustrate a feature that is to be expected in this Branch, and to which I referred last year.

The over-all underwriting results for 1960 were satisfactory, each of the main Accounts producing a profit. At Home, both the Fire Account and the Miscellaneous Account showed a reasonable profit, although the Fire Account bore its share of the continued heavy fire wastage throughout the country and both Accounts were affected by the floods in the later part of the year. The Sickness and Accident Account produced excellent results. After a number of years of poor results there had been a marked recovery in the profit in our Motor Account in 1959. Although considerably less than the 1959 figure the 1960 profit can still be regarded as having been favourable, but the situation, which is of course kept constantly under review, appears again to be deteriorating.

We have had much evidence of the appreciation of policyholders for the swift and sympathetic treatment of their claims for flood damage. In all the areas affected our staff gave prompt on-the-spot service and large numbers of claims were paid within a few days. This practical experience of Prudential service has not

#### COMPANY MEETING REPORTS

only evoked the gratitude of policyholders but adds once again to the Company's reputation.

Our Overseas business was not as satisfactory as in 1959 but produced a small underwriting profit.

In view of the difficult conditions experienced in the North American insurance market in recent years, the results of our American subsidiary, the Prudential Insurance Company of Great Britain, can be regarded as favourable. The dividend of 10 per cent received in respect of the year 1959 which has been included in our interest earnings for last year was an increase of 2½ per cent over the previous year. A dividend of 10 per cent has again been declared for 1960.

Gross interest earnings have again increased very substantially, with the result that, despite the smaller underwriting profit, the net trading profit of £977,000, after allowing for taxation, exceeded last year's record figure of £936,000.

#### DIVIDENDS

The increases in the 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 dividend to the 'A' shareholders. In each of the Life Branches the policyholders' allocation, which for 1959 was 93.51 per cent of the distributable surplus, is now 93.74 per cent.

The net dividend declared on the 'A' shares is 8s. 4d. per share, an increase of 1s. 0d.

The net dividend declared on the 'B' shares is increased from 1s. 6d. per share to 1s. 10d. per share. The allocations to shareholders from the General Branch are once again well covered by the interest earnings of the General Branch funds after deduction of the relevant taxes.

#### INVESTMENTS

For investors, 1960 commenced in an optimistic mood with ordinary share prices reaching an all-time peak early in January. The strength of the market was not however maintained for long; quite early in the year the overseas trading position of the United Kingdom was seen to be deteriorating and doubts began to be felt about the prospects of certain of the major exporting industries.

As the year progressed it became clear that exports were unlikely to expand sufficiently to cover the higher level of imports arising from increased domestic demand. Credit restrictions were imposed in April which added to the general uneasiness, and there was an immediate re-assessment of the short term prospects for ordinary shares. The fall in values was, however, held in check to some extent by the good trading results that continued to be announced and the substantial increases in dividends declared.

The demand for additional capital by industry during 1960 was substantial, exceeding that for 1959, and many companies took advantage of the active market in equities to raise money by rights issues of ordinary shares. Almost three-quarters of the amount raised from the stock market was in this form. The demand for loans nevertheless continued strong and, although Bank Rate was twice reduced towards the end of the year from the high level to which it had been raised in the first six months, long term rates of interest showed an upward trend throughout the year.

Our funds increased during the year by £77 million and this amount, together with the pro-

#### THE ECONOMIST APRIL 29, 1961

ceeds from sales and redemptions, gave us £99 million for new investment. We had, as I indicated in my speech last year, made a number of forward commitments in 1959, and since the demand for funds during 1960 exceeded the supply available we were able to be particularly selective in our choice of investments.

The change in outlook referred to above also caused us to be more selective in the ordinary share market. Our purchases in this field during the year were £24 million in addition to £10 million subscribed for shares issued by way of rights in respect of our existing holdings. In 1959, when we had felt that the prospects of improving returns on ordinary shares were exceptionally good, we invested £41 million, in addition to £4 million by way of rights issues.

The high interest rates that were obtainable on fixed interest securities made it possible for us to secure remunerative investments in this field and we invested £5 million in securities of or guaranteed by the British Government, £5 million in Commonwealth Government, Provincial and Municipal loans, £15 million in debentures, £20 million in mortgages and £18 million in freehold and leasehold property. The demand for finance for industry and for property continued at a high level and we were able to take an interest in a number of excellent projects on attractive terms. A large part of the commitments we have undertaken in connection with property developments are not reflected in the investments made during 1960 but will prove remunerative outlets for part of our funds during the current year and beyond.

The upward trend in long term rates of interest I have mentioned led to a reduction in the market value of our fixed interest securities. There was also some fall in ordinary share prices during the year. There has therefore been some reduction in the margin between the market value of our investments and the book values but that margin is still substantial.

The revenue from our ordinary shares was much improved as a result of the substantial rises in dividend rates that occurred in the United Kingdom during the year. The income from our United Kingdom equity portfolio, adjusted for new purchases, was almost 18 per cent higher in 1960 than in 1959. This larger revenue from ordinary shares was again the main cause of the increase in the average yields on our funds. The gross yield on the funds increased by 8s. 5d. to £6 10s. per cent in the Ordinary Branch and by 9s. to £6 14s. 11d. per cent in the Industrial Branch.

Although small in comparison with those of the Life Branches, the General Branch funds are now substantial and have been expanding proportionately almost as rapidly. When determining how these growing funds shall be invested it has to be borne in mind that, unlike the Life funds, they are held mainly as a reserve against short term liabilities. In addition to the provisions for unexpired risk and outstanding claims which have to be met in the normal course of business, reserves must always be held against the occurrence of an exceptionally heavy claim experience. It is therefore necessary to invest a proportion of the General Branch funds in readily realisable stocks such as short and medium dated British Government securities even though some reduction of interest income may result. Having made provision for cash demands in this way, we feel free to invest the balance of our funds to the best advantage and these investments are spread over all types of industrial securities including substantial holdings of ordinary shares. With the increase in the funds and the improvement in

#### THE ECONOMIST APRIL 29, 1961

yields generally the investment income has risen materially.

#### ORGANISATION AND STAFF

The Prudential was a pioneer in the use of punched card equipment and for the past forty years has been a large-scale user. In common with other leading commercial organisations, we have been studying the developments taking place in the field of data processing by electronic equipment and we already have some years' experience with small installations which have been used in group pensions work and payroll preparation. Last year we took a further appreciable step by placing an order for a large data processing system and the installation is due to be completed towards the end of next year. The system will be used in the first instance to deal with our 1,250,000 individual Ordinary Branch policies in force in the United Kingdom. We intend to maintain a complete record of these policies on magnetic tape and to revise the whole of the records daily. The task of conversion from the old system of records will be a formidable one and its planning and preparation will occupy fully the time available before delivery.

Throughout the year the quality of the service given by the staff to our policyholders and to the Company was maintained at our customary high level of efficiency, and I express to all grades both at home and overseas our appreciation of these services.

#### ALDFORD HOUSE (PARK LANE)

The Twenty-sixth Annual General Meeting of Aldford House (Park Lane) Limited was held on April 20th in London, Lieut-Col John D. George, OBE, TD, FCA, the chairman, presiding. The following are extracts from his circulated statement:

Your directors decided to declare and pay on March 30th a second interim dividend of 4 per cent in respect of the results of the year ended September 29, 1960. This takes the place of a normal final dividend and conforms to the forecast intention published in the offer for sale on June 15, 1960. Progress so far made in the current year indicates that the net profits available for dividend at September 29th next are likely to exceed the estimate of £90,804.

Taxation continues its heavy burden upon our earned income and governmental edicts are a perpetual obstacle in normal day-to-day business. It is high time that the Government took determined and effective action to revise entirely the maze of taxation legislation by the introduction of an understandable consolidation act and, as regards property companies, to enjoin their assessments as one whole solely under Schedule "D" and to give fair and realistic treatment by admitting that amortisation is an entirely proper charge against such profits as they may earn.

Although Current Liabilities and Bank Loan together amount to some £475,000, the Company has properties free and uncharged which, if charged, should produce a sum considerably in excess of that figure. Your directors are giving their proper attention to this and are not oblivious to the possible opportunities to be explored towards achieving further expansion of profitable interests and activities.

The report and accounts were adopted.

#### COMPANY MEETING REPORTS

### THE "SHELL" TRANSPORT & TRADING CO. INCREASED NET INCOME

The Annual General Meeting of The "Shell" Transport & Trading Company, Limited, will be held on May 15 in London.

The following is an extract from the circulated statement by the chairman, The Rt. Hon. Lord Godber:

Your Company's net income for 1960 was £25,446,546, compared with £23,299,295 for 1959. After providing for the dividends on the first and second preference stock and the interim ordinary dividend paid in November, the sum remaining for distribution, including retained earnings brought forward, is £25,048,435.

We feel that we can recommend a final dividend for 1960 on the ordinary capital of your Company of 3s. 0d. per £1 unit, free of income tax, making the total for the year 5s. 0d. per £1 unit, free of tax.

In addition, you will be asked to approve a stock distribution, by the capitalisation of share premiums of one ordinary share for every £5 of ordinary stock or shares held.

The present balance of the authorised ordinary capital available for issue is insufficient to cover the proposed stock distribution. There has accordingly been included in the notice convening the Annual General Meeting a resolution to increase the authorised capital of the Company to £163,000,000 by the creation of 50,000,000 new ordinary shares of £1 each. Your Directors have thought it prudent to take this opportunity to increase the authorised capital by an amount

in excess of immediate needs, but they wish to emphasise that they have no plans at present to issue any of this additional capital for cash or otherwise.

#### THE ROYAL DUTCH/SHELL GROUP

The net income of the Royal Dutch/Shell Group of Companies in 1960 amounted to £177,485,000, compared with £175,535,000 in 1959.

Sales of crude oil and oil products increased in volume by about 7 per cent and sales of chemicals also showed a considerable advance. Competition in the oil industry was, however, even more intense than in 1959, resulting in lower average prices being obtained from sales to customers. Prices of chemical products also came under pressure during the year. For these reasons the substantial increase in trade was not reflected in a corresponding rise in net income.

In 1961 the demand for oil is expected to continue to rise but the present competitive forces appear likely to be maintained for some time ahead.

The wide spread of Group operations, and the strong competitive position of Group companies in markets where the rise in demand is likely to be particularly marked, gives assurance that the Group will participate fully in the expected growth of oil sales.

The profits of the Group chemical business have so far been relatively modest in relation to the total sums invested. Though this industry is faced with many problems, we are confident that our expanding chemical operations will make an important contribution to total Group earnings.

*Gestetner*

LIMITED

TOTTENHAM, LONDON, N.17

The Company sells the world-famous Gestetner Duplicator and accessories, the electronic Gestefax and the Gestelith office offset duplicator. 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, 1961

| FUNDS EMPLOYED                                                                              |            | EMPLOYMENT OF FUNDS                            |            |
|---------------------------------------------------------------------------------------------|------------|------------------------------------------------|------------|
| Issued Share Capital.....                                                                   | £3,444,800 | Fixed Assets at cost, less depreciation.....   | £3,257,557 |
| Reserves employed in the business:                                                          |            | Interest in subsidiaries not consolidated..... | 66,475     |
| Capital Reserves..                                                                          | 1,068,520  | Current Assets... 10,561,489                   |            |
| Revenue Reserves.                                                                           | 4,329,529  | less Current Liabilities and Provisions        | 4,016,794  |
|                                                                                             | 5,398,049  |                                                | 6,544,695  |
|                                                                                             | 8,842,849  |                                                |            |
| Future Income Tax, 1961/62...                                                               | 553,231    |                                                |            |
| 4½% Debenture Stock, 1975/80..                                                              | 472,647    |                                                |            |
|                                                                                             | £9,868,727 |                                                | £9,868,727 |
| PROFIT FOR YEAR after taxation, of Gestetner Limited and its Consolidated Subsidiaries..... |            |                                                |            |
| NET DIVIDENDS to Members of Gestetner Limited:                                              |            | £1,135,718                                     |            |
| Preference.....                                                                             |            | 20,672                                         |            |
| Ordinary: 20 per cent.....                                                                  |            | 330,113                                        |            |
|                                                                                             |            | 350,785                                        |            |
| PROFITS RETAINED IN THE BUSINESS and included above.....                                    |            | £784,933                                       |            |

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



## OTTOMAN BANK

### REVIEW OF WIDESPREAD INTERESTS—LORD LATYMER'S SPEECH

The ninety-fourth annual general meeting of the Ottoman Bank was held on April 26 at Winchester House, Old Broad-street, London, EC2.

The Right Honourable Lord Latymer, the Chairman, presided and, in the course of his speech, said:—As I mentioned in my address to the Shareholders at last year's Annual General Meeting, our claim in respect of the loss of our business in Egypt following the Suez event was duly lodged with the Foreign Compensation Commission in accordance with the terms of the Anglo-Egyptian Agreement of 1959. I will not be in a position to give any further information concerning this claim until the Commission has given its decision in the matter.

#### TURKEY

The year 1960 was marked in Turkey by an important change in the political scene which has had repercussions on the economic life of the country. These repercussions, however, have in no way affected international trade and payments.

Exports and imports continued in the normal way. Transfers of foreign exchange for the payment of goods imported and services rendered as well as in settlement of sums due in respect of debts previously contracted were not delayed.

Turkey's contacts with international institutions such as the International Monetary Fund and the Organisation for European Economic Co-operation continued as usual. The country profited by the support of these institutions in addition to the assistance provided by the United States of America. In this connection might be mentioned a credit of \$130 million granted by the Development Loan Fund for the foundation of a second ironworks with an initial capacity of some 500,000 tons.

As regards the foreign trade position, the trade balance continues to show a deficit. This, expressed in dollars (for the sake of comparison in view of the rate adjustment during 1960) increased from \$116 million in 1959 to \$146,700,000 in 1960.

In the realm of public finance, the budget adopted in March allows, for ordinary expenses, an amount of Ltq. 5,960,000,000 and includes the record figure for public works of Ltq. 2,718,000,000. Priority incidentally has been given to public work projects already in course of completion: a statutory savings law, intended to finance part of these schemes, has been promulgated.

#### SUDAN

The improvement in the financial situation of the Sudan evident in 1959 continued during 1960.

In consequence, it was possible for there to be some easing of the restrictions on imports, and the control of bank finance for these imports, previously imposed. Importers duly took advantage of these relaxations and by the end of the year there was over-stocking of imported goods. The consequent shortage of cash was, to some extent, made more pronounced by increased customs duty and by delays in transit of goods between Port Sudan and the capital.

As mentioned in our last Report, the Bank of Sudan opened in February and has taken over the currency issue from the Sudan Currency Board. In addition, a Mint was established in Khartoum

in November and the Khartoum Bankers Clearing House was opened in December.

Trade figures were: Exports £S.63,400,000 and Imports £S.63,000,000.

Currency in active circulation at December 31, 1960, totalled £S.21,800,000 against £S.21,300,000 at the same time in the previous year.

#### JORDAN

During the course of 1960, His Majesty King Hussein paid visits to Saudi Arabia, Iran, Turkey and Morocco.

During his tour overseas, he attended and spoke on Jordan's behalf at the General Assembly of the United Nations in New York.

During 1960 every effort continued in order to solve the ever-pressing problem of water supply so that organised irrigation may assist in militating against rain failure.

The trade figures showed surprisingly little variation from the 1959 totals; imports amounted to JD.40,400,000 against JD.39,700,000 in 1959 and exports and re-exports totalled JD.3,600,000 against JD.4,200,000. These exports included 325,000 tons of phosphates of an estimated value of JD.1,350,000. An increase in this production is hoped for during 1961.

The Budget totals for 1960/1961 were: Estimated Revenue JD.34,000,000 of which JD.23,000,000 consists of grants largely from the United States of America and partly from the United Kingdom. Ordinary and Extraordinary Expenditure is budgeted for a total of JD.35,224,000.

Currency in circulation has remained stable, the end of year total being JD.16,397,000 against JD.15,981,000 in 1959.

#### IRAQ

Political stability in Iraq has continued during 1960 and has allowed for further development.

Oil production in 1960 was about 46,000,000 tons and oil royalties, which in 1959 had already reached the record figure of ID.86,500,000, in 1960 rose to some ID.90,000,000.

The over-all trade figures, excluding exports of oil, show total imports in 1960 amounting to about ID.139,000,000 and Exports and Re-exports amounting to ID.11,000,000.

Currency in circulation at the end of 1960 totalled ID.80,273,000 compared with ID.83,033,000 at the end of 1959.

The Chairman then reviewed the Bank's interests in Cyprus and Qatar, and continued:—

#### EAST AFRICA

(Kenya, Tanganyika and Uganda)

In the three territories of East Africa in which the Bank is established (in Kenya, in Tanganyika and in Uganda) economic conditions were decidedly difficult through the year 1960. Nevertheless, each of our Branches has progress to report. Moreover, a new Branch was opened in Kampala, Uganda in February. One of the more disturbing features of the general economy was the flight of capital, to which there have been, as you will remember, a number of references in the Press. This tended not only to unbalance the market but was, of course, a serious matter for the Banks. On the other

hand, the export trade in local produce was steady and prices (with the exception of the price of coffee which, as had been expected, fell) were good. Indeed, sisal prices were better than had been expected. Combined Export totals for the year were: Coffee, £34,600,000; Sisal, £20,100,000; and Tea, £7,000,000.

Reflecting recent political developments in East Africa, the general commercial attitude at the moment is one of caution, and this is likely to continue for some time. In general, however, prospects for the future appear reassuring.

#### SOUTHERN RHODESIA

1960 will long be remembered in the Federation as the year in which Her Majesty Queen Elizabeth the Queen Mother visited Rhodesia for the formal opening of the Kariba Dam. Work on the second stage of the Kariba project (namely, the North Bank power station) is now in progress. It was a year of mixed fortunes: tension in the Union of South Africa and the grave events in the Belgian Congo naturally had their unsettling repercussions in the Federation.

In Rhodesia also, as in East Africa, there has been a certain flight of capital. The markets are noticeably short of fresh funds for investment. The note circulation in the Federation of Rhodesia and Nyasaland at December 31 1960, totalled £20,707,000 as against £19,490,000 at December 31, 1959.

#### LONDON AND PARIS, ETC.

The Paris and London Offices of the Bank as well as the Branches in Casablanca and Marseilles, maintained in 1960 their traditional activity, whilst the Geneva Office showed a satisfactory development in its general business.

#### BANQUE FRANCO-SERBE

The General Meeting of Shareholders of the Banque Franco-Serbe, held May 20, 1960 approved the 1959 results and declared a dividend of NF.1 per share.

#### BALANCE SHEET ITEMS

The Balance Sheet totals show an increase of more than £11 million compared with last year "Current, Deposit and Other Accounts" being up by over £9 million and "Acceptances, Endorsements and Guarantees" by nearly £2½ million.

The liquid position is satisfactory with Cash Money at Call and Bills Receivable totalling nearly 47 per cent. of the "Current, Deposit and Other Accounts." Investments remain a much the same figure as last year, whilst "Advances to Customers and Other Accounts" have increased by nearly £8 million.

The result for the year is a profit of £324,39 (against £301,153 last year), whilst remittance in respect of profits of previous years to be brought into account are £125,102 (against £143,450 last year), giving a total of £449,495. Adding the figure of £24,936 brought forward there is a total profit available of £474,435.

£200,000 has again been appropriated to "Reserve for Contingencies," leaving a balance of £274,435. The Committee proposes that this dividend be maintained at 10s. per share, absorbing £250,000 and leaving £24,435 to be carried forward to 1961.

The report was adopted.

## 1960: Another Good Year for Dresdner Bank

Capital and Reserves Increased to about DM 530 Million - 314 Branch Offices in Western Germany  
International Relations Intensified

During 1960, Dresdner Bank AG., one of the leading West German banks, has further extended its domestic and international business. The number of its domestic and foreign clients increased considerably, the network of branches and offices in the Federal Republic was further broadened, the friendly business relations with its more than 3,000 correspondent banks all over the world were intensified, and the capital structure once again amplified. Total resources of Dresdner Bank increased in 1960 by 5.6% to about DM 8,000,000,000. The Bank's favourable development is also reflected in the considerable growth of the number of clients, which rose, by 150,000, to 934,000, and the increase in the number of accounts kept by the Bank, by 209,000, to about 1,330,000.

The Bank's credit business (debtors plus commercial bills discounted) increased by 12%. Including guarantees for account of clients, the total volume of credits granted at the end of 1960 amounted to DM 5,600,000,000 compared to DM 5,000,000,000 the year before.

Dresdner Bank traditionally devotes special attention to its Issue and Stock Exchange business. During 1960, foreign orders for the purchase and sale of stocks and bonds increased considerably. The introduction of foreign shares for listing on German Stock Exchanges contributed to widen the scope of the Bank's business.

Dresdner Bank's international business developed in line with the further expansion of German foreign trade. The Bank's close links with its many friends and correspondents abroad have been further strengthened in the past year.

New services introduced by Dresdner Bank in the last few years (such as small personal loans and various services to further the use of cheques in Germany) developed successfully. The Trustee Department, which deals with the administration and permanent supervision of clients' property, attracted particular interest abroad.

The expansion of the volume of Dresdner Bank's business prompted it to increase the number of its employees during 1960 by more than 1,300 to 13,000 and to widen its network of branches and agencies. Its Regional Head Offices are situated in Düsseldorf, Frankfurt/Main, and Hamburg. 314 branches and agencies are maintained at 192 cities and towns. Moreover, its fully-owned Berlin subsidiary, Bank für Handel und Industrie AG., has 36 branch offices in Western Berlin. Representative Offices of the Bank are maintained in Istanbul, Cairo, Madrid, and Paris. There are also joint representative offices with Deutsch-Süd-amerikanische Bank AG., an affiliate of Dresdner Bank, in the most important centres of Latin America.

The shareholders of Dresdner Bank, assembled on April 18th, 1961 in Hamburg, resolved the payment of a 16% dividend on its share capital, which had been increased from DM 180 Million to 220 Million last year. They further resolved another increase in the capital, by DM 25 Million, to DM 245 Million. After this increase, capital and open reserves of Dresdner Bank will amount to about DM 530 Million, which represents 6.6% of its total resources at the end of 1960.

#### Main Items of the 1960 Balance Sheet as compared with 1959 (Millions of DM)

| ASSETS                                       | 1960    | 1959    |
|----------------------------------------------|---------|---------|
| Cash and due from Central Bank               | 1,243.4 | 848.9   |
| Due from Banks and Cheques                   | 296.5   | 457.2   |
| Bills, Treasury Bills, and Medium-Term Notes | 2,188.5 | 2,536.6 |
| Fixed-Interest Bearing Securities            | 356.8   | 516.1   |
| Shares and Participations                    | 480.0   | 383.5   |
| Equalisation Claims                          | 257.6   | 234.2   |
| Debtors                                      | 2,760.1 | 2,180.5 |
| Long-Term Loans                              | 205.5   | 210.7   |
| Real Estate and Buildings                    | 104.7   | 100.1   |
| Other Assets                                 | 95.5    | 98.2    |
|                                              | 7,988.6 | 7,566.0 |

| LIABILITIES                               | 1960    | 1959    |
|-------------------------------------------|---------|---------|
| Deposits                                  | 4,508.4 | 4,541.3 |
| Savings Accounts                          | 1,451.7 | 1,223.5 |
| Total                                     | 5,960.1 | 5,764.8 |
| Deposits of Banks                         | 1,007.6 | 983.0   |
| Due to Foreign Banks (Nostro Liabilities) | 10.4    | 7.8     |
| Long-Term Funds                           | 144.2   | 129.0   |
| Own Acceptances                           | 0.1     | —       |
| Capital and Reserves                      | 490.0   | 390.0   |
| Special Reserves                          | 301.4   | 227.6   |
| Other Liabilities                         | 74.8    | 63.8    |
|                                           | 7,988.6 | 7,566.0 |
| Guarantees                                | 934.3   | 857.6   |
| Bills Endorsed                            | 131.0   | 113.2   |

| EXPENDITURE                          | 1960  | 1959  |
|--------------------------------------|-------|-------|
| Salaries and Other Staff Expenditure | 154.4 | 135.5 |
| Other Expenditure                    | 48.3  | 40.5  |
| Taxes                                | 131.6 | 105.2 |
| Net Profit                           | 35.2  | 28.8  |
|                                      | 369.5 | 310.0 |

| REVENUE               | 1960  | 1959  |
|-----------------------|-------|-------|
| Interest and Discount | 175.1 | 138.2 |
| Commissions and Fees  | 194.4 | 171.8 |
|                       | 369.5 | 310.0 |

#### DRESDNER BANK

Düsseldorf . Frankfurt/Main . Hamburg

## BRITISH ISLES AND GENERAL INVESTMENT TRUST LIMITED

### HIGHER INCOME AND DIVIDEND DISTRIBUTION

### SIR DENYS LOWSON ON GENERAL CONDITIONS

At the annual general meeting of British Isles and General Investment Trust Limited held on April 20th at Estates House, Gresham Street, London, EC2, Sir Denys Lowson, Bt, the Chairman, in the course of his remarks said:

You will see from the Revenue Account that dividends and interest amounted to £139,105, an increase of £31,967 over 1960. I am pleased to be able to tell you that from a Revenue estimate, which we have prepared for the year to January 31, 1962, barring unforeseen circumstances, we anticipate that our revenue will be well maintained. Your Directors also have in mind the possibility of a small rights issue on bonus terms.

As you will see, the net revenue for the year, after Income Tax and Management Expenses including interest paid on the Debenture stock, amounted to £73,607. After providing for dividends on the Preference stock your directors propose a final dividend of 9 per cent actual on the Ordinary stock making with the interim of 4 per cent actual already paid a total of 13 per cent for the year against 11 per cent paid last

### COMPANY MEETING REPORTS

year. This will leave surplus revenue of £16,032 which will thus allow the carry forward to be increased to £72,778.

Of the total revenue earned by the Company for the year to January 31, 1961, 79.25 per cent is proposed to be distributed by way of interest and dividends; the Debenture stock taking 0 per cent-5 per cent, the Preference stock 5.1 per cent-12.75 per cent and the Ordinary stock 12.76 per cent-79.25 per cent. Our investments had a book value of £1,286,730 with a Market Valuation of £2,242,223, thus showing an appreciation of 74.25 per cent.

### WIDELY DISTRIBUTED PORTFOLIO

Your company's portfolio of Investments is widely distributed. Based on the valuation at January 31, 1961, 83.6 per cent of the Investments are in Companies operating in Great Britain and the Commonwealth, 15.1 per cent in the USA and Canada, 1.3 per cent in Central and South America, while as regards categories, 7.4 per cent are in Bonds, Debenture Stocks and Notes, 5.7 per cent in Preference and Preferred Ordinary Stocks and Shares, and 86.8 per cent in Ordinary and Deferred Ordinary Stocks and Shares.

### EXPORT PERFORMANCE OF VITAL IMPORTANCE

During the year 1960, this country's exports increased by 6 per cent but its imports rose by 14 per cent with the result that our balance of payments showed the worst deficit since 1951. Due, however, to the weakness of the US Dollar

### THE ECONOMIST APRIL 29, 1961

and the high interest rates prevailing in this country at that time, there was an inflow of short-term capital estimated at just over £600 million which enabled our Gold and Convertible currency reserves to be increased by £177 million.

This year has shown that some of these funds have already moved out of the country, following the revaluation of the German Mark and Dutch Florin. If we are to avoid a further reduction in our reserves, it is vital that our performance on current account this year should be a great deal better; in other words, the percentage increase in our exports must be well in excess of the percentage increase in our imports over any given period.

During 1961, the rate of stock-building is expected to fall; this will also mean a decline in imports which should help our Balance of Payments, provided the opportunity is taken to increase our exports. In this connection, the outlook appears reasonably favourable; as, firstly, the USA is moving out of its recession; and, secondly, the exports of goods to Germany will be greatly assisted by the recent revaluation of the Mark.

In conclusion, I would say that our export performance in 1961 is more than ever vital as it would be obviously most unwise to rely on another windfall, of a further inflow of capital funds, on the same scale as 1960.

The Resolution for the adoption of the Report and Accounts was seconded by Mr H. R. S. Stewart, and carried unanimously.

The proceedings terminated with a hearty vote of thanks to the Chairman, Directors and Staff.

### THE ECONOMIST APRIL 29, 1961

## JOHNSON GROUP CLEANERS LIMITED

### A YEAR OF PROGRESS

### MR DOUGLAS CROCKATT ON PROPOSED RIGHTS ISSUE

The Annual General Meeting will be held in Liverpool on May 17th. In the course of his review, Mr Douglas Crockatt says:



Mr Douglas  
Crockatt, JP

Following a disappointing first quarter the trading conditions of 1960 proved favourable. The turnover of the Group showed a healthy increase. Trading profit derived from dyeing and cleaning increased by £70,000. The total profit of the Group, before tax, amounted to £503,000 as compared with £442,000 in 1959. After including exceptional items of income and making full provision for taxation, the Net Profit of the Group is £385,000 against £317,000. Out of this total, £160,000 has been distributed in dividends and £225,000 has been retained in the Group.

Freehold and long leasehold shop properties to a value of £213,000 were sold during the

### COMPANY MEETING REPORTS

year and leased back upon satisfactory terms. Certain other properties, as indicated last year, have been the subject of independent professional revaluations. The enhanced values are now reflected in the Balance Sheet figures.

A new small subsidiary, Johnson Cleaners (South West) Ltd., commenced trading during the year from the works acquired at Plymouth. The Company was operating for a part of the year only and incurred a small initial loss of £1,600. All other companies in the Group traded profitably.

### MODERNISATION AND DEVELOPMENT

Much modernisation is in hand both at works and branches. Vigorous competition is a spur to effort and to constant improvement. Capital costs are likely to continue at a high level during the next year or two, as further shop re-fitting and plant renewals are undertaken. A substantial extension of the Harton Dyeworks at South Shields is now nearing completion. Reorganisation and major building alterations are proceeding at the South Wales works at Cardiff. At our large plants at Bootle, Dewsbury and Acton further re-planning and re-equipment is being undertaken during 1961.

In a Group with so many works and branches spread throughout the country the installation of the very latest machinery and the re-fitting of shops call for careful planning and systematic budgeting. The Group is keeping up to date by the adoption of all new and sound developments in the industry in which it has for so long been the largest enterprise.

### CAPITAL ISSUE

From the circular accompanying the accounts shareholders will see that a Rights Issue is proposed (on the basis of one Ordinary share offered for cash for every four Ordinary shares held) in order to make available about £650,000 of fresh capital. This is the first capital issue to our Ordinary Shareholders for cash in the forty years history of the Group. Since it was formed in 1920, it has been greatly enlarged by the acquisition of additional businesses at a cost exceeding £1,400,000. All this expansion has been financed, save for the temporary assistance of our bankers, from our own internal resources. During the last eight years, since the re-organisation of the Group in 1953, when as will be remembered a large repayment of capital was made to our shareholders, three businesses have been acquired at a cost of over £800,000 and of this sum £600,000 has been found in cash.

These recent purchases and the substantial annual capital needs of the Group are the underlying reasons calling for the Rights Issue. I am satisfied that the sum involved can be profitably employed in the business. An Extraordinary General Meeting will be held at the close of the Annual Meeting to authorise the issue and the changes needed in the capital structure of the Company.

As we look back upon the progress made during a satisfactory year my colleagues and I are grateful for the support of our fellow-workers in management, offices, works and branches throughout the country. Trading in the New Year has started very well and we have a quiet, but robust, confidence in the future of the Group.

## BANCA COMMERCIALE ITALIANA

### HEAD OFFICE—MILAN

London Representative Office : 21, Birchin Lane, E.C.3

BALANCE SHEET AS AT DECEMBER 31st, 1960

| LIABILITIES                       |                             | ASSETS                                                       |                             |
|-----------------------------------|-----------------------------|--------------------------------------------------------------|-----------------------------|
| Capital Stock                     | L. 20,000,000,000           | Cash on Hand                                                 | L. 34,236,274,312           |
| Reserve Fund                      | " 5,650,000,000             | At Central Bank                                              | " 105,160,254,049           |
| Undivided Profits                 | " 1,329,115                 | Government Securities and Securities guaranteed by the State | " 200,067,823,086           |
| Deposits                          | " 1,198,442,109,558         | Securities:                                                  |                             |
| Cheques Outstanding               | " 33,090,604,747            | Shares                                                       | L. 957,662,830              |
| Liability on Acceptances          | " 13,545,842,100            | Bonds                                                        | " 1,737,780,290             |
| Liability on Letters of Credit    | " 29,146,497,896            |                                                              | " 2,695,443,120             |
| Liability on Guarantees           | " 110,882,088,453           | Contango Loans                                               | " 9,949,809,361             |
| Other Liabilities                 | " 14,031,599,458            | Participations in Affiliated Foreign Banks                   | " 154,646,925               |
| Bills for Collection              | " 28,484,962,350            | Participation in "Mediobanca—Banca di Credito Finanziario"   | " 1,805,430,000             |
| Unearned Discount, Interest, etc. | " 2,262,885,249             | Participation in "Credito Fondiario Sardo"                   | " 500,000,000               |
| Profits Brought Forward           | " 61,039,258                | Other Loans and Current Accounts                             | " 709,244,282,554           |
| Net Profit 1960                   | " 1,937,780,095             | Bills Discounted                                             | " 231,213,009,422           |
|                                   |                             | Due from Shareholders in Capital Account                     | " 8,775,000,000             |
|                                   |                             | Customers' Liability for Acceptances                         | " 13,545,842,100            |
|                                   |                             | Customers' Liability for Letters of Credit                   | " 29,146,497,896            |
|                                   |                             | Customers' Liability for Guarantees                          | " 110,882,088,453           |
|                                   |                             | Bank Buildings and Other Real Estate                         | " 160,337,000               |
|                                   |                             | Furniture and Fixtures                                       | " 1                         |
| Depositors of Securities          | L. 1,457,536,738,279        | Securities on Deposit                                        | L. 1,457,536,738,279        |
|                                   | " 690,177,097,682           |                                                              | " 690,177,097,682           |
|                                   | <u>L. 2,147,713,835,961</u> |                                                              | <u>L. 2,147,713,835,961</u> |

## CREDITO ITALIANO

Joint-Stock Company

REGISTERED OFFICE : GENOA. HEAD OFFICE : MILAN

CAPITAL : Lit.15,000,000,000 ; Paid-up, Lit.8,375,000,000

RESERVE FUND : Lit.3,700,000,000

BALANCE SHEET AS AT 31st DECEMBER, 1960

| LIABILITIES                                 |                              | ASSETS                                                    |                              |
|---------------------------------------------|------------------------------|-----------------------------------------------------------|------------------------------|
| Capital (30,000,000 shares of Lit.500 each) | Lit. 15,000,000,000          | Shareholders Liabilities for uncalled Capital             | Lit. 6,625,000,000           |
| Reserve Fund                                | " 3,100,000,000              | Cash                                                      | " 35,842,494,283             |
| Deposit and Saving Accounts                 | " 240,627,941,063            | Funds with the Bank of Issue                              | " 108,736,325,475            |
| Current Accounts                            | " 580,259,672,575            | Government Securities and Debentures                      | " 143,972,469,554            |
| Bills for Collection                        | " 35,058,621,934             | Sundry Investments                                        | " 7,926,225,269              |
| Acceptances and Endorsements                | " 3,403,570,293              | Bills Receivable                                          | " 228,053,530,428            |
| Guarantees and Confirmed Credits            | " 56,731,420,521             | Contango Loans                                            | " 18,428,255,838             |
| Cheques Outstanding                         | " 32,384,232,286             | Advances to Customers and Balances with Correspondents    | " 362,774,603,326            |
| Sundry Accounts                             | " 6,691,441,951              | Liabilities of Customers for Acceptances and Endorsements | " 3,403,570,293              |
| Rebates in favour of 1961                   | " 2,061,476,459              | Shares in Other Banks                                     | " 56,731,420,521             |
| Profits brought forward from previous years | " 28,912,543                 | Freehold Bank Premises                                    | " 2,808,144,669              |
| Net profit for the year                     | " 1,444,750,032              | Furniture and Equipment                                   | " 1,490,000,000              |
|                                             |                              |                                                           | Lit. 976,792,039,657         |
|                                             |                              |                                                           | Lit. 976,792,039,657         |
| CROSS ACCOUNTS                              |                              | CROSS ACCOUNTS                                            |                              |
| Depositors of Securities:                   |                              | Securities deposited:                                     |                              |
| As Collateral                               | Lit. 2,360,948,524           | As Collateral                                             | Lit. 2,360,948,524           |
| For Safe Custody                            | " 695,658,462,598            | For Safe Custody                                          | " 695,658,462,598            |
|                                             | " 698,019,411,122            |                                                           | " 698,019,411,122            |
|                                             | <u>Lit.1,674,811,450,779</u> |                                                           | <u>Lit.1,674,811,450,779</u> |

The Ordinary Shareholders' Meeting, held in Genoa on the 20th April, 1961, approved the Balance Sheet as at 31st December, 1960. The dividend for the financial year 1960 has been fixed at 10 per cent, namely Lit.50 for each share of nominal Lire 500 fully paid and Lire 25 for each share partially paid in the proportion of five-tenths. The sum of Lire 600,000,000 was placed to Reserves.



## JAS. WILLIAMSON & SON

(Manufacturers of Linoleum, Felt Base, Leathercloth and Lancaster Cloth)

### LARGER NET PROFIT

### IMPROVED OVERSEAS TRADE

### LORD PEEL ON EFFECTS OF FIRE

The thirtieth annual general meeting of Jas. Williamson & Son, Limited, was held on April 20th at Lune Mills, Lancaster, The Right Honourable The Earl Peel, Chairman of the company, presiding.

The Secretary (Mr J. Dunnington) 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 ended December 24, 1960:

In reviewing our results for 1960, and in comparing them with those of 1959, I must refer first to the fire which occurred at the very beginning of the year and which I mentioned briefly in my last report. This fire destroyed the top storey of one of our main manufacturing buildings and had it not been for the generous action of some of our competitors in carrying out part of the process for us we should have been out of production of one of our major lines for three months. In the event, with their help and by means of improvised methods of manufacture in other parts of our factory, we were able to maintain sufficient production to keep our customers supplied, albeit at considerable extra cost to ourselves. This extra cost is calculated to be £73,000.

### COST OF FIRE DAMAGE

The cost of repairing the damage to the building and plant was, of course, covered by insurance. For many years past, however, it has been our policy not to insure against the consequential loss of profit due to fire or other catastrophe but to set aside substantial sums each year to reserve in order to be able to meet this contingency. In pursuance of this policy, therefore, we have transferred the sum of £73,000 from General Reserve to Profit and Loss Account in order that the figure of net profit resulting from our normal trading operation should be more truly comparable with that for 1959.

In view of continued inflation and of the much higher figures of possible loss involved today by reason of the modern trend to concentrate production in large and costly pieces of plant your Board have decided that it would be wise in future to insure against loss of profit due to fire and breakdown of major plant. This we have now done and a corresponding reduction can be made in the amount placed to reserve by not having to provide for this eventuality.

### RESULT OF YEAR'S OPERATIONS

After taking the above into consideration the Net Profit before tax of £728,638 compares with £622,082 for 1959, an increase of about 16 per cent. Taxation absorbs £346,748 against £284,722 leaving £381,890 against £337,360. From this sum we propose to place £175,000 to reserve and to pay a final dividend of 9½ per cent on the £1,996,272 Ordinary and £665,424 "A" Ordinary Stock making with the interim of 4 per

cent a total dividend of 13½ per cent for the year.

In Linoleum our turnover has increased, particularly in the heavier qualities. As much of our capital expenditure in the past decade has been directed towards this side of our business these increased sales serve to justify the policy which we have adopted. In Lancaster felt base floorcovering our turnover is a little down but our profits have been adversely affected by having to meet severe price cutting. I am sorry to say that the trend away from table oilcloth has continued, for reasons which I mentioned last year, but this section of our productive plant has been occupied largely with the manufacture of Dadolin washable wall-covering, the popularity of which has been undiminished, and we have now extended our range from purely bordered effects for horizontal application to unbordered designs which are for normal vertical hanging. This new development shows every sign of being equally well received. Our Lionide leathercloth business has continued to expand, and we are finding an increasing demand in new fields.

### GOOD RECEPTION FOR "SANDRAN"

You will recall that last year we entered into a joint venture with Sandura Company of America for the sale of rotogravure printed vinyl products. This led to the formation of Williamson-Sandura Limited, the shares in which are held equally by the two Companies. The product, Sandran, has been widely advertised in the national press during the year and has had a good reception at home and abroad. So far all the material sold has been brought from America but we are nearing completion of a building and plant which form the first stage towards manufacture in this country. Williamson-Sandura has earned a profit during its first nine months' trading but no dividend has yet been paid to the parent companies. The success of Sandran emphasises the growing acceptance of Vinyl floorcoverings and it has always been our policy to keep abreast of this development with technical and market research. Our Crestaline Vinyl flooring was one of the first successful products of this type to be manufactured in this country and I am able to report a substantial increase in sales during the past year.

### A WELCOME IMPROVEMENT

I am pleased to record a most welcome improvement in our overseas trade. The relaxation of controls in a number of important markets has enabled us to sell more of our goods abroad and build up our valuable connections still further. Export business, however, tends to become more difficult each year. Foreign Governments are beset with exchange and balance of payments difficulties and their inevitable answer is to pursue a policy of self-sufficiency, protecting local industries by all the devices of modern economic nationalism such as

import licensing, high tariffs and exchange controls.

Nevertheless, we are fortunate in having a most energetic export team who spend much of the year covering most of the countries of the world and it is hoped to maintain and increase our present level of business overseas.

### WEST HAM FACTORY

It will be remembered that all the assets of The Leather Cloth Company Limited were transferred shortly after its acquisition in 1955 to the Parent Company. The principal asset was a factory at West Ham comprising a site of approximately 6½ acres which has been kept running since its purchase. During the year we decided to close this factory and have transferred some of the plant to Lune Mills where all leathercloth production has now been concentrated. The cost of this transfer has reduced our profit for 1960, but I would expect to see a benefit from the concentration of production in succeeding years. Fortunately West Ham is not a depressed area and I believe that alternative employment has now been obtained in all cases by those who were unable to accept employment by us in Lancaster. The West Ham factory is now available for disposal.

Under the Government Scheme for the reorganisation of the Cotton Industry we have embarked on a programme of modernisation at our Cotton Mills, particularly in the weaving section, but owing to the demands being made on plant manufacturers it will be some time before we obtain full benefit from the scheme.

### ADDITIONS TO THE BOARD

During the year it was decided to strengthen your Board of Directors by the appointment of Dr G. R. Gedye and Mr W. Wolfendale. Dr Gedye has been with the Company since 1932, and has been Production Manager since the beginning of 1943. Mr Wolfendale also joined the Company in 1932, and has been Commercial Manager since 1955. His appointment as Sales Director allows Mr Priestley to devote his attention to marketing problems and leaves him free to spend more time visiting export markets. You will be asked to confirm these two appointments to the Board at the Annual General Meeting.

I am sure it would not be your wish that I should allow a year to pass without expressing your thanks to all our employees for the splendid work which they have done during the year. It has not always been easy to obtain all the necessary labour just when it was wanted and there has never been any hesitation on the part of those who were employed to pull out that extra effort which was needed to fill the gap.

### THE FUTURE

For the future I have no crystal ball. Business generally nowadays is bedevilled by factors out-

side the control of the manufacturer. Our research laboratory has a number of promising projects in the course of development. We have further plans for the reorganisation and improvement in efficiency of some of our existing processes. We have a first-class management team and a lot of enthusiasm and excluding any unforeseen circumstance outside our control I see good reason to be confident.

The report and accounts were adopted; the proposed dividend was approved.

The retiring directors, Sir Cuthbert B. Clegg and Mr H. Priestley, were re-elected, as were also Dr G. R. Gedye and Mr W. Wolfendale, who had been appointed to the board during the year.

The remuneration of the auditors, Messrs Viney, Price & Goodyear, was fixed.

## ENGINEERING COMPONENTS LIMITED

### RECORD TURNOVER ACHIEVED

The twenty-sixth annual general meeting of Engineering Components Limited was held on April 25th in London, Mr C. C. Griffith, MC (the Chairman), presiding. The following is an extract from his circulated statement:

The turnover for the year exceeded all previous ones. Every department in your Company was strained to meet the demands made upon it and I am pleased to report that we were able generally to meet these.

From the Group profits of £829,471 your Directors have allocated £6,000 to the Employees' Education, Social and Welfare Fund

leaving £823,471, which after deduction of tax and £26,486 retained by subsidiary companies, leaves £357,054 to be added to the balance brought forward from 1959, giving a total balance of £580,190 available.

Our export sales continue to expand.

Development: Research in connection with gaskets and air cleaners has continued vigorously and we believe we have made some considerable progress in both products.

Prospects: These are most difficult to forecast. Transport, however, is a necessity of our age and as our products are closely allied to this, both in manufacture and upkeep of the vehicles, I think we can look forward to the future with a measure of confidence.

The report was adopted and a total dividend of 20 per cent, less tax, was approved.

# ROYAL DUTCH PETROLEUM COMPANY

N.V. KONINKLIJKE NEDERLANDSCHE PETROLEUM MAATSCHAPPIJ

(FOUNDED IN 1890)

### BALANCE SHEET, DECEMBER 31, 1960

|                                                                   | N.fl.                | N.fl.                 |
|-------------------------------------------------------------------|----------------------|-----------------------|
| Investments in companies of the Royal Dutch/Shell Group .....     |                      | 13,624,476,398        |
| <b>Current assets:—</b>                                           |                      |                       |
| Dividends due from companies of the Royal Dutch/Shell Group ..... | 226,235,520          |                       |
| Other receivables .....                                           | 1,139,266            |                       |
| Short-term government and other securities .....                  | 11,151,705           |                       |
| Cash .....                                                        | 54,136,688           |                       |
| <b>Total current assets</b> .....                                 | <b>292,663,179</b>   |                       |
| <b>Current liabilities:—</b>                                      |                      |                       |
| Accounts payable and accrued liabilities .....                    | 5,707,690            |                       |
| Unclaimed dividends .....                                         | 4,330,000            |                       |
| Proposed dividends, less interim dividends .....                  | 221,518,224          |                       |
| <b>Total current liabilities</b> .....                            | <b>231,555,914</b>   |                       |
| Excess of current assets over current liabilities .....           |                      | 61,107,265            |
| <b>Net assets</b> .....                                           |                      | <b>13,685,583,663</b> |
| <b>Share capital:—</b>                                            |                      |                       |
| Ordinary shares .....                                             | 1,476,788,160        |                       |
| Proposed share distribution .....                                 | 147,678,800          |                       |
|                                                                   | <b>1,624,466,960</b> |                       |
| 4% cumulative preference shares .....                             | 1,500,000            |                       |
|                                                                   |                      | <b>1,625,966,960</b>  |
| <b>Capital reserves:—</b>                                         |                      |                       |
| Share premiums .....                                              | 1,057,199,697        |                       |
| Investments .....                                                 | 9,838,945,478        |                       |
| Other .....                                                       | 1,040,281,269        |                       |
| <b>Retained earnings</b> .....                                    |                      | <b>123,190,259</b>    |
| <b>Total capital, reserves and retained earnings</b> .....        |                      | <b>13,685,583,663</b> |

### STATEMENT OF INCOME, 1960

|                                                                                               | N.fl.            | N.fl.              |
|-----------------------------------------------------------------------------------------------|------------------|--------------------|
| Income from companies of the Royal Dutch/Shell Group .....                                    | 392,538,720      |                    |
| Interest and other income .....                                                               | 3,719,710        |                    |
|                                                                                               |                  | <b>396,258,430</b> |
| <b>Administrative and other expenses</b> ....                                                 | <b>4,082,494</b> |                    |
| Share in profit at the disposal of the Board of Directors and of the Managing Directors ..... | <b>4,423,442</b> |                    |
|                                                                                               |                  | <b>8,505,936</b>   |
| <b>Net income for the year</b> .....                                                          |                  | <b>387,752,494</b> |

### STATEMENT OF RETAINED EARNINGS, 1960

|                                               | N.fl.       | N.fl.              |
|-----------------------------------------------|-------------|--------------------|
| Retained earnings at beginning of year .....  |             | 123,153,541        |
| Net income for the year .....                 |             | 387,752,494        |
| Unclaimed dividends forfeited .....           |             | 1,116              |
|                                               |             | <b>510,907,151</b> |
| <b>Proposed cash dividends:—</b>              |             |                    |
| Preference shares .....                       | 60,000      |                    |
| Ordinary shares .....                         | 387,656,892 |                    |
|                                               |             | <b>387,716,892</b> |
| <b>Retained earnings at end of year</b> ..... |             | <b>123,190,259</b> |

The Hague, March, 1961.

J. B. AUG. KESSLER, Chairman  
H. BLOEMGARTEN  
C. J. COLLOT D'ESCURY

The Board of Directors:

F. A. C. GUÉPIN  
F. O. DEN HOLLANDER  
W. H. DE MONCHY

M. P. L. STEENBERGHE  
C. R. C. WIJCKERHELD BISDOM  
E. J. IJZERMAN

The Managing Directors:

J. H. LOUDON, President  
L. SCHEPERS  
L. E. J. BROUWER  
A. HOFLAND

Copies of the full Report and Accounts can be obtained from

N. M. ROTHSCHILD & SONS, New Court, St. Swithin's Lane, London, E.C.4.

## THE ROYAL LONDON MUTUAL INSURANCE SOCIETY LIMITED

A CENTURY OF SERVICE  
AND SUCCESS

RECORD BONUSES TO LIFE  
POLICYHOLDERS

The 100th Annual General Meeting of the Royal London Mutual Insurance Society Ltd. was held on April 25th at the Chartered Insurance Institute, 20, Aldermanbury, London, E.C.

Mr E. H. Haynes, F.I.A., chairman and joint managing director, who presided, said:—

In one respect, and that a fundamental one, the purpose of the Society has remained unchanged since that day in February 1861 when it was conceived. The Royal London still caters largely for the needs of the small man. His circumstances have changed, it is true, but the link with him, the object which our founders had in the forefront of their minds, has changed not at all.

### ORDINARY BRANCH

The premium income in the Ordinary Branch (including consideration for annuities granted) amounted to £4,836,000, an increase of £277,000 over the previous year. The Fund at the end of the year amounted to £44,012,000, an increase of £2,427,000. The rate of interest earned, after deduction of income tax, was £4 14s. 5d. per cent, an increase of 5s. 6d.

The amount paid by way of claims and surrenders during the year was £3,357,000.

A simple Reversionary Bonus has been allotted to fully participating policies (other than those which were formerly in the Auxiliary Life Fund) at the rate of Two Pounds per cent per annum in respect of the years 1956 and 1957; Two Pounds Four Shillings per cent in respect of the year 1958; Two Pounds Eight Shillings per cent in respect of the year 1959 and Two Pounds Ten Shillings per cent in respect of the year 1960.

In addition to the bonus which I have just announced, fully-participating policies have been allotted a special Reversionary Bonus in respect of the years 1956-1960 at the rate of Ten Shillings per cent of the Sum Assured per annum.

Interim Bonus will be payable during the ensuing year at the rate of Two Pounds Fourteen Shillings per cent per annum subject to withdrawal or modification by the Directors at any time without notice.

### INDUSTRIAL BRANCH

In the Industrial Branch the premium income for the year amounted to £11,489,000, an increase of £475,000 over the previous year. Claims and surrenders amounted to £6,386,000. The Fund at the end of the year amounted to £103,438,000, an increase during the year of £6,661,000. The rate of interest earned, after deduction of income tax was £5 15s. 8d. per cent, an increase of 3s. 6d.

### COMPANY MEETING REPORTS

It gives me great pleasure to announce that a Reversionary Bonus has been allotted on policies issued on or after January 1, 1951, at the rate of One Pound Sixteen Shillings per cent per annum in respect of completed calendar years in the period January 1, 1956, to December 31, 1960, and One Pound Three Shillings per cent per annum in respect of completed calendar years in the period January 1, 1951, to December 31, 1955. Policies issued on or before December 31, 1950, receive a new bonus at the rate of One Pound Sixteen Shillings per cent per annum for five years.

I have also to announce that an additional bonus at the rate of Four Shillings per cent per annum in respect of completed calendar years in the period January 1, 1956, to December 31, 1960, will be allowed on policies qualifying for a reversionary bonus which mature or become claims by death before the next announcement of bonus.

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#### GENERAL BRANCH

The premium income for this Branch in 1960 was £1,088,000, an increase of £71,000.

The premium income in this Branch has expanded to its present figure from £730,000 only five years ago. This, I am sure you will agree, is no mean achievement.

The year 1960 was a fitting close to the Society's first century; new business, premium income and funds all demonstrated a vigorous growth. The total income for the Society during the year was £25,530,000, while benefits paid to policyholders amounted to £9,748,000. The total payments to policyholders since the inception of the Society amount to more than £186,000,000.

The report and accounts were unanimously adopted.

### THE ECONOMIST APRIL 29, 1961

## BRISTOL AND WEST BUILDING SOCIETY

The 110th Annual General Meeting of the Bristol and West Building Society was held at the Grand Hotel, Bristol, on April 25th. The Chairman, Mr A. Anthony Scull, JP, reported that total assets had increased by 11 per cent to £28,693,726. During the year, £5,245,039 was advanced on 3,099 securities, over 99 per cent being in respect of properties for owner occupation, and at December 31st last, total mortgage assets amounted to £22,663,381, representing an average mortgage debt of £1,244.

### COMPANY MEETING REPORTS

Share and deposit receipts, including £545,000 received from the Government in re-imbursement for advances made on properties built before 1919, amounted to £5,757,409. Income was at a record level and after providing for Management Expenses, investors' interest, taxation, etc., the Reserves and unappropriated profit were increased to £1,184,950. Liquid assets amounted to £5,465,727, or 19 per cent of total assets, of which £831,472 was in cash or withdrawable at par within six months.

The Chairman welcomed the provisions of the Building Societies Act, 1960, although he said it would have little effect on the manner in which reputable societies were conducted. He men-

tioned the opening in 1960 of the Society's new premises in Exeter, and the subsequent establishment of new offices in Regent Street, London, Plymouth and Yeovil. Later in 1961, the Society's new office development in Swindon will also be completed. In March, 1960, the engagements of the Shepton Mallet Permanent Benefit Building Society were transferred to the Society, and during 1961 the St. Marylebone and Suburban Building Society, with assets of approximately £500,000, will be merged with the Bristol and West.

The Report and Accounts for the year ended December 31, 1960, were carried unanimously, and the retiring Directors were re-elected.

# "We realize that the economy is not a set of statistics—it is people"

### Mr. W. Lionel Fraser's Review

#### GENERAL REVIEW AND PROSPECTS

The story I have to tell is one of activity, record profits and high expectations for the future. Last year the profit of the Group, before tax, attributable to Thomas Tilling Limited amounted to £3,103,554, a source of encouragement and satisfaction to us all. Turnover was much increased, but in some fields in which we work there was fierce competition and margins were consequently trimmed. Nevertheless, total profits were very good and would have been exceptionally so, had it not been for these tighter conditions, and a substantial disappointment encountered by Holyrood Knitwear Limited. A loss was also incurred by Patchett & Company Limited, but only a very small one. In both cases effective remedial steps have been instituted and there is no reason why these Companies, well known in their different spheres, should not recover their balance and soon be profit-earning again.

Perhaps at this time when in the national interests so much urgency is rightly being attached to exports, I ought to say that our Group takes every opportunity of increasing its business with overseas territories. "Export" is high up on the agenda of the Board Meetings of all our companies and we look forward to further extension in the coming years.

Our main emphasis is, as always, concentrated on growth and efficient, progressive management, and these features must characterise any entrant to the Group. We have room for more hand-picked companies with such qualifications. By and large, we place no bar upon the nature of the business, but we are tending more and more to confine admittance to the Group to concerns which will be benefited by the knowledge and experience of our existing companies, or vice versa. Concurrently, we anticipate substantial development and expansion of our present interests, and this will perforce also follow as we continue our policy of extending our participation in subsidiaries, either by the provision of additional permanent capital when needed or by the acquisition of the remaining minority holdings, where this is in accord with the wishes of the holders. New friends, who joined us in 1960 each made a significant contribution and I would like warmly to welcome them to the Group. We now comprise 28 main companies, which in turn have numerous underlying subsidiaries of their own, employing in total some 18,000 persons. In

addition, we now have about 19,000 Ordinary stock and Preference share holdings in the parent company.

Each passing year affords added proof that this conception of ours of a Family of Firms is sound and constructive. My colleagues and I are as convinced as ever of this. We entertain no fuzziness in our thinking and in our actions. We realize that the economy is not a set of statistics—it is people. It is people who decide, whether conditions will be buoyant or depressed; throughout all history people themselves have determined their own success or failure. We know this, and so we encourage our people whenever they show enterprise and initiative and when they are prepared to accept the burden of proper responsibility.

I have said again and again that we are build-

ing for the future. There is not one of our companies, which, animated and supported by us, does not constantly seek new and better means of serving its customers. This is the key to success, and it is success which we expect and count upon and work for. We cannot escape occasional tribulations, nor incidental setbacks, nor the effects of any national economic crisis. I do say, however, that our Group has a rhythm, a zest and a unity of purpose, which form a stout defence against such contingencies, and I consider that the generally first-class performance of our members, in a year which was not easy especially in its last months, is eloquent testimony of this. So I again assure Stockholders that their Company is strong and has splendid prospects over the years. Certainly 1961 has started well.

The above is an extract from the Review by the Chairman, Mr. W. Lionel Fraser, C.M.G. If you are interested in obtaining a copy of the full Review, Report and Accounts please write to: The Secretary, Thomas Tilling Limited, 19, Creeve House, Curzon Street, London, W.1.

The Sixty-fourth Annual General Meeting of the Members of Thomas Tilling Limited will be held at the Federation of British Industries, 21, Tothill Street, London, S.W.1, on Wednesday, 17th May, 1961, at 12 noon.

### THOMAS TILLING LIMITED AND SUBSIDIARY COMPANIES TEN-YEAR RECORD—1951-1960

|      | FUNDS                                                         |                    |                  |                                   |                 | RATIOS                   |                                |                                  |
|------|---------------------------------------------------------------|--------------------|------------------|-----------------------------------|-----------------|--------------------------|--------------------------------|----------------------------------|
|      | Profits before tax attributable to Thomas Tilling Limited (A) | Preference Capital | Ordinary Capital | Reserves (including Tax Reserves) | Total Funds (B) | Profits (A) to Funds (B) | 'Earnings' on Ordinary Capital | Gross Rate of Ordinary Dividend* |
|      | Thousands of £s                                               |                    |                  |                                   |                 | Percentages              |                                |                                  |
| 1951 | 844                                                           | 360                | 4,120            | 2,459                             | 6,879           | 12.27                    | 13.2                           | 6 (5.0)                          |
| 1952 | 865                                                           | 360                | 4,120            | 2,559                             | 6,979           | 12.39                    | 14.1                           | 7½ (6.2)                         |
| 1953 | 911                                                           | 360                | 4,120            | 2,710                             | 7,130           | 12.78                    | 13.6                           | 7½ (6.2)                         |
| 1954 | 1,014                                                         | 360                | 4,120            | 2,904                             | 7,324           | 13.84                    | 16.2                           | 10 (8.3)                         |
| 1955 | 1,521                                                         | 2,500              | 4,200            | 3,155                             | 9,855           | 15.43                    | 22.9                           | 10 (8.3)                         |
| 1956 | 1,675                                                         | 2,500              | 4,245            | 3,739                             | 10,434          | 15.98                    | 24.9                           | 11½ (9.3)                        |
| 1957 | 1,984                                                         | 2,500              | 4,593            | 4,147                             | 11,240          | 17.65                    | 25.7                           | 13¼ (11.0)                       |
| 1958 | 1,831                                                         | 2,600              | 4,967            | 5,132                             | 12,699          | 14.42                    | 21.7                           | 13¼ (11.0)                       |
| 1959 | 2,573                                                         | 2,600              | 5,464            | 5,555                             | 13,619          | 18.89                    | 33.9                           | 17 (15.5)                        |
| 1960 | 3,104                                                         | 5,275†             | 6,208            | 6,323                             | 17,806          | 17.43‡                   | 39.4                           | 20                               |

NOTES: \*The 'Earnings' percentages and the dividend rates which are shown in brackets take account of the one for ten capitalisation issues made in May, 1959, and May, 1960, and are thus properly comparable with the rates for 1960. †Preference Capital 1960 includes the issue of £2,480,001 6½% Preference Shares for which the final call was not made until 29th December, 1960. ‡Including the proceeds of this issue the ratio of Profits to Funds in 1960 was 20.05%.

## THOMAS TILLING LIMITED

A FAMILY OF FIRMS



## J. BIBBY & SONS TURNOVER MAINTAINED

The forty-seventh annual general meeting of J. Bibby & Sons, Ltd., was held on April 21st at Liverpool. Mr H. P. Bibby, JP (Chairman), presiding.

The following is an extract from the chairman's circulated review for the year ended December 31, 1960:

The Group profit after charging £200,000 for the replacement of fixed assets and providing £378,943 for income tax and profits tax was £353,769 compared with £644,057 for 1959. Turnover remained the same at £38 million but profit margins in our main divisions of animal feeds and oil processing and refining have been low.

The directors have recommended a final dividend of 4½ per cent making a total of 7 per cent for the year which is the same as for last year.

### THE YEAR'S TRADING

**Animal feeds.**—Competition has again been very keen and consequently profit margins low. There has arisen in the last few years some over-capacity in the industry and at the present time because of decentralisation we are ourselves suffering from some excess capacity affecting our cost of manufacture. Our sales of animal feeds have again increased by a small amount.

Our new factory at Knockmore, County Antrim, has exceeded all expectations in the efficiency of its manufacture and the volume of its output. This factory has unavoidably withdrawn production from our Liverpool factory causing for the time being some increase in cost there due to lower output. We are now manufacturing animal feeds at six factories—Liverpool, London, Dunball, Adderbury (Twyford), Knockmore and Framlingham (E. G. Clarke acquired early in the year).

During the year we have added to our agricultural advisory service by appointing twelve regional advisors and we now have an efficient and extensive service available. We have also opened a residential training centre at "The Lydiat" in order to provide our sales staff with the most up-to-date information on farming and the part our products play.

### OILSEED PROCESSING AND OIL REFINING

The tonnage of oilseeds processed by the company during 1960 was less than for 1959. This was largely the result of a considerable fall in our input of groundnuts due to the fact that groundnuts were for most of the year uneconomic to process. Because of this and the fact that prices of most oilseeds, oils and oilcakes declined throughout the year, the trading results were disappointing.

**Compound Cooking Fat, Lard and Soap.**—This department as a whole has had a very satisfactory year. Sales of Trex and Green Diamond lard have both been higher than in 1959 and there has been a striking increase of 300 per cent in the turnover of lard processed for other distributors.

Our liquid cooking oil "Twirl" which was introduced in 1958 has experienced an astonishing increase in popularity and sales during the year have more than trebled although the total is still small.

In my last review I referred to the introduction of an instant mashed potato in the form of

### COMPANY MEETING REPORTS

a flake under the brand name "Quip." Marketing of this product is now under way.

I think it dangerous to predict so early in the year what the trading results for 1961 are likely to be but I have no doubt of our increasing ability to make the best of whatever opportunity future trading conditions will give us.

The report and accounts were adopted.

## THE BRITISH WAGON COMPANY LIMITED

### DIFFICULT CONDITIONS

#### MR R. A. DYSON'S REVIEW

The ninety-second Annual General Meeting of The British Wagon Company Limited was held on April 21st in Rotherham, the Chairman, Mr R. A. Dyson, presiding. The profit of the Group for 1960 after taxation was £226,855 (1959—£369,243) and at December 31, 1960, the Deferred Income amounted to £2,864,920 (1959—£2,358,996). The following is a summary of Mr Dyson's statement:

The cost of a substantial increase in borrowings necessary to finance the larger business undertaken has been heavy due to increases in Bank Rate. Last year I mentioned that there was a marked tendency for hire-purchase rates to fall owing to increased competition and that this was not unwelcome if hire-purchase companies insisted on reasonable terms. In the event not only were rates depressed, but the necessary safeguards of a substantial deposit and a limited period were difficult to obtain in the conditions prevailing.

The revenue received in any year derives largely from agreements entered into in previous years. Thus in 1960 we were in the position that while most of our revenue came from business previously accepted at low rates, the greater part being in respect of new goods, money costs rose steeply during the year to our disadvantage.

In addition it has been necessary, particularly in the latter part of the year, to repossess an unusually large number of motor vehicles. The sale of these has become increasingly difficult and in most cases the price obtained has fallen far short of the value in our books. A substantial amount has had to be written off and an increased provision made for losses which we may face in 1961. We have taken all possible steps to reduce such losses.

There is some encouragement for the future in the amount of the deferred income and in the increase in the hire-purchase balances from £21 million to £28 million especially as we were able slightly to increase the hire-purchase rates towards the end of the year. Business in the first three months of 1961 has continued to increase satisfactorily.

This has been a most difficult and frustrating year, but I can assure Shareholders that the whole structure of the Company has been materially strengthened to meet the changed conditions which now obtain in the hire-purchase world.

The Report and Accounts were adopted.

The Scheme of Arrangement for the cancellation of the uncalled liability of £1 on the £2 shares was approved. The authorised capital will be maintained at £3,400,000 by an increase of £850,000, the amount of the cancelled liability. The Scheme now requires the sanction of the Court.

### THE ECONOMIST APRIL 29, 1961

## ALLIANCE BUILDING SOCIETY

### STRONG LIQUID POSITION

The ninety-eighth Annual Meeting of Members of the Alliance Building Society was held on April 21st at Brighton.

Mr Lewis C. Cohen, Chairman and Managing Director, in the course of his speech, said: The accounts show not only another year of success, but the outstanding stability of the Alliance Building Society. In addition to reaching assets of over £76 millions our total of investors and borrowers exceeded 108,000. We were able during the past year to set aside a sum of £400,000 to our free reserves which now amount to over £2,662,000. In addition to these figures I would emphasise that liquidity amounts to a sum in excess of £11,735,000.

When I tell you that the Building Societies Association recommends a liquidity ratio of 7½ per cent, but that instead we keep a liquidity of 15.3 per cent you will then be able to judge the financial status of this Society.

During 1960 we received from shareholders and depositors altogether a sum of £12,327,594 which after payment of withdrawals and addition of interest, increased their balances to a sum of £72,931,703. This large sum represents holdings due to 67,951 shareholders and depositors in all walks of life. The Society was able, during 1960, to advance on mortgage, £13,353,574 representing 7,022 loans.

### A GREAT AND STRONG SOCIETY

One of the greatest of our worries has been the *Alliance Perpetual Building Society*. That organisation has no connection in any way with us and it was an unfortunate error that two Societies with such similar names existed. In the case of the *Alliance Perpetual Society* the Registrar made a certain order. We, of course, advertised widely the fact, which I again emphasise, that that Society had nothing at all to do with us, yet undoubtedly there have been misunderstandings and there have been those who connected the two names. I would like to take this occasion to stress again as strongly as I can that the Alliance Building Society is one of the greatest and the strongest and one of the most liquid Societies in the country and this Society of whom I speak is in no way connected with that other organisation.

### FLOW OF FUNDS

We are at the moment inundated with applications for mortgages and we could advance considerably more if more funds were available to us.

I suppose one of the reasons why all savings organisations are not receiving as much in funds as they would wish is because of the inflationary position of our economy and the constant rise in equities attracts many people to gamble on the Stock Exchange. I would just like to issue a warning. Shares do not always go up. Inevitably there are recessions. Whilst it may be wise to invest in equities to a certain extent, nevertheless to every investor I would say—*always retain sufficient money for emergencies in readily realisable security which is not dependent on the fluctuations of Stock Market prices.*

In this connection you cannot do better than have an investment in a reputable Building Society earning 3½ per cent clear of income tax, with the knowledge that there it is available for you at any time if you require it.

The report was adopted.

### THE ECONOMIST APRIL 29, 1961

## COMPANY AFFAIRS

### Dunlop Rubber

IN raising the dividend from 1s. 6d. to 1s. 7d. per 10s. share, the directors of Dunlop Rubber appear not only to have recognised that the outturn in the second half of last year was better than they had expected but that immediate prospects are encouraging. Clearly, they are not altogether satisfied with the progress made last year, for though sales rose by 5 per cent, from £261 million to £275 million, profits before tax fell from £14.1 million to £13.9 million; profit margins on sales, reflecting higher costs when prices were not substantially higher, fell from 5.4 to 5.1 per cent and the return on capital employed declined from 12.5 to 11.8 per cent. The directors regard that return as too low, and year after year the sums spent on capital account are stepped up. Last year capital expenditure amounted to £12.7 million, against £10.5 million; it will probably be higher than that this year, again with the greater proportion going overseas.

Despite the recession in the motor trade in the last months of the year, profits in this country rose by 15 per cent though sales were only 8 per cent higher and Dunlop appears to have added to its share in the tyre replacement market, where margins are slightly higher than on original equipment tyres. In all, sales in this country account for about two-fifths of Dunlop's turnover and contribute something like one-third of its profits. Last year overseas sales (including exports from Britain which did particularly well) rose by 4 per cent; profits, however, fell by 10 per cent as a result largely of competitive conditions in the United States, France and Rhodesia. There seems to be some reason to hope that, at home because of the recovery in the motor trade and abroad because special factors accounted for some part of last year's fall in profits, earnings will improve this year. Not the least important reasons for this assumption are that Dunlop is adding to the proportion of synthetic rubber it uses and that it bore the big drop in natural rubber prices in the 1960 accounts where as much as £400,000 was written off stocks.

For the longer term, there are signs that recent developments such as disc brakes will soon begin to contribute to profits; that the decentralisation of the group's activities is working well; and that in research and management the group has been strengthened. The confidence the directors have in the future of Dunlop may be reflected in the market price of the shares but the shares are not regarded as growth equities by investors; indeed, at 28s. 1½d. they yield as much as 5.6 per cent, covered twice by earnings.

### Charterhouse

BACKING good management is the watchword of this industrial holding company; but in the case of Charterhouse Credit, the hire purchase company in which it has a 65 per cent equity interest, it seems to have come a cropper by backing bad management. The discovery last October that the credit company had lost £1.3 million came as a "complete surprise" to the Charterhouse directors. The actual loss taken into the consolidated accounts amounts to £333,000, as £800,000 of the total loss is absorbed by the £725,000 of preference capital and outside equity interests and £170,000 by recoverable taxation and available reserves. These sums, plus accrued interest on the preference capital, must however be earned and replaced before the company can start contributing to Charterhouse profits again. New management has been installed, door-to-door hire purchase selling stopped, and the debt outstanding is to be reduced from £6.6 million to £5 million. This year may produce a further loss but after that annual profits of £150,000 to £200,000 are expected. At this rate, with the profits free of tax, the company should in five to six years begin to contribute to the group's profits again.

The net profits of the Charterhouse group fell from £666,000 to £414,000 in the year to November 11, 1960, but the chairman, Sir Nutcombe Hume forecasts "a very much better report" for the current year. Without the hire purchase loss it can be calculated that profits should at least pass the £750,000 mark. Last year's revenue from companies, other than hire purchase, in which Charterhouse has a controlling interest fell from £879,000 to £757,000, but this fall was more than balanced by the industrial investment interests of the group whose revenue rose from £541,000 to £680,000. On a maintained dividend of 8 per cent shares at 36s. 1½d. yield 4.4 per cent.

### Thomas Tilling

A YEAR ago the full accounts of Thomas Tilling gave a detailed breakdown of assets held in the various industrial divisions. This year they reveal the contributions which these divisions make to the profits of this many-sided industrial holding group; but unfortunately the assets figures are not repeated. Gross profits of the group in 1960 rose by 16 per cent from £3,706,000 to £4,316,000, but about two-thirds of this increase came from new acquisitions and margins on turnover fell from 6.1 to 5.6 per cent. Some of this decline may reflect the "big deficit" made by the wholly-owned Holyrood knitwear

subsidiary and the small loss made in a steelworks. The dividend has been raised from the equivalent of 15½ per cent to 20 per cent, covered almost twice by earnings.

The group's biggest earner of profits is the building supplies and services section, which contributed 23½ per cent to total gross profits. Vehicle distribution provided a further 22.8 per cent and record profits from the "Pyrex" producers, James A. Jobling, helped to provide the 19.7 per cent of the glassware section. Last year the group added to its interests in engineering, building, vehicle distribution and road transport. The pattern of the group seems more set now, as the chairman, Mr Lionel Fraser, says that future acquisitions will be confined "to concerns which will be benefited by the knowledge or experience of our existing companies or vice versa." He is optimistic about the current year, which began well; and he expects the unprofitable subsidiaries to be earning profits "soon," though he does not specify when this will be. The 4s. ordinary shares at 26s. 4½d. yield 3 per cent.

### Sears Holdings

OUTPUT of shoes rose by seven per cent last year and, despite the poor summer, sales, including an increasing proportion of imports, rose by more than nine per cent to £285 million. Although it appeared at one time that the multiple retailers were no longer adding to their share of the market, revised figures from the Board of Trade showed a further marginal gain by the multiples. Only the stickiness of profits from its engineering section restrained

| Years to December 31            | 1959  | 1960   |
|---------------------------------|-------|--------|
|                                 | £'000 | £'000  |
| Group trading profit .....      | 9,968 | 11,783 |
| Depreciation .....              | 1,268 | 1,366  |
| Tax .....                       | 4,256 | 5,200  |
| Net profit .....                | 3,987 | 4,790  |
| Ordinary dividends .....        | 1,637 | 1,964  |
| Ordinary dividend (per cent) .. | 20½   | 25     |
| Subsidiaries' gross profit:—    |       |        |
| British Shoe Corporation .....  | 4,376 | 5,669  |
| Sears Engineering .....         | 3,772 | 3,915  |
| Mappin & Webb .....             | 244   | 336    |

Sears' profit growth last year. Group profits before depreciation rose by 18 per cent, from £9,968,000 to £11,783,000, but British Shoe Corporation's gross profit rose by 30 per cent, from £4,376,000 to £5,669,000. The engineering division achieved a rise of only about four per cent to £3,915,000 last year, and because of the big strides made by the shoe industry in the past two years the proportion of total profit contributed by the engineering division has fallen sharply. The gross profit of Mappin & Webb, which presumably includes the earnings of Garrards, rose from £244,000 to £336,000.

The ordinary dividend has been raised as forecast from the equivalent of 20½ per cent on the old capital to 25 per cent. A one for five scrip issue in "A" ordinary shares is to be repeated, and once again the directors have said what the dividend on the new capital will be, forecasting a payment of 25 per cent. On the prospective dividend the "A" units at 43s. 4½d. yield 3.5 per cent.

## Elliott-Automation

AMERICAN investors have boosted the prices of electronic and automation shares to stratospheric heights. Some of the young fast-growing electronic companies in America have yet to pay a dividend, but even so their shares have attracted eager—and possibly rash—buyers. It is not therefore surprising that American investors have looked beyond their own national boundaries and bought the shares of such an established concern as Elliott-Automation, which is the only British maker of a full range of automation systems. When the debenture stock was placed in January the directors forecast a "satisfactory advance" on the 1959 profits. The preliminary figures show that gross profits have in fact risen by 24 per cent from £1,016,000 to £1,256,000, excluding the profits of the Rheostatic Company. If these, amounting to £521,000, are included the increase is no less than 75 per cent; net profits, including the Rheostatic contribution, rose from £549,000 to £960,000.

Shareholders will be pleased with the increased dividend of 13 per cent, compared with a forecast of 12 per cent and 9½ per cent paid in the previous year. But they must also wonder whether the present rate of growth can be sustained; this year the rise in gross profits was proportionately equal to the rise in 1959, but it may be a difficult task to maintain this pace in the future. With the 5s. ordinary shares at 36s. 10½d. to yield only 1.8 per cent, covered just over twice, the future is heavily discounted.

## Vickers

LAST September the half yearly results from Vickers showed that the group had fared rather more successfully in the first half of 1960 than in the same period in 1959, but not quite so well as in the second half of 1959. Now the preliminary figures for the full year have shown that a marked improvement occurred in the second half of the year. Over the full year, sales rose by 2½ per cent, from £155½ million to £159½ million, but the group's net profits rose by 27 per cent, from £4,934,000 to £6,252,000. Earnings have thus risen from 15 to 19 per cent; and, though the total dividend remains unchanged at 10 per cent, the market was pleased with the results, marking up the ordinary shares by 1s. 6d. to 37s. 3d., and at the current price of 36s. 3d. the yield is 5½ per cent.

Part of the improvement in the 1960 figures reflects a higher profit from trading; though this is somewhat obscured by the addition of £1.2 million in an exceptional credit to the 1959 profit and the deduction of £802,000 from profits in 1960 to cover the net loss on the termination of tractor production. But the biggest contribution to the improvement has come from the aircraft division, where the development provision has been halved to £2½ million

## COMPANY AFFAIRS

now that the cost of the Vanguard has been written off. The loss on the sale of Viscounts to Capital Airlines cannot be calculated at the moment but it is thought that after tax relief it will be substantially

### SALES AND PROFITS (£ million)

| Six months ended          | June 30, 1959 | Dec. 31, 1959 | June 30, 1960 | Dec. 31, 1960 |
|---------------------------|---------------|---------------|---------------|---------------|
| Sales                     | 73.03         | 82.51         | 75.67         | 83.56         |
| Trading profit            | 5.17          | 8.88          | 6.17          | 7.96          |
| Aircraft development      | 2.00          | 3.00          | 1.50          | 1.00          |
| Gross profit              | 3.17          | 5.88          | 4.67          | 6.96          |
| Orders on hand            | 295.0         | 282.0         | 286.0         | 307.0         |
| Net assets                | 113.0         | 112.7         | 115.1         | 114.8         |
| Gross profit/sales %      | 4.3           | 7.1           | 6.2           | 8.3           |
| Gross profit/net assets % | 2.8           | 5.2           | 4.1           | 6.1           |

less than the £3 million contingencies reserve which has already been set aside to meet it.

One disappointment is the experience of English Steel Corporation, in which Vickers has a 75 per cent. interest. A heavy increase in the tax charge has cut into its net profits so that the proportion of its profits attributable to Vickers has actually fallen, accounting for only 32½ per cent of the total of Vickers' net profits.

## Gallaher

SHAREHOLDERS in Gallaher, the tobacco manufacturing group, should be pleased with its preliminary results, for they show not only an absolute increase in gross profits but an acceleration in the rate of growth. Last year Gallaher's profits rose by 23½ per cent, from £9½ million to £11½ million; the increase in the tax charge limited the rise in net profits to 17 per cent, from £5,004,000 to £5,834,000. In June the directors forecast that the 20 per cent dividend would be maintained on the ordinary capital after the one-for-six rights issue. They have now formally declared this dividend; in view of the rise in profits this may err on the side of caution but it has also to be noted that the earnings cover has not risen, remaining unchanged at 1.9 times. The market appeared to be disappointed that the dividend was not bigger and after the results were published the 10s. shares gained only 3d. to 47s. 9d. But this is the peak for the year so far and the yield is 4½ per cent.

The rise in profits must reflect a higher level of sales for margins can hardly have improved in 1960, when wages rose and tobacco leaf was more expensive. The rise in tobacco consumption in this country was 3 per cent last year and it seems clear that Gallaher was doing rather better than this in a highly competitive market. In particular, the "Nelson" tipped brand, appears to have won new customers.

## United Drapery Stores

THE market's hopes of good results from United Drapery Stores were justified by the preliminary results for the year to January 31st. Last October a total dividend of not less than 40 per cent was forecast

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but the directors have now declared a final dividend of 30 per cent, to make the dividend 45 per cent in all; this compares with 37½ per cent the year before. In addition, there is to be a one-for-two scrip issue and having risen sharply on this news the 5s. shares at 75s. yield 3 per cent.

Trading profits have risen by 12 per cent from £9,025,000 to £10,103,000. In 1959 gross profits were affected by the provision of £686,000 for hire-purchase debts but last year there was a credit of £29,000 on this account; gross profits have therefore risen by 24½ per cent from £7,410,000 to £9,256,000 and after the higher tax charge net profits have risen by 21 per cent from £3,846,000 to £4,663,000. The higher dividend, with the final payment on the

|                            | July 30, 1959 | Jan. 31, 1960 | July 30, 1960 | Jan. 31, 1961 |
|----------------------------|---------------|---------------|---------------|---------------|
| Trading profit             | 4,003         | 5,022         | 4,484         | 5,619         |
| Profit before tax          | 3,261         | 4,149         | 4,013         | 5,243         |
| Taxation                   | 1,570         | 1,857         | 2,030         | 2,463         |
| Available for Ord. capital | 1,627         | 2,356         | 1,915         | 2,848         |

capital as increased by the rights issue, absorbs nearly £2.5 million, against £1.9 million, so that the cover is unchanged at about 1.9 times. The improvement in profits in the second half of 1959-60 is impressively in line with the rate of growth in 1958-59; this tends to confirm the impression that in such a widely based retailing multiple as UDS what is lost temporarily on hire purchase sales is balanced by what is gained on cash and short-term credit sales.

## Royal Mail

FOR all its potential promise, the external trade of the South American countries has lagged behind that of other regions in the past decade. To add to the difficulties of Royal Mail, whose principal interests lie in passenger and freight services between Western Europe and South America, illiberal trading policies are widespread among South American countries, which frequently resort to bilateral trading and flag discrimination. Royal Mail's earnings have fallen steadily since 1956 and the ordinary dividend was cut from 9 to 8 per cent in 1958. It has now been reduced to 5 per cent. Operating profits for 1960 amounted to £1,497,000, compared with £2,017,000 in 1959. The transfer of about £450,000 from reserves for contingencies and repairs has been repeated, and a further credit of £150,000 has been transferred to cover special repairs made to one ship during refitting. Though bunker oil prices were lower last year, operating costs were rising on a broad front, and the strike of tally clerks in the London docks at the end of 1960 may also have reduced Royal Mail's earnings.

Royal Mail's fleet replacement programme is reflected in the rise in interest payable on bank overdrafts from £2,000 to £181,000. Depreciation was virtually unchanged at £1,470,000, but transfers to

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fleet replacement reserves have been reduced from £750,000 to £110,000, so that net profit was £166,000, against £331,000. The smaller ordinary dividend absorbed £245,000, compared with £392,000 in the previous year. Royal Mail's £1 shares stand just above par, to yield 4.9 per cent.

## Associated Electrical Industries

LORD CHANDOS had some words of cheer for the AEI shareholders in his statement last week, but, to judge from the stock market's reaction, rather fewer than the optimists had expected. He told them that the outlook for those parts of the business which were predictable was much better than in 1960. He expected more favourable results from most divisions; but he thought that it would be a difficult year for exports, and for the appliance and entertainment divisions. He, however, also said that the volume and profit of the appliance division should be better than in 1960 though this is one division where the results are largely unpredictable, because refrigerator sales depend so much on summer temperatures. The division itself has its hopes of a 50 per cent increase in turnover and profits. The entertainment business—supplying parts for radio and television sets—is, however, likely to run at a much lower level than in the first half of 1960: it would be surprising if it showed any improvement on the second half of last year, at least until the autumn. Profits from this source may well be lower than in 1960. Railway traction was the other black spot that Lord Chandos had to mention; but he was able to say that two-thirds of the faulty transformers have now been modified.

The four divisions that were causing concern last year should contribute something more to profits this year. Rationalisation of the cable division is now practically completed, and though prices are still 17 per cent below the level in April, 1959, profits should be made this year. This should make, Lord Chandos said, "a considerable difference to the profits of the company in the present year." The telecommunications division, which made a marginal loss last year, should give a modest return on the capital employed this year; the improvement in the profits of the lamps and lighting division should continue this year. And more should need to be provided for the loss on the Berkeley nuclear power station, while that at Dungeness should give a modest profit. Shareholders cannot feel too optimistic about their prospects when Lord Chandos complains about the low margins endangering the industry's ability to maintain research and development, and when he maintains that protection of the consumer can be taken so far that the industry is damaged; but the present boom in capital goods and electricity consumption should benefit AEI in the longer term.

## COMPANY AFFAIRS

## Reyrolle

THE results of A. Reyrolle, announced earlier this month, came as a pleasant change to the depressing record among heavy electrical manufacturers of slim margins and declining profits. Last year, in fact, Reyrolle's profits were 11½ per cent higher at £2,900,000. About half of this increase came from trading and the other half from a bigger yield on Reyrolle's investments. The chairman, Mr H. H. Mullens, has said that the improvement took place in a difficult year and that it partly reflected the completion of a number of large contracts.

The outlook, however, seems to be brighter, for full time working followed the increase in orders received in the summer. Then, orders on hand were at a new record level and they are at the moment sufficient to ensure full capacity working for the next twelve months. Although competition is still fierce and profit margins are narrow, the chairman says that the group has demonstrated its ability to compete with foreign manufacturers in export markets. The slowing down of the nuclear power programme and the low level of activity in the early part of 1960 have swollen the group's liquid funds; by the end of the year they amounted to £5.3 million, and Mr Mullens says that some call will be made on them this year to finance further expansion. The shares gained 1s. 3d. after the report had been published and now stand at 48s. 9d. to yield 4 per cent covered 1½ times.

## Burmah Oil

LAST June the chairman of Burmah Oil, Mr W. E. Eadie, said that although trade in the early part of 1960 was seven per cent higher than in the same period of 1959 margins were narrowing. It looks as if this trend towards smaller returns was accentuated in the later months of the year, for Burmah Oil's gross trading profits for the whole of the year fell by 34 per cent, from £5,674,000 to £3,775,000. This, however, has been balanced almost exactly by a rise in "other dividends and interest" from £9,888,000 to £11,782,000; most of this investment income arises from Burmah's holdings in British Petroleum and Shell Transport and Trading. The group's net income rose by three per cent, from £9,523,000 to £9,820,000, so that earnings rose from 11½ to nearly 12 per cent. But the tax free dividend has been raised from 8½ to 9½ per cent; presumably in deciding upon this increase the directors had in mind the latest increases in the final dividends declared by British Petroleum and Shell which will be brought into Burmah Oil's accounts this year. The market seemed to be disappointed that the directors have not decided to make a scrip issue, for the ordinary shares lost 2s. immediately after the results. At 43s. 9d. the shares yield 7 per cent, covered 1½ times.

## London Stock Exchange

|                |          |          |        |
|----------------|----------|----------|--------|
| FIRST DEALINGS | April 10 | April 24 | May 8  |
| LAST DEALINGS  | April 21 | May 5    | May 26 |
| ACCOUNT DAY    | May 2    | May 16   | June 6 |

OVER the week to Wednesday share prices were nearly as much affected by a number of domestic dividend and profit announcements as by the international crisis. Before the week-end the Cuban invasion cast some shadows over the market and afterwards the Algerian revolt made a slight impact, particularly on gilt-edged stocks. Equity prices also fell on Tuesday in sympathy with Wall Street where the fall was the sharpest since late 1958. But on Wednesday the news that the revolt in Algeria had collapsed was followed by a general rise in the price of gilt-edged stocks and widespread gains occurred among equities after the strong recovery on Wall Street. Over the week to Wednesday *The Economist* indicator gained 3.5 points to a new peak of 422.6.

Before the week-end the demand for gilt-edged stocks was centred largely upon short dated issues; Conversion 4½ per cent 1964 gained ½ to 98½ and Conversion 5½ per cent 1974 gained ½ to 95½. Among the irredeemable stocks 2½ per cent Consols gained ½ to 42½. High coupon dominion and corporation loans remained firm over the week, and they, too, moved ahead on Wednesday.

The biggest movements of the week in equity prices occurred among bank shares after the announcement of a scrip and rights issue from the Midland Bank; this, it was widely believed, would be followed by similar issues from other big banks. Midland advanced by 16s. to 123s. 9d. Barclays gained 9s. 6d. to 91s. and Westminster "B" 6s. 9d. to 83s. 6d. Following the gains resulting from dividend announcements by some insurance companies before the week-end profit taking occurred and Royal, for example, lost 5s. to 174s. Although there was some profit taking among industrial equities as the account drew to its close last week-end the *Financial Times* index showed a gain for the week of 5 points to stand at a new peak of 359.2. Store shares were in demand and United Drapery rose by 7s. 7½d. to a new peak of 74s. 9d. after the announcement of a scrip issue. Among electrical shares AEI fell by 3s. 9d. to 43s. 6d. after the chairman's statement but there was a strong demand for automation and computer shares; ICT gained 3s. 1½d. to 103s. 9d. and Elliott-Automation gained 2s. to 36s. 9d. on its results. Fisons gained 3s. 6d. to 58s. 6d. after they revealed plans for a joint nitrogen plant with Esso. Oil shares were depressed early in the week in sympathy with Wall Street but rallied on Wednesday when Shell Trinidad rose by 32s. 6d. after the offer from Shell Transport for the minority shares had been announced. The news of the lower dividend and profits from Royal Mail depressed shipping shares.



## LONDON AND NEW

| Prices, 1961 |         | BRITISH FUNDS AND GUARANTEED STOCKS | Price, Apr. 19, 1961 | Price, Apr. 26, 1961 | Net Yield, Apr. 26, 1961 | Gross Yield, Apr. 26, 1961 | Prices, 1961 |        | Last Two Dividends (a) (b) (c) | ORDINARY STOCKS      | Price, Apr. 19, 1961 | Price, Apr. 26, 1961 | Yield, Apr. 26, 1961 | Cover |
|--------------|---------|-------------------------------------|----------------------|----------------------|--------------------------|----------------------------|--------------|--------|--------------------------------|----------------------|----------------------|----------------------|----------------------|-------|
| High         | Low     |                                     |                      |                      |                          |                            | High         | Low    |                                |                      |                      |                      |                      |       |
| 92 1/2       | 89 1/2  | Savings Bonds 3% 1955-65            | 91 1/2               | 92 1/2               | 4 1/2                    | 5 1/2                      | 91 1/2       | 65 1/2 | 2 1/2                          | BANKS, DISCOUNT & HP | 81 1/2               | 91 1/2               | 2 1/2                | ...   |
| 99 1/2       | 99 1/2  | Conversion 4 1/2% 1962              | 99 1/2               | 99 1/2               | 2 1/2                    | 4 1/2                      | 99 1/2       | 74 1/2 | 7 1/2                          | Barclays             | 81 1/2               | 89 1/2               | 3 1/2                | ...   |
| 96 1/2       | 95 1/2  | Exchequer 3% 1962-63                | 96 1/2               | 96 1/2               | 2 1/2                    | 4 1/2                      | 96 1/2       | 58 1/2 | 6 1/2                          | District             | 70 1/2               | 73 1/2               | 2 1/2                | ...   |
| 101 1/2      | 100 1/2 | Treasury 3 1/2% 1963-64             | 101 1/2              | 101 1/2              | 2 1/2                    | 4 1/2                      | 101 1/2      | 76 1/2 | 7 1/2                          | Lloyds               | 70 1/2               | 73 1/2               | 2 1/2                | ...   |
| 99 1/2       | 98 1/2  | Conversion 4 1/2% 1963              | 99 1/2               | 99 1/2               | 2 1/2                    | 4 1/2                      | 99 1/2       | 76 1/2 | 7 1/2                          | Martins              | 51 1/2               | 51 1/2               | ...                  | ...   |
| 99 1/2       | 98 1/2  | Conversion 4 1/2% 'A' 1963          | 99 1/2               | 99 1/2               | 2 1/2                    | 4 1/2                      | 99 1/2       | 76 1/2 | 7 1/2                          | Midland              | 107 1/2              | 124 1/2              | 3 1/2                | ...   |
| 99 1/2       | 98 1/2  | Conversion 4 1/2% 'A' 1964          | 99 1/2               | 99 1/2               | 2 1/2                    | 4 1/2                      | 99 1/2       | 76 1/2 | 7 1/2                          | Nat. Provincial      | 88 1/2               | 94 1/2               | 2 1/2                | ...   |
| 99 1/2       | 98 1/2  | Conversion 4 1/2% 'A' 1966          | 99 1/2               | 99 1/2               | 2 1/2                    | 4 1/2                      | 99 1/2       | 76 1/2 | 7 1/2                          | Westminster          | 88 1/2               | 94 1/2               | 2 1/2                | ...   |
| 99 1/2       | 98 1/2  | Conversion 4 1/2% 'A' 1969-69       | 99 1/2               | 99 1/2               | 2 1/2                    | 4 1/2                      | 99 1/2       | 76 1/2 | 7 1/2                          | Australia & N.Z.     | 40 1/2               | 41 1/2               | 5 1/2                | ...   |
| 99 1/2       | 98 1/2  | Conversion 4 1/2% 'A' 1969-69       | 99 1/2               | 99 1/2               | 2 1/2                    | 4 1/2                      | 99 1/2       | 76 1/2 | 7 1/2                          | Bk. Lond. & S. Amer. | 54 1/2               | 55 1/2               | 3 1/2                | ...   |
| 99 1/2       | 98 1/2  | Conversion 4 1/2% 'A' 1969-69       | 99 1/2               | 99 1/2               | 2 1/2                    | 4 1/2                      | 99 1/2       | 76 1/2 | 7 1/2                          | Bank of Montreal     | 22 1/2               | 22 1/2               | ...                  | ...   |
| 99 1/2       | 98 1/2  | Conversion 4 1/2% 'A' 1969-69       | 99 1/2               | 99 1/2               | 2 1/2                    | 4 1/2                      | 99 1/2       | 76 1/2 | 7 1/2                          | Bank of New S. Wales | 28                   | 28                   | ...                  | ...   |
| 99 1/2       | 98 1/2  | Conversion 4 1/2% 'A' 1969-69       | 99 1/2               | 99 1/2               | 2 1/2                    | 4 1/2                      | 99 1/2       | 76 1/2 | 7 1/2                          | Barclays D.C.O.      | 44 1/2               | 44 1/2               | ...                  | ...   |
| 99 1/2       | 98 1/2  | Conversion 4 1/2% 'A' 1969-69       | 99 1/2               | 99 1/2               | 2 1/2                    | 4 1/2                      | 99 1/2       | 76 1/2 | 7 1/2                          | Chartered            | 61 1/2               | 64 1/2               | ...                  | ...   |
| 99 1/2       | 98 1/2  | Conversion 4 1/2% 'A' 1969-69       | 99 1/2               | 99 1/2               | 2 1/2                    | 4 1/2                      | 99 1/2       | 76 1/2 | 7 1/2                          | Hongkong & Shang.    | 218 1/2              | 218 1/2              | ...                  | ...   |
| 99 1/2       | 98 1/2  | Conversion 4 1/2% 'A' 1969-69       | 99 1/2               | 99 1/2               | 2 1/2                    | 4 1/2                      | 99 1/2       | 76 1/2 | 7 1/2                          | Royal Bk. Canada     | 107 1/2              | 107 1/2              | ...                  | ...   |
| 99 1/2       | 98 1/2  | Conversion 4 1/2% 'A' 1969-69       | 99 1/2               | 99 1/2               | 2 1/2                    | 4 1/2                      | 99 1/2       | 76 1/2 | 7 1/2                          | Royal Bk. Scotland   | 102 1/2              | 102 1/2              | ...                  | ...   |
| 99 1/2       | 98 1/2  | Conversion 4 1/2% 'A' 1969-69       | 99 1/2               | 99 1/2               | 2 1/2                    | 4 1/2                      | 99 1/2       | 76 1/2 | 7 1/2                          | Stand. Bk. S. Africa | 36 1/2               | 36 1/2               | ...                  | ...   |
| 99 1/2       | 98 1/2  | Conversion 4 1/2% 'A' 1969-69       | 99 1/2               | 99 1/2               | 2 1/2                    | 4 1/2                      | 99 1/2       | 76 1/2 | 7 1/2                          | Hambros              | 122 1/2              | 122 1/2              | ...                  | ...   |
| 99 1/2       | 98 1/2  | Conversion 4 1/2% 'A' 1969-69       | 99 1/2               | 99 1/2               | 2 1/2                    | 4 1/2                      | 99 1/2       | 76 1/2 | 7 1/2                          | Schroders            | 67 1/2               | 73 1/2               | ...                  | ...   |
| 99 1/2       | 98 1/2  | Conversion 4 1/2% 'A' 1969-69       | 99 1/2               | 99 1/2               | 2 1/2                    | 4 1/2                      | 99 1/2       | 76 1/2 | 7 1/2                          | Union Discount       | 54 1/2               | 58 1/2               | ...                  | ...   |
| 99 1/2       | 98 1/2  | Conversion 4 1/2% 'A' 1969-69       | 99 1/2               | 99 1/2               | 2 1/2                    | 4 1/2                      | 99 1/2       | 76 1/2 | 7 1/2                          | Bowmaker             | 27 1/2               | 27 1/2               | ...                  | ...   |
| 99 1/2       | 98 1/2  | Conversion 4 1/2% 'A' 1969-69       | 99 1/2               | 99 1/2               | 2 1/2                    | 4 1/2                      | 99 1/2       | 76 1/2 | 7 1/2                          | Lombard Banking      | 21 1/2               | 21 1/2               | ...                  | ...   |
| 99 1/2       | 98 1/2  | Conversion 4 1/2% 'A' 1969-69       | 99 1/2               | 99 1/2               | 2 1/2                    | 4 1/2                      | 99 1/2       | 76 1/2 | 7 1/2                          | Mercantile Credit    | 20 1/2               | 21 1/2               | ...                  | ...   |
| 99 1/2       | 98 1/2  | Conversion 4 1/2% 'A' 1969-69       | 99 1/2               | 99 1/2               | 2 1/2                    | 4 1/2                      | 99 1/2       | 76 1/2 | 7 1/2                          | United Dominions     | 195 1/2              | 197 1/2              | ...                  | ...   |

| Prices, 1961 |        | DOMINION AND CORPORATION STOCKS             | Price, Apr. 19, 1961 | Price, Apr. 26, 1961 | Yield, Apr. 26, 1961 | 28/4 1/2  | 22/3      | 7 1/2 a  | 12 1/2 b | Taylor Woodrow.....5/-      | 27/3      | 26 3/4     | 3 81  |
|--------------|--------|---------------------------------------------|----------------------|----------------------|----------------------|-----------|-----------|----------|----------|-----------------------------|-----------|------------|-------|
| High         | Low    |                                             |                      |                      |                      | 170/-     | 153/-     | 7 1/2 a  | 12 1/2 b | Wall Paper Deid.....5/-     | 162/9     | 169/-a     | 2 96  |
| CHEMICAL     |        |                                             |                      |                      |                      |           |           |          |          |                             |           |            |       |
| 81 1/2       | 79 1/2 | Australia 3 1/2%.....1965-69                | 81 1/2               | 81 1/2               | £ 3 d.               | 28/9      | 25/3      | 6 a      | 14 a     | Albright & Wilson.....5/-   | 27/10 1/2 | 28/9       | 3 48  |
| 101          | 98 1/2 | Australia 6%.....1974-76                    | 98 1/2               | 99                   | 6 4 d.               | 22 1/2    | 17/10 1/2 | 3        | 8 1/2 b  | Borax Deid.....5/-          | 20/9      | 21 1/1 1/2 | 2 72  |
| 72 1/2       | 70     | Ceylon 4%.....1973-75                       | 70                   | 70                   | 6 1 0 e              | 58/9      | 43/9      | 4        | 7 b      | Fisons.....61               | 55/-      | 58/6       | 3 76  |
| 101 1/2      | 98     | New Zealand 6%.....1976-80                  | 99 1/2               | 100                  | 6 1 0 e              | 77/6      | 63/11 1/2 | 6 1/2 a  | 7 1/2 b  | I.C.I.....5/-               | 74/6*     | 77/6       | 3 55  |
| 80 1/2       | 74 1/2 | Rhodesia and Nyasaland 6%.....1978-81       | 74 1/2               | 75                   | 6 1 0 e              | 26/10 1/2 | 23/3      | 5 a      | 10 a     | Monanto.....5/-             | 25/-      | 25/3       | 2 97  |
| 81           | 75     | South Africa 3 1/2%.....1965-67             | 78 1/2               | 79 1/2               | 6 1 0 e              |           |           |          |          | DRAPERY & STORES            |           |            |       |
| 59           | 54     | Southern Rhodesia 4 1/2%.....1967-92        | 56 1/2               | 56 1/2               | 8 12 c               | 36/-      | 24/-      | 10 1/2 c | 4 e      | Boots Pure Drug.....5/-     | 33/-      | 32/-       | 1 64  |
| 94 1/2       | 93     | Agricultural Mortgage 5 1/2%.....1980-85    | 94 1/2               | 94 1/2               | 6 0 0                | 78/-      | 58/6      | 7 1/2 a  | 5 a      | Montague Burton.....10/-    | 76/-      | 78/-       | 3 53  |
| 89           | 86 1/2 | Birmingham 4 1/2%.....1971-73               | 86 1/2               | 87                   | 6 0 0                | 66/9      | 48/-      | 13 1/2 a | 20 a     | Debenhams.....62 1/2        | 62 1/2    | 63/6       | 3 08  |
| 92 1/2       | 90 1/2 | Bristol 5%.....1976-79                      | 92 1/2               | 92 1/2               | 5 19 c               | 39/6      | 30/6      | 39 b     | 12 1/2 a | Gail's.....54/10 1/2        | 55/3      | 55/3       | 3 39* |
| 90 1/2       | 88 1/2 | Corporation of London 5 1/4%.....after 1920 | 88 1/2               | 89                   | 6 0 0                | 60/9      | 30/-      | 25 b     | 10 a     | House of Fraser.....5/-     | 58/6      | 60/9       | 3 70  |
| 93 1/2       | 90 1/2 | L.C.C. 3%.....1980-83                       | 93 1/2               | 93 1/2               | 6 0 0                | 20/9      | 17/4 1/2  | 5 a      | 7 1/2 b  | Lewis's Invest. Tst.....4/- | 18 1/2 a  | 20 1/4 1/2 | 2 42  |
| 89 1/2       | 87     | L.C.C. 5%.....1980-83                       | 87 1/2               | 88 1/2               | 4 7 0 f              | 110/9     | 93/7 1/2  | 27 1/2 b | 15 a     | Marks & Spencer 'A'.....5/- | 110/3     | 110/3      | 1 93  |
| 92 1/2       | 89 1/2 | Middlesex 5 1/2%.....1980                   | 89 1/2               | 91 1/2               | 5 19 c               | 74/9      | 52/3      | 15 a     | 30 b     | United Drapery.....5/-      | 67/1 1/2  | 74/9       | 3 01  |
|              |        |                                             |                      |                      | 6 0 0                | 60/7 1/2  | 55/9      | 10 7 a   | 25 b     | Woolworth.....5/-           | 58/9      | 58/3       | 3 06  |

| Prices, 1961 |         | NEW YORK PRICES AND INDICES | Apr. 19, 1961 | Apr. 26, 1961 | Apr. 19, 1961 | Apr. 26, 1961 | Apr. 19, 1961 | Apr. 26, 1961 | Apr. 19, 1961 | Apr. 26, 1961 | Apr. 19, 1961 | Apr. 26, 1961 | Apr. 19, 1961 | Apr. 26, 1961 |
|--------------|---------|-----------------------------|---------------|---------------|---------------|---------------|---------------|---------------|---------------|---------------|---------------|---------------|---------------|---------------|
| High         | Low     |                             |               |               |               |               |               |               |               |               |               |               |               |               |
| 24 1/2       | 24 1/2  | Atch. Topeka                | 24 1/2        | 24 1/2        | 35 1/2        | 35 1/2        | 35 1/2        | 35 1/2        | 35 1/2        | 35 1/2        | 35 1/2        | 35 1/2        | 35 1/2        | 35 1/2        |
| 23 1/2       | 23 1/2  | Can. Pacific                | 23 1/2        | 23 1/2        | 35 1/2        | 35 1/2        | 35 1/2        | 35 1/2        | 35 1/2        | 35 1/2        | 35 1/2        | 35 1/2        | 35 1/2        | 35 1/2        |
| 14 1/2       | 14 1/2  | Pennsylvania                | 14 1/2        | 14 1/2        | 35 1/2        | 35 1/2        | 35 1/2        | 35 1/2        | 35 1/2        | 35 1/2        | 35 1/2        | 35 1/2        | 35 1/2        | 35 1/2        |
| 32 1/2       | 31 1/2  | Union Pacific               | 32 1/2        | 31 1/2        | 35 1/2        | 35 1/2        | 35 1/2        | 35 1/2        | 35 1/2        | 35 1/2        | 35 1/2        | 35 1/2        | 35 1/2        | 35 1/2        |
| 68 1/2       | 66 1/2  | Amer. Electric              | 68 1/2        | 66 1/2        | 35 1/2        | 35 1/2        | 35 1/2        | 35 1/2        | 35 1/2        | 35 1/2        | 35 1/2        | 35 1/2        | 35 1/2        | 35 1/2        |
| 126 1/2      | 124 1/2 | Am. Tel. & Tel.             | 126 1/2       | 124 1/2       | 35 1/2        | 35 1/2        | 35 1/2        | 35 1/2        | 35 1/2        | 35 1/2        | 35 1/2        | 35 1/2        | 35 1/2        | 35 1/2        |
| 78 1/2       | 79 1/2  | Cons. Edison                | 78 1/2        | 79 1/2        | 35 1/2        | 35 1/2        | 35 1/2        | 35 1/2        | 35 1/2        | 35 1/2        | 35 1/2        | 35 1/2        | 35 1/2        | 35 1/2        |
| 58 1/2       | 58 1/2  | Int. Tel. & Tel.            | 58 1/2        | 58 1/2        | 35 1/2        | 35 1/2        | 35 1/2        | 35 1/2        | 35 1/2        | 35 1/2        | 35 1/2        | 35 1/2        | 35 1/2        | 35 1/2        |
| 51 1/2       | 51 1/2  | Standard Gas                | 51 1/2        | 51 1/2        | 35 1/2        | 35 1/2        | 35 1/2        | 35 1/2        | 35 1/2        | 35 1/2        | 35 1/2        | 35 1/2        | 35 1/2        | 35 1/2        |
| 71 1/2       | 71 1/2  | United Corp.                | 71 1/2        | 71 1/2        | 35 1/2        | 35 1/2        | 35 1/2        | 35 1/2        | 35 1/2        | 35 1/2        | 35 1/2        | 35 1/2        | 35 1/2        | 35 1/2        |
| 47 1/2       | 46 1/2  | Western Union               | 47 1/2        | 46 1/2        | 35 1/2        | 35 1/2        | 35 1/2        | 35 1/2        | 35 1/2        | 35 1/2        | 35 1/2        | 35 1/2        | 35 1/2        | 35 1/2        |
| 73 1/2       | 72 1/2  | Alcoa                       | 73 1/2        | 72 1/2        | 35 1/2        | 35 1/2        | 35 1/2        | 35 1/2        | 35 1/2        | 35 1/2        | 35 1/2        | 35 1/2        | 35 1/2        | 35 1/2        |
| 37 1/2       | 37 1/2  | Aluminum                    | 37 1/2        | 37 1/2        | 35 1/2        | 35 1/2        | 35 1/2        | 35 1/2        | 35 1/2        | 35 1/2        | 35 1/2        | 35 1/2        | 35 1/2        | 35 1/2        |
| 40 1/2       | 40 1/2  | Amer. Can.                  | 40 1/2        | 40 1/2        | 35 1/2        | 35 1/2        | 35 1/2        | 35 1/2        | 35 1/2        | 35 1/2        | 35 1/2        | 35 1/2        | 35 1/2        | 35 1/2        |
| 64 1/2       | 64 1/2  | Am. Smelting                | 64 1/2        | 64 1/2        | 35 1/2        | 35 1/2        | 35 1/2        | 35 1/2        | 35 1/2        | 35 1/2        | 35 1/2        | 35 1/2        | 35 1/2        | 35 1/2        |
| 47 1/2       | 45 1/2  | Am. Viscose                 | 47 1/2        | 45 1/2        | 35 1/2        | 35 1/2        | 35 1/2        | 35 1/2        | 35 1/2        | 35 1/2        | 35 1/2        | 35 1/2        | 35 1/2        | 35 1/2        |
| 58 1/2       | 58 1/2  | Anacosta                    | 58 1/2        | 58 1/2        | 35 1/2        | 35 1/2        | 35 1/2        | 35 1/2        | 35 1/2        | 35 1/2        | 35 1/2        | 35 1/2        | 35 1/2        | 35 1/2        |
| 47 1/2       | 46 1/2  | Beth. Steel                 | 47 1/2        | 46 1/2        | 35 1/2        | 35 1/2        | 35 1/2        | 35 1/2        | 35 1/2        | 35 1/2        | 35 1/2        | 35 1/2        | 35 1/2        | 35 1/2        |

| Standard and Poor's Indices (1941-43=100) |                 |         |          |         |              |         |             |         |                        |       |      |         |          |
|-------------------------------------------|-----------------|---------|----------|---------|--------------|---------|-------------|---------|------------------------|-------|------|---------|----------|
| 1961                                      | 425 Industrials | Yield % | 25 Rails | Yield % | 50 Utilities | Yield % | Govt. Bonds | Yield % | George Cohen.....      |       |      |         |          |
|                                           |                 |         |          |         |              |         |             |         |                        | 14/6  | 12/3 | 8 1/2 b | 4 1/2 a  |
|                                           |                 |         |          |         |              |         |             |         |                        | 17/6  | 12/9 | 15 c    | 22 1/2 c |
|                                           |                 |         |          |         |              |         |             |         |                        | 100/9 | 78/6 | 10 b    | 5 a      |
|                                           |                 |         |          |         |              |         |             |         |                        | 31/-  | 22/- | 10 b    | 4 a      |
| Mar. 29                                   | 68-64           | 2-91    | 33-57    | 4-81    | 57-98        | 3-31    | 90-92       | 3-80    | 171/3                  |       |      |         |          |
| Apr. 5                                    | 69-14           | 2-89    | 32-65    | 4-95    | 59-30        | 3-25    | 90-71       | 3-82    | 99/3                   |       |      |         |          |
| " 12                                      | 70-17           | 2-85    | 32-33    | 5-00    | 59-46        | 3-24    | 90-92       | 3-80    | 100/9                  |       |      |         |          |
| " 19                                      | 69-69           | 2-87    | 32-10    | 5-03    | 58-64        | 3-28    | 90-92       | 3-80    | 28/3                   |       |      |         |          |
| " 26                                      | 69-33           | 2-89    | 32-23    | 5-04    | 58-91        | 3-30    | 91-24       | 3-77    | 29/-                   |       |      |         |          |
|                                           |                 |         |          |         |              |         |             |         | 85/6                   |       |      |         |          |
|                                           |                 |         |          |         |              |         |             |         | 37/3                   |       |      |         |          |
|                                           |                 |         |          |         |              |         |             |         | 81/-                   |       |      |         |          |
|                                           |                 |         |          |         |              |         |             |         | 35/-                   |       |      |         |          |
|                                           |                 |         |          |         |              |         |             |         | 17 1/2 b               |       |      |         |          |
|                                           |                 |         |          |         |              |         |             |         | 14 c                   |       |      |         |          |
|                                           |                 |         |          |         |              |         |             |         | 7 1/2 b                |       |      |         |          |
|                                           |                 |         |          |         |              |         |             |         | 34 a                   |       |      |         |          |
|                                           |                 |         |          |         |              |         |             |         | 20 b                   |       |      |         |          |
|                                           |                 |         |          |         |              |         |             |         | Simon Engineering..... |       |      |         |          |
|                                           |                 |         |          |         |              |         |             |         | Tube Investments.....  |       |      |         |          |
|                                           |                 |         |          |         |              |         |             |         | Vickers.....           |       |      |         |          |
|                                           |                 |         |          |         |              |         |             |         | Ward (Thos. W.).....   |       |      |         |          |
|                                           |                 |         |          |         |              |         |             |         | Renold Chains.....     |       |      |         |          |
|                                           |                 |         |          |         |              |         |             |         | Simon Engineering..... |       |      |         |          |
|                                           |                 |         |          |         |              |         |             |         | Tube Investments.....  |       |      |         |          |
|                                           |                 |         |          |         |              |         |             |         | Vickers.....           |       |      |         |          |
|                                           |                 |         |          |         |              |         |             |         | Ward (Thos. W.).....   |       |      |         |          |
|                                           |                 |         |          |         |              |         |             |         | Renold Chains.....     |       |      |         |          |
|                                           |                 |         |          |         |              |         |             |         | Simon Engineering..... |       |      |         |          |
|                                           |                 |         |          |         |              |         |             |         | Tube Investments.....  |       |      |         |          |
|                                           |                 |         |          |         |              |         |             |         | Vickers.....           |       |      |         |          |
|                                           |                 |         |          |         |              |         |             |         | Ward (Thos. W.).....   |       |      |         |          |
|                                           |                 |         |          |         |              |         |             |         | Renold Chains.....     |       |      |         |          |
|                                           |                 |         |          |         |              |         |             |         | Simon Engineering..... |       |      |         |          |
|                                           |                 |         |          |         |              |         |             |         | Tube Investments.....  |       |      |         |          |
|                                           |                 |         |          |         |              |         |             |         | Vickers.....           |       |      |         |          |
|                                           |                 |         |          |         |              |         |             |         | Ward (Thos. W.).....   |       |      |         |          |
|                                           |                 |         |          |         |              |         |             |         | Renold Chains.....     |       |      |         |          |
|                                           |                 |         |          |         |              |         |             |         | Simon Engineering..... |       |      |         |          |
|                                           |                 |         |          |         |              |         |             |         | Tube Investments.....  |       |      |         |          |
|                                           |                 |         |          |         |              |         |             |         | Vickers.....           |       |      |         |          |
|                                           |                 |         |          |         |              |         |             |         | Ward (Thos. W.).....   |       |      |         |          |
|                                           |                 |         |          |         |              |         |             |         | Renold Chains.....     |       |      |         |          |
|                                           |                 |         |          |         |              |         |             |         | Simon Engineering..... |       |      |         |          |
|                                           |                 |         |          |         |              |         |             |         | Tube Investments.....  |       |      |         |          |
|                                           |                 |         |          |         |              |         |             |         | Vickers.....           |       |      |         |          |
|                                           |                 |         |          |         |              |         |             |         | Ward (Thos. W.).....   |       |      |         |          |
|                                           |                 |         |          |         |              |         |             |         | Renold Chains.....     |       |      |         |          |
|                                           |                 |         |          |         |              |         |             |         | Simon Engineering..... |       |      |         |          |
|                                           |                 |         |          |         |              |         |             |         | Tube Investments.....  |       |      |         |          |
|                                           |                 |         |          |         |              |         |             |         | Vickers.....           |       |      |         |          |
|                                           |                 |         |          |         |              |         |             |         | Ward (Thos. W.).....   |       |      |         |          |
|                                           |                 |         |          |         |              |         |             |         | Renold Chains.....     |       |      |         |          |
|                                           |                 |         |          |         |              |         |             |         | Simon Engineering..... |       |      |         |          |
|                                           |                 |         |          |         |              |         |             |         | Tube Investments.....  |       |      |         |          |
|                                           |                 |         |          |         |              |         |             |         | Vickers.....           |       |      |         |          |
|                                           |                 |         |          |         |              |         |             |         | Ward (Thos. W.).....   |       |      |         |          |
|                                           |                 |         |          |         |              |         |             |         | Renold Chains.....     |       |      |         |          |
|                                           |                 |         |          |         |              |         |             |         | Simon Engineering..... |       |      |         |          |
|                                           |                 |         |          |         |              |         |             |         | Tube Investments.....  |       |      |         |          |
|                                           |                 |         |          |         |              |         |             |         | Vickers.....           |       |      |         |          |
|                                           |                 |         |          |         |              |         |             |         | Ward (Thos. W.).....   |       |      |         |          |
|                                           |                 |         |          |         |              |         |             |         | Renold Chains.....     |       |      |         |          |
|                                           |                 |         |          |         |              |         |             |         | Simon Engineering..... |       |      |         |          |
|                                           |                 |         |          |         |              |         |             |         | Tube Investments.....  |       |      |         |          |
|                                           |                 |         |          |         |              |         |             |         | Vickers.....           |       |      |         |          |
|                                           |                 |         |          |         |              |         |             |         | Ward (Thos. W.).....   |       |      |         |          |
|                                           |                 |         |          |         |              |         |             |         | Renold Chains.....     |       |      |         |          |
|                                           |                 |         |          |         |              |         |             |         | Simon Engineering..... |       |      |         |          |
|                                           |                 |         |          |         |              |         |             |         | Tube Investments.....  |       |      |         |          |
|                                           |                 |         |          |         |              |         |             |         | Vickers.....           |       |      |         |          |
|                                           |                 |         |          |         |              |         |             |         | Ward (Thos. W.).....   |       |      |         |          |
|                                           |                 |         |          |         |              |         |             |         | Renold Chains.....     |       |      |         |          |
|                                           |                 |         |          |         |              |         |             |         | Simon Engineering..... |       |      |         |          |
|                                           |                 |         |          |         |              |         |             |         | Tube Investments.....  |       |      |         |          |
|                                           |                 |         |          |         |              |         |             |         | Vickers.....           |       |      |         |          |
|                                           |                 |         |          |         |              |         |             |         | Ward (Thos. W.).....   |       |      |         |          |
|                                           |                 |         |          |         |              |         |             |         | Renold Chains.....     |       |      |         |          |
|                                           |                 |         |          |         |              |         |             |         | Simon Engineering..... |       |      |         |          |
|                                           |                 |         |          |         |              |         |             |         | Tube Investments.....  |       |      |         |          |
|                                           |                 |         |          |         |              |         |             |         | Vickers.....           |       |      |         |          |
|                                           |                 |         |          |         |              |         |             |         | Ward (Thos. W.).....   |       |      |         |          |
|                                           |                 |         |          |         |              |         |             |         | Renold Chains.....     |       |      |         |          |
|                                           |                 |         |          |         |              |         |             |         | Simon Engineering..... |       |      |         |          |
|                                           |                 |         |          |         |              |         |             |         | Tube Investments.....  |       |      |         |          |
|                                           |                 |         |          |         |              |         |             |         | Vickers.....           |       |      |         |          |
|                                           |                 |         |          |         |              |         |             |         | Ward (Thos. W.).....   |       |      |         |          |
|                                           |                 |         |          |         |              |         |             |         | Renold Chains.....     |       |      |         |          |
|                                           |                 |         |          |         |              |         |             |         | Simon Engineering..... |       |      |         |          |
|                                           |                 |         |          |         |              |         |             |         | Tube Investments.....  |       |      |         |          |
|                                           |                 |         |          |         |              |         |             |         | Vickers.....           |       |      |         |          |
|                                           |                 |         |          |         |              |         |             |         | Ward (Thos. W.).....   |       |      |         |          |
|                                           |                 |         |          |         |              |         |             |         | Renold Chains.....     |       |      |         |          |
|                                           |                 |         |          |         |              |         |             |         | Simon Engineering..... |       |      |         |          |
|                                           |                 |         |          |         |              |         |             |         | Tube Investments.....  |       |      |         |          |
|                                           |                 |         |          |         |              |         |             |         | Vickers.....           |       |      |         |          |
|                                           |                 |         |          |         |              |         |             |         | Ward (Thos. W.).....   |       |      |         |          |
|                                           |                 |         |          |         |              |         |             |         | Renold Chains.....     |       |      |         |          |
|                                           |                 |         |          |         |              |         |             |         | Simon Engineering..... |       |      |         |          |
|                                           |                 |         |          |         |              |         |             |         | Tube Investments.....  |       |      |         |          |
|                                           |                 |         |          |         |              |         |             |         | Vickers.....           |       |      |         |          |
|                                           |                 |         |          |         |              |         |             |         | Ward (Thos. W.).....   |       |      |         |          |
|                                           |                 |         |          |         |              |         |             |         | Renold Chains.....     |       |      |         |          |
|                                           |                 |         |          |         |              |         |             |         | Simon Engineering..... |       |      |         |          |
|                                           |                 |         |          |         |              |         |             |         | Tube Investments.....  |       |      |         |          |
|                                           |                 |         |          |         |              |         |             |         | Vickers.....           |       |      |         |          |
|                                           |                 |         |          |         |              |         |             |         | Ward (Thos. W.).....   |       |      |         |          |
|                                           |                 |         |          |         |              |         |             |         | Renold Chains.....     |       |      |         |          |
|                                           |                 |         |          |         |              |         |             |         | Simon Engineering..... |       |      |         |          |
|                                           |                 |         |          |         |              |         |             |         | Tube Investments.....  |       |      |         |          |
|                                           |                 |         |          |         |              |         |             |         | Vickers.....           |       |      |         |          |
|                                           |                 |         |          |         |              |         |             |         | Ward (Thos. W.).....   |       |      |         |          |
|                                           |                 |         |          |         |              |         |             |         | Renold Chains.....     |       |      |         |          |
|                                           |                 |         |          |         |              |         |             |         | Simon Engineering..... |       |      |         |          |
|                                           |                 |         |          |         |              |         |             |         | Tube Investments.....  |       |      |         |          |
|                                           |                 |         |          |         |              |         |             |         | Vickers.....           |       |      |         |          |
|                                           |                 |         |          |         |              |         |             |         | Ward (Thos. W.).....   |       |      |         |          |
|                                           |                 |         |          |         |              |         |             |         | Renold Chains.....     |       |      |         |          |
|                                           |                 |         |          |         |              |         |             |         | Simon Engineering..... |       |      |         |          |
|                                           |                 |         |          |         |              |         |             |         | Tube Investments.....  |       |      |         |          |
|                                           |                 |         |          |         |              |         |             |         | Vickers.....           |       |      |         |          |
|                                           |                 |         |          |         |              |         |             |         | Ward (Thos. W.).....   |       |      |         |          |
|                                           |                 |         |          |         |              |         |             |         | Renold Chains.....     |       |      |         |          |
|                                           |                 |         |          |         |              |         |             |         | Simon Engineering..... |       |      |         |          |
|                                           |                 |         |          |         |              |         |             |         | Tube Investments.....  |       |      |         |          |
|                                           |                 |         |          |         |              |         |             |         | Vickers.....           |       |      |         |          |
|                                           |                 |         |          |         |              |         |             |         | Ward (Thos. W.).....   |       |      |         |          |
|                                           |                 |         |          |         |              |         |             |         | Renold Chains.....     |       |      |         |          |
|                                           |                 |         |          |         |              |         |             |         | Simon Engineering..... |       |      |         |          |
|                                           |                 |         |          |         |              |         |             |         | Tube Investments.....  |       |      |         |          |
|                                           |                 |         |          |         |              |         |             |         | Vickers.....           |       |      |         |          |
|                                           |                 |         |          |         |              |         |             |         | Ward (Thos. W.).....   |       |      |         |          |
|                                           |                 |         |          |         |              |         |             |         | Renold Chains.....     |       |      |         |          |
|                                           |                 |         |          |         |              |         |             |         | Simon Engineering..... |       |      |         |          |
|                                           |                 |         |          |         |              |         |             |         | Tube Investments.....  |       |      |         |          |
|                                           |                 |         |          |         |              |         |             |         | Vickers.....           |       |      |         |          |
|                                           |                 |         |          |         |              |         |             |         | Ward (Thos. W.).....   |       |      |         |          |
|                                           |                 |         |          |         |              |         |             |         | Renold Chains.....     |       |      |         |          |
|                                           |                 |         |          |         |              |         |             |         | Simon Engineering..... |       |      |         |          |
|                                           |                 |         |          |         |              |         |             |         | Tube Investments.....  |       |      |         |          |
|                                           |                 |         |          |         |              |         |             |         | Vickers.....           |       |      |         |          |
|                                           |                 |         |          |         |              |         |             |         | Ward (Thos. W.).....   |       |      |         |          |
|                                           |                 |         |          |         |              |         |             |         | Renold Chains.....     |       |      |         |          |
|                                           |                 |         |          |         |              |         |             |         | Simon Engineering..... |       |      |         |          |
|                                           |                 |         |          |         |              |         |             |         | Tube Investments.....  |       |      |         |          |
|                                           |                 |         |          |         |              |         |             |         | Vickers.....           |       |      |         |          |
|                                           |                 |         |          |         |              |         |             |         | Ward (Thos. W.).....   |       |      |         |          |
|                                           |                 |         |          |         |              |         |             |         | Renold Chains.....     |       |      |         |          |
|                                           |                 |         |          |         |              |         |             |         | Simon Engineering..... |       |      |         |          |
|                                           |                 |         |          |         |              |         |             |         | Tube Investments.....  |       |      |         |          |
|                                           |                 |         |          |         |              |         |             |         | Vickers.....           |       |      |         |          |
|                                           |                 |         |          |         |              |         |             |         | Ward (Thos. W.).....   |       |      |         |          |
|                                           |                 |         |          |         |              |         |             |         | Renold Chains.....     |       |      |         |          |
|                                           |                 |         |          |         |              |         |             |         | Simon Engineering..... |       |      |         |          |
|                                           |                 |         |          |         |              |         |             |         | Tube Investments.....  |       |      |         |          |
|                                           |                 |         |          |         |              |         |             |         | Vickers.....           |       |      |         |          |
|                                           |                 |         |          |         |              |         |             |         | Ward (Thos. W.).....   |       |      |         |          |
|                                           |                 |         |          |         |              |         |             |         | Renold Chains.....     |       |      |         |          |
|                                           |                 |         |          |         |              |         |             |         | Simon Engineering..... |       |      |         |          |
|                                           |                 |         |          |         |              |         |             |         | Tube Investments.....  |       |      |         |          |
|                                           |                 |         |          |         |              |         |             |         | Vickers.....           |       |      |         |          |
|                                           |                 |         |          |         |              |         |             |         | Ward (Thos. W.).....   |       |      |         |          |
|                                           |                 |         |          |         |              |         |             |         | Renold Chains.....     |       |      |         |          |
|                                           |                 |         |          |         |              |         |             |         | Simon Engineering..... |       |      |         |          |
|                                           |                 |         |          |         |              |         |             |         | Tube Investments.....  |       |      |         |          |
|                                           |                 |         |          |         |              |         |             |         | Vickers.....           |       |      |         |          |
|                                           |                 |         |          |         |              |         |             |         | Ward (Thos. W.).....   |       |      |         |          |
|                                           |                 |         |          |         |              |         |             |         | Renold Chains.....     |       |      |         |          |
|                                           |                 |         |          |         |              |         |             |         | Simon Engineering..... |       |      |         |          |
|                                           |                 |         |          |         |              |         |             |         | Tube Investments.....  |       |      |         |          |
|                                           |                 |         |          |         |              |         |             |         | Vickers.....           |       |      |         |          |
|                                           |                 |         |          |         |              |         |             |         | Ward (Thos. W.).....   |       |      |         |          |
|                                           |                 |         |          |         |              |         |             |         | Renold Chains.....     |       |      |         |          |
|                                           |                 |         |          |         |              |         |             |         | Simon Engineering..... |       |      |         |          |
|                                           |                 |         |          |         |              |         |             |         | Tube Investments.....  |       |      |         |          |
|                                           |                 |         |          |         |              |         |             |         | Vickers.....           |       |      |         |          |
|                                           |                 |         |          |         |              |         |             |         | Ward (Thos. W.).....   |       |      |         |          |
|                                           |                 |         |          |         |              |         |             |         | Renold Chains.....     |       |      |         |          |
|                                           |                 |         |          |         |              |         |             |         | Simon Engineering..... |       |      |         |          |
|                                           |                 |         |          |         |              |         |             |         | Tube Investments.....  |       |      |         |          |
|                                           |                 |         |          |         |              |         |             |         | Vickers.....           |       |      |         |          |
|                                           |                 |         |          |         |              |         |             |         | Ward (Thos. W.).....   |       |      |         |          |
|                                           |                 |         |          |         |              |         |             |         | Renold Chains.....     |       |      |         |          |
|                                           |                 |         |          |         |              |         |             |         | Simon Engineering..... |       |      |         |          |
|                                           |                 |         |          |         |              |         |             |         | Tube Investments.....  |       |      |         |          |
|                                           |                 |         |          |         |              |         |             |         | Vickers.....           |       |      |         |          |
|                                           |                 |         |          |         |              |         |             |         | Ward (Thos. W.).....   |       |      |         |          |
|                                           |                 |         |          |         |              |         |             |         | Renold Chains.....     |       |      |         |          |
|                                           |                 |         |          |         |              |         |             |         | Simon Engineering..... |       |      |         |          |
|                                           |                 |         |          |         |              |         |             |         | Tube Investments.....  |       |      |         |          |
|                                           |                 |         |          |         |              |         |             |         | Vickers.....           |       |      |         |          |
|                                           |                 |         |          |         |              |         |             |         | Ward (Thos. W.).....   |       |      |         |          |
|                                           |                 |         |          |         |              |         |             |         | Renold Chains.....     |       |      |         |          |
|                                           |                 |         |          |         |              |         |             |         | Simon Engineering..... |       |      |         |          |
|                                           |                 |         |          |         |              |         |             |         | Tube Investments.....  |       |      |         |          |
|                                           |                 |         |          |         |              |         |             |         | Vickers.....           |       |      |         |          |
|                                           |                 |         |          |         |              |         |             |         | Ward (Thos. W.).....   |       |      |         |          |
|                                           |                 |         |          |         |              |         |             |         | Renold Chains.....     |       |      |         |          |
|                                           |                 |         |          |         |              |         |             |         | Simon Engineering..... |       |      |         |          |
|                                           |                 |         |          |         |              |         |             |         | Tube Investments.....  |       |      |         |          |
|                                           |                 |         |          |         |              |         |             |         | Vickers.....           |       |      |         |          |
|                                           |                 |         |          |         |              |         |             |         | Ward (Thos. W.).....   |       |      |         |          |
|                                           |                 |         |          |         |              |         |             |         | Renold Chains.....     |       |      |         |          |
|                                           |                 |         |          |         |              |         |             |         | Simon Engineering..... |       |      |         |          |
|                                           |                 |         |          |         |              |         |             |         | Tube Investments.....  |       |      |         |          |
|                                           |                 |         |          |         |              |         |             |         | Vickers.....           |       |      |         |          |
|                                           |                 |         |          |         |              |         |             |         | Ward (Thos. W.).....   |       |      |         |          |
|                                           |                 |         |          |         |              |         |             |         | Renold Chains.....     |       |      |         |          |
|                                           |                 |         |          |         |              |         |             |         | Simon Engineering..... |       |      |         |          |
|                                           |                 |         |          |         |              |         |             |         | Tube Investments.....  |       |      |         |          |
|                                           |                 |         |          |         |              |         |             |         | Vickers.....           |       |      |         |          |
|                                           |                 |         |          |         |              |         |             |         | Ward (Thos. W.).....   |       |      |         |          |
|                                           |                 |         |          |         |              |         |             |         | Renold Chains.....     |       |      |         |          |
|                                           |                 |         |          |         |              |         |             |         | Simon Engineering..... |       |      |         |          |
|                                           |                 |         |          |         |              |         |             |         | Tube Investments.....  |       |      |         |          |
|                                           |                 |         |          |         |              |         |             |         | Vickers.....           |       |      |         |          |
|                                           |                 |         |          |         |              |         |             |         | Ward (Thos. W.).....   |       |      |         |          |
|                                           |                 |         |          |         |              |         |             |         | Renold Chains.....     |       |      |         |          |
|                                           |                 |         |          |         |              |         |             |         | Simon Engineering..... |       |      |         |          |
|                                           |                 |         |          |         |              |         |             |         | Tube Investments.....  |       |      |         |          |
|                                           |                 |         |          |         |              |         |             |         | Vickers.....           |       |      |         |          |
|                                           |                 |         |          |         |              |         |             |         | Ward (Thos. W.).....   |       |      |         |          |
|                                           |                 |         |          |         |              |         |             |         | Renold Chains.....     |       |      |         |          |
|                                           |                 |         |          |         |              |         |             |         | Simon Engineering..... |       |      |         |          |
|                                           |                 |         |          |         |              |         |             |         | Tube Investments.....  |       |      |         |          |
|                                           |                 |         |          |         |              |         |             |         | Vickers.....           |       |      |         |          |
|                                           |                 |         |          |         |              |         |             |         | Ward (Thos. W.).....   |       |      |         |          |
|                                           |                 |         |          |         |              |         |             |         | Renold Chains.....     |       |      |         |          |
|                                           |                 |         |          |         |              |         |             |         | Simon Engineering..... |       |      |         |          |
|                                           |                 |         |          |         |              |         |             |         | Tube Investments.....  |       |      |         |          |
|                                           |                 |         |          |         |              |         |             |         | Vickers.....           |       |      |         |          |
|                                           |                 |         |          |         |              |         |             |         | Ward (Thos. W.).....   |       |      |         |          |
|                                           |                 |         |          |         |              |         |             |         | Renold Chains.....     |       |      |         |          |
|                                           |                 |         |          |         |              |         |             |         | Simon Engineering..... |       |      |         |          |
|                                           |                 |         |          |         |              |         |             |         | Tube Investments.....  |       |      |         |          |
|                                           |                 |         |          |         |              |         |             |         | Vickers.....           |       |      |         |          |
|                                           |                 |         |          |         |              |         |             |         | Ward (Thos. W.).....   |       |      |         |          |
|                                           |                 |         |          |         |              |         |             |         | Renold Chains.....     |       |      |         |          |
|                                           |                 |         |          |         |              |         |             |         | Simon Engineering..... |       |      |         |          |
|                                           |                 |         |          |         |              |         |             |         | Tube Investments.....  |       |      |         |          |
|                                           |                 |         |          |         |              |         |             |         | Vickers.....           |       |      |         |          |
|                                           |                 |         |          |         |              |         |             |         | Ward (Thos. W.).....   |       |      |         |          |
|                                           |                 |         |          |         |              |         |             |         | Renold Chains.....     |       |      |         |          |
|                                           |                 |         |          |         |              |         |             |         | Simon Engineering..... |       |      |         |          |
|                                           |                 |         |          |         |              |         |             |         |                        |       |      |         |          |

# Industrial Profits and Assets

The tables below continue the analysis of company balance sheets and profit and loss accounts which was introduced in *The Economist* of January 22, 1949; the figures are discussed on an earlier page in this issue.

## Comparative analysis of 406 profit and loss accounts published January - March, 1961 (£'000)

| Industry                              | Breweries and Distilleries |               | Clothing and Footwear |               | Food and Confectionery |               | Shops and Stores |               | Tobacco       |                | Building     |              | Engineering   |               | Iron and Steel |                |
|---------------------------------------|----------------------------|---------------|-----------------------|---------------|------------------------|---------------|------------------|---------------|---------------|----------------|--------------|--------------|---------------|---------------|----------------|----------------|
| No. of Companies                      | (19)                       |               | (26)                  |               | (22)                   |               | (9)              |               | (2)           |                | (20)         |              | (54)          |               | (21)           |                |
| Year                                  | Previous                   | Latest        | Previous              | Latest        | Previous               | Latest        | Previous         | Latest        | Previous      | Latest         | Previous     | Latest       | Previous      | Latest        | Previous       | Latest         |
| Gross trading profit.....             | 17,464                     | 21,590        | 10,380                | 12,457        | 31,335                 | 33,665        | 39,739           | 43,818        | 89,527        | 96,825         | 8,011        | 9,396        | 26,733        | 30,759        | 132,651        | 169,281        |
| Income from investments.....          | 1,491                      | 1,633         | 96                    | 128           | 511                    | 628           | 504              | 590           | 9,494         | 11,191         | 85           | 101          | 667           | 798           | 3,256          | 4,137          |
| Other current income.....             | 690                        | 824           | 396                   | 268           | 1,102                  | 402           | 1,300            | 400           | ...           | ...            | 277          | 436          | 1,087         | 804           | 5,640          | 1,205          |
| Non-recurring credits.....            | ...                        | ...           | ...                   | ...           | ...                    | ...           | ...              | ...           | ...           | ...            | ...          | ...          | ...           | ...           | ...            | ...            |
| <b>Total Income.....</b>              | <b>19,645</b>              | <b>24,037</b> | <b>10,872</b>         | <b>12,853</b> | <b>32,948</b>          | <b>34,695</b> | <b>41,743</b>    | <b>44,808</b> | <b>99,021</b> | <b>108,016</b> | <b>8,373</b> | <b>9,933</b> | <b>28,658</b> | <b>32,477</b> | <b>141,619</b> | <b>174,656</b> |
| Depreciation.....                     | 2,323                      | 2,600         | 1,549                 | 1,649         | 6,671                  | 7,632         | 2,641            | 3,007         | 8,013         | 9,396          | 1,750        | 2,103        | 5,323         | 6,014         | 31,878         | 36,521         |
| Income tax.....                       | 5,666                      | 7,015         | 3,116                 | 3,716         | 9,318                  | 9,509         | 14,737           | 16,212        | 33,989        | 36,870         | 2,221        | 2,509        | 7,971         | 8,949         | 31,634         | 38,380         |
| Profits tax.....                      | 1,500                      | 2,022         | 808                   | 1,099         | 2,151                  | 2,446         | 3,631            | 4,772         | 4,559         | 5,298          | 503          | 696          | 2,015         | 2,467         | 6,879          | 10,672         |
| Directors' emoluments.....            | 528                        | 652           | 765                   | 768           | 730                    | 764           | 667              | 679           | 628           | 684            | 482          | 519          | 1,371         | 1,497         | 1,194          | 1,361          |
| Administrative charges.....           | 179                        | 196           | 95                    | 110           | 260                    | 235           | 9                | 13            | 1,353         | 1,554          | 83           | 139          | 202           | 447           | 1,859          | 2,771          |
| Contingencies, provisions, etc.....   | 125                        | 119           | 151                   | 131           | 762                    | 1,229         | 164              | 466           | 1,377         | 1,593          | 59           | 98           | 537           | 601           | 92             | 670            |
| Pensions.....                         | 80                         | 30            | 11                    | 15            | 12                     | 512           | 168              | 167           | 1,319         | 1,531          | 18           | 18           | 184           | 181           | 3,301          | 3,988          |
| Minority interests.....               | 70                         | 77            | 4                     | 4             | 428                    | 594           | 278              | 283           | 2,966         | 3,964          | 59           | 53           | 51            | 97            | 386            | 496            |
| Loan interest.....                    | 1,179                      | 1,400         | 298                   | 427           | 307                    | 536           | 170              | 271           | 2,754         | 2,756          | 213          | 229          | 537           | 698           | 8,049          | 7,479          |
| Preference dividends.....             | 486                        | 586           | 298                   | 302           | 300                    | 390           | 297              | 298           | 875           | 880            | 99           | 102          | 228           | 243           | 1,265          | 1,265          |
| Profits retained by subsidiaries..... | 2,231                      | 2,006         | 365                   | 471           | 2,714                  | 1,824         | 1,527            | 1,437         | 17,117        | 18,686         | 98           | 196          | 1,194         | 2,082         | 5,258          | 5,612          |
| Ordinary dividends.....               | 2,624                      | 4,798         | 1,740                 | 2,068         | 4,994                  | 3,184         | 12,569           | 12,426        | 18,578        | 18,578         | 1,154        | 1,412        | 4,174         | 4,579         | 13,592         | 17,787         |
| Reserves (parent company).....        | 2,425                      | 2,304         | 1,072                 | 1,332         | 3,488                  | 3,205         | 2,665            | 8,888         | 5,745         | 5,950          | 856          | 1,468        | 4,551         | 4,445         | 32,578         | 51,757         |
| Brought in (parent company).....      | 2,489                      | 2,718         | 2,426                 | 3,026         | 2,332                  | 3,645         | 8,880            | 11,100        | 3,718         | 3,466          | 1,285        | 1,453        | 5,069         | 5,389         | 26,628         | 30,311         |
| Carried forward (parent company)..... | 2,718                      | 2,950         | 3,026                 | 3,787         | 3,645                  | 3,781         | 11,100           | 6,989         | 3,466         | 3,740          | 1,453        | 1,844        | 5,389         | 5,566         | 30,311         | 26,207         |

| Industry                              | Shipbuilding |            | Chemicals and Paint |               | Electrical Manufacturing |               | Motors, Cycles and Aircraft |               | Newspapers, Paper & Printing |               | Miscellaneous Manufacturing |               | Shipping      |               | Cotton       |               |
|---------------------------------------|--------------|------------|---------------------|---------------|--------------------------|---------------|-----------------------------|---------------|------------------------------|---------------|-----------------------------|---------------|---------------|---------------|--------------|---------------|
| No. of Companies                      | (1)          |            | (13)                |               | (15)                     |               | (25)                        |               | (15)                         |               | (59)                        |               | (3)           |               | (12)         |               |
| Year                                  | Previous     | Latest     | Previous            | Latest        | Previous                 | Latest        | Previous                    | Latest        | Previous                     | Latest        | Previous                    | Latest        | Previous      | Latest        | Previous     | Latest        |
| Gross trading profit.....             | 476          | 372        | 34,775              | 38,320        | 39,647                   | 40,308        | 19,560                      | 24,980        | 8,835                        | 11,297        | 57,878                      | 54,686        | 18,429        | 20,264        | 4,943        | 9,384         |
| Income from investments.....          | 2            | 18         | 1,136               | 1,367         | 822                      | 1,094         | 610                         | 538           | 360                          | 482           | 1,846                       | 2,375         | 1,364         | 1,258         | 571          | 637           |
| Other current income.....             | 10           | ...        | 803                 | 99            | 2,877                    | 1,108         | 843                         | 302           | 466                          | 384           | 2,031                       | 1,770         | 510           | 1,101         | 449          | 220           |
| Non-recurring credits.....            | ...          | ...        | ...                 | ...           | ...                      | ...           | ...                         | ...           | ...                          | ...           | ...                         | ...           | ...           | ...           | ...          | ...           |
| <b>Total Income.....</b>              | <b>488</b>   | <b>390</b> | <b>36,714</b>       | <b>39,786</b> | <b>43,346</b>            | <b>42,510</b> | <b>21,013</b>               | <b>25,820</b> | <b>9,661</b>                 | <b>12,164</b> | <b>61,787</b>               | <b>58,855</b> | <b>20,383</b> | <b>22,623</b> | <b>5,963</b> | <b>10,241</b> |
| Depreciation.....                     | 76           | 49         | 10,713              | 11,550        | 13,825                   | 14,715        | 2,998                       | 3,473         | 1,455                        | 1,579         | 10,959                      | 11,158        | 11,977        | 12,706        | 828          | 1,657         |
| Income tax.....                       | 136          | 115        | 8,325               | 9,057         | 7,945                    | 7,277         | 6,112                       | 7,647         | 2,727                        | 3,628         | 18,358                      | 17,007        | 1,595         | 685           | 1,469        | 2,918         |
| Profits tax.....                      | 36           | 31         | 1,368               | 1,852         | 1,978                    | 2,202         | 1,491                       | 2,187         | 693                          | 1,042         | 3,870                       | 3,749         | 125           | ...           | 339          | 851           |
| Directors' emoluments.....            | 32           | 26         | 616                 | 744           | 633                      | 656           | 959                         | 1,073         | 413                          | 444           | 1,686                       | 1,713         | 147           | 199           | 334          | 375           |
| Administrative charges.....           | 1            | 1          | 74                  | 80            | 266                      | 334           | 144                         | 166           | 16                           | 16            | 187                         | 220           | 52            | 63            | 93           | 96            |
| Contingencies, provisions, etc.....   | ...          | ...        | 53                  | 913           | 260                      | 137           | 205                         | 48            | 34                           | 861           | 987                         | 2,247         | 1,938         | 19            | 94           | 94            |
| Pensions.....                         | 17           | 17         | 596                 | 628           | 366                      | 470           | 343                         | 395           | 34                           | 63            | 455                         | 282           | 94            | 155           | ...          | ...           |
| Minority interests.....               | ...          | ...        | 1,653               | 1,806         | 378                      | 150           | 11                          | 21            | 59                           | 50            | 383                         | 467           | 767           | 848           | 72           | 36            |
| Loan interest.....                    | ...          | ...        | 1,877               | 1,905         | 3,070                    | 3,305         | 288                         | 299           | 134                          | 133           | 322                         | 331           | 840           | 1,141         | 103          | 70            |
| Preference dividends.....             | ...          | ...        | 278                 | 285           | 292                      | 295           | 152                         | 147           | 159                          | 161           | 469                         | 492           | 110           | 110           | 158          | 166           |
| Profits retained by subsidiaries..... | ...          | ...        | 3,761               | 4,662         | 2,611                    | 1,731         | 891                         | 1,189         | 360                          | 676           | 5,345                       | 3,925         | 556           | 2,554         | 144          | 312           |
| Ordinary dividends.....               | 76           | 77         | 4,075               | 4,512         | 6,994                    | 6,685         | 2,785                       | 3,246         | 1,545                        | 1,875         | 9,224                       | 10,150        | 2,011         | 2,104         | 1,576        | 2,230         |
| Reserves (parent company).....        | ...          | ...        | 1,583               | 1,243         | 4,551                    | 3,979         | 4,362                       | 4,796         | 1,862                        | 2,395         | 6,617                       | 8,265         | 30            | 55            | 669          | 1,977         |
| Brought in (parent company).....      | 101          | 208        | 6,210               | 7,961         | 4,449                    | 4,073         | 5,436                       | 5,796         | 1,157                        | 1,311         | 16,961                      | 20,012        | 375           | 107           | 2,775        | 2,934         |
| Carried forward (parent company)..... | 208          | 277        | 7,961               | 9,370         | 4,073                    | 4,524         | 5,796                       | 6,772         | 1,311                        | 1,379         | 20,012                      | 20,121        | 107           | 172           | 2,934        | 2,393         |

| Industry                              | Silk and Rayon |        | Wool     |        | Other Textiles |        | Oil      |        | Rubber   |        | Tea      |        | Other Companies* |        | TOTALS ALL GROUPS |         |
|---------------------------------------|----------------|--------|----------|--------|----------------|--------|----------|--------|----------|--------|----------|--------|------------------|--------|-------------------|---------|
| No. of Companies                      | (3)            |        | (17)     |        | (14)           |        | (2)      |        | (14)     |        | (5)      |        | (36)             |        | 406 Companies     |         |
| Year                                  | Previous       | Latest | Previous | Latest | Previous       | Latest | Previous | Latest | Previous | Latest | Previous | Latest | Previous         | Latest | Previous          | Latest  |
| Gross trading profit.....             | 1,457          | 1,472  | 10,087   | 9,224  | 3,752          | 4,856  | 388      | 385    | 1,801    | 2,434  | 741      | 987    | 18,407           | 21,235 | 577,016           | 657,985 |
| Income from investments.....          | 52             | 70     | 286      | 279    | 252            | 166    | 8        | 11     | 227      | 281    | 32       | 31     | 402              | 339    | 24,074            | 28,152  |
| Other current income.....             | ..             | ..     | 335      | 276    | ..             | ..     | ..       | ..     | 34       | 77     | ..       | ..     | 62               | 51     | 20,657            | 302     |
| Non-recurring credits.....            | ..             | ..     | ..       | ..     | ..             | ..     | ..       | ..     | 108      | 66     | ..       | ..     | 40               | 1,235  | 980               | 20,781  |
| Total Income.....                     | 1,561          | 1,550  | 10,708   | 9,779  | 4,192          | 5,111  | 412      | 396    | 2,170    | 2,858  | 795      | 1,058  | 20,126           | 22,605 | 622,118           | 697,221 |
| Depreciation.....                     | 294            | 304    | 1,571    | 1,697  | 1,265          | 1,315  | 70       | 69     | 115      | 162    | 121      | 118    | 4,220            | 4,865  | 120,635           | 134,342 |
| Income tax.....                       | 398            | 411    | 3,111    | 2,720  | 868            | 1,139  | 109      | 111    | 651      | 924    | 336      | 479    | 4,985            | 5,068  | 165,677           | 182,344 |
| Profits tax.....                      | 95             | 122    | 769      | 772    | 229            | 356    | 24       | 28     | 15       | 25     | 5        | 6      | 1,271            | 1,377  | 34,370            | 44,072  |
| Directors' emoluments.....            | 118            | 118    | 616      | 625    | 367            | 403    | 44       | 29     | 38       | 49     | 24       | 28     | 516              | 578    | 12,928            | 13,984  |
| Administrative charges.....           | 3              | 5      | 34       | 45     | 4              | 6      | 2        | 1      | 45       | 68     | 19       | 23     | 111              | 352    | 5,095             | 7,441   |
| Contingencies, provisions, etc.....   | 7              | 4      | 199      | 140    | 37             | 71     | ..       | ..     | 139      | 160    | 7        | 25     | 312              | 320    | 8,221             | 9,198   |
| Pensions.....                         | 26             | 24     | 41       | 49     | 31             | 25     | ..       | ..     | ..       | ..     | 11       | 12     | 69               | 77     | 7,176             | 8,639   |
| Minority interests.....               | 2              | 4      | 248      | 91     | 5              | ..     | ..       | ..     | ..       | ..     | ..       | ..     | 51               | 95     | 7,871             | 9,145   |
| Loan interest.....                    | ..             | ..     | 96       | 59     | 45             | 59     | ..       | ..     | ..       | ..     | ..       | ..     | 1,482            | 2,076  | 21,764            | 23,174  |
| Preference dividends.....             | 17             | 17     | 210      | 216    | 219            | 219    | ..       | ..     | ..       | ..     | 7        | 8      | 261              | 287    | 6,236             | 6,474   |
| Profits retained by subsidiaries..... | 3              | 7      | 767      | 699    | 34             | 126    | ..       | ..     | 6        | 69     | 4        | 14     | 454              | 158    | 46,052            | 48,434  |
| Ordinary dividends.....               | 239            | 243    | 1,893    | 1,753  | 620            | 707    | 74       | 74     | 885      | 1,041  | 165      | 204    | 3,475            | 4,120  | 95,062            | 105,853 |
| Reserves (parent company).....        | 302            | 310    | 2,006    | 1,778  | 424            | 1,024  | 70       | 70     | 341      | 388    | 98       | 135    | 2,395            | 1,826  | 77,711            | 106,590 |
| Brought in (parent company).....      | 176            | 230    | 2,426    | 2,573  | 1,558          | 1,602  | 60       | 79     | 477      | 412    | 106      | 104    | 3,193            | 3,717  | 98,907            | 112,227 |
| Carried forward (parent company)..... | 230            | 211    | 2,573    | 2,708  | 1,602          | 1,255  | 79       | 93     | 412      | 384    | 104      | 110    | 3,717            | 5,123  | 112,227           | 109,756 |

\* This group includes entertainment, finance and land, hotels and restaurants and warehousing.

## Comparative analysis of 406 balance sheets published January - March, 1961 (£'000)

| Industry                             | Breweries and Distilleries (19) |                | Clothing and Footwear (26) |               | Food and Confectionery (22) |                | Shops and Stores (8) |                | Tobacco (2)    |                | Building (20) |               | Engineering (54) |                | Iron and Steel (21) |                  |
|--------------------------------------|---------------------------------|----------------|----------------------------|---------------|-----------------------------|----------------|----------------------|----------------|----------------|----------------|---------------|---------------|------------------|----------------|---------------------|------------------|
| No. of Companies                     |                                 |                |                            |               |                             |                |                      |                |                |                |               |               |                  |                |                     |                  |
| Year                                 | Previous                        | Latest         | Previous                   | Latest        | Previous                    | Latest         | Previous             | Latest         | Previous       | Latest         | Previous      | Latest        | Previous         | Latest         | Previous            | Latest           |
| Fixed assets                         | 138,503                         | 166,638        | 43,878                     | 48,674        | 127,887                     | 153,363        | 114,710              | 133,210        | 159,192        | 174,889        | 29,763        | 34,602        | 83,226           | 95,026         | 821,600             | 946,445          |
| Trade investments                    | 2,275                           | 2,308          | 389                        | 396           | 6,701                       | 5,914          | 12                   | 11             | 27,867         | 31,088         | 865           | 1,133         | 2,322            | 2,763          | 13,034              | 15,599           |
| Stocks                               | 22,054                          | 25,647         | 24,348                     | 25,783        | 62,924                      | 71,426         | 28,247               | 31,697         | 352,378        | 377,415        | 11,334        | 14,348        | 58,062           | 68,147         | 162,870             | 183,668          |
| Debtors                              | 8,898                           | 10,206         | 7,458                      | 8,657         | 31,075                      | 32,703         | 5,326                | 5,975          | 92,688         | 94,696         | 13,450        | 16,624        | 54,390           | 45,238         | 123,483             | 161,814          |
| Net balances due to parent company   |                                 |                | 56                         | 70            |                             |                |                      |                |                |                |               |               | 251              | 122            | 732                 | 588              |
| Gilt-edged                           | 2,247                           | 2,027          | 283                        | 329           | 552                         | 604            | 4,714                | 4,391          |                |                |               | 32            | 12               | 1,277          | 560                 | 6,052            |
| Cash                                 | 10,106                          | 11,831         | 5,224                      | 5,514         | 13,161                      | 14,192         | 31,936               | 32,180         | 68,385         | 70,466         | 2,925         | 3,754         | 15,334           | 12,917         | 40,602              | 30,822           |
| Other marketable investments         | 1,420                           | 1,283          | 198                        | 165           | 599                         | 948            | 223                  | 596            | 5,010          | 6,064          | 936           | 982           | 1,592            | 1,498          | 760                 | 1,413            |
| Intangible assets                    | 14,435                          | 15,562         | 2,075                      | 2,048         | 12,947                      | 15,108         | 4,571                | 14,595         | 9,846          | 9,816          | 1,116         | 1,323         | 5,467            | 5,487          | 1,458               | 1,497            |
| <b>Total Assets</b>                  | <b>199,938</b>                  | <b>235,502</b> | <b>83,909</b>              | <b>91,636</b> | <b>255,859</b>              | <b>294,310</b> | <b>189,873</b>       | <b>222,887</b> | <b>715,366</b> | <b>764,434</b> | <b>60,421</b> | <b>72,778</b> | <b>202,121</b>   | <b>231,758</b> | <b>1,169,965</b>    | <b>1,347,898</b> |
| Bank overdrafts and loans            | 1,590                           | 2,621          | 2,458                      | 1,644         | 24,044                      | 21,755         | 419                  | 304            | 26,222         | 33,817         | 1,757         | 3,503         | 7,076            | 12,500         | 46,344              | 68,857           |
| Reserve for future income tax        | 6,042                           | 7,698          | 3,122                      | 3,795         | 10,820                      | 11,853         | 14,456               | 16,310         | 13,645         | 13,527         | 2,236         | 2,559         | 8,440            | 9,605          | 79,724              | 97,023           |
| Depreciation                         | 24,898                          | 25,504         | 11,862                     | 12,839        | 32,828                      | 42,814         | 15,154               | 16,262         | 62,537         | 69,492         | 11,941        | 13,587        | 32,152           | 37,556         | 214,973             | 247,818          |
| Capital reserves                     | 25,342                          | 29,916         | 5,062                      | 7,105         | 26,072                      | 24,420         | 16,039               | 29,499         | 68,104         | 72,110         | 5,277         | 4,902         | 13,844           | 14,952         | 112,136             | 136,459          |
| Other provisions                     | 829                             | 847            | 21                         | 11            | 2,586                       | 2,944          | 1,722                | 1,952          | 8,351          | 9,435          | 31            | 12            | 771              | 656            | 22,189              | 26,975           |
| Creditors                            | 12,976                          | 15,790         | 7,577                      | 8,993         | 26,311                      | 31,716         | 15,682               | 16,102         | 70,030         | 75,133         | 7,698         | 9,818         | 28,424           | 33,000         | 90,005              | 118,314          |
| Other current liabilities            | 13,840                          | 16,602         | 5,573                      | 6,649         | 17,013                      | 16,797         | 22,405               | 25,256         | 38,961         | 39,172         | 3,442         | 4,247         | 14,188           | 15,376         | 51,177              | 54,571           |
| Revenue reserves and carried forward | 27,913                          | 33,060         | 13,718                     | 15,908        | 36,155                      | 38,233         | 38,429               | 30,270         | 198,664        | 220,505        | 10,507        | 11,296        | 36,923           | 40,654         | 174,135             | 202,899          |
| Net balances due to subsidiaries     |                                 |                |                            |               | 125                         |                |                      |                |                |                |               |               |                  |                |                     |                  |
| Minority interests                   | 2,538                           | 4,019          | 113                        | 114           | 8,966                       | 12,811         | 13                   | 13             | 27,400         | 30,415         | 334           | 518           | 1,233            | 88             | 157                 | 29               |
| Loan capital                         | 30,094                          | 33,286         | 9,073                      | 9,087         | 6,656                       | 24,236         | 5,843                | 70,483         | 69,853         | 4,023          | 2,441         | 7,077         | 11,118           | 11,232         | 150,657             | 141,726          |
| Preference capital                   | 17,928                          | 22,234         | 8,076                      | 8,072         | 11,380                      | 11,515         | 8,057                | 8,041          | 23,358         | 23,558         | 2,641         | 2,674         | 7,070            | 6,978          | 37,972              | 37,972           |
| Ordinary capital                     | 35,948                          | 43,925         | 17,254                     | 17,419        | 52,903                      | 55,216         | 47,294               | 67,551         | 107,617        | 107,617        | 12,534        | 15,418        | 40,882           | 47,569         | 165,455             | 209,255          |
| <b>Total Liabilities</b>             | <b>199,938</b>                  | <b>235,502</b> | <b>83,909</b>              | <b>91,636</b> | <b>255,859</b>              | <b>294,310</b> | <b>189,873</b>       | <b>222,887</b> | <b>715,366</b> | <b>764,434</b> | <b>60,421</b> | <b>72,778</b> | <b>202,121</b>   | <b>231,758</b> | <b>1,169,965</b>    | <b>1,347,898</b> |
| <b>Year's Free Scrip Issues</b>      | <b>6,465</b>                    | <b>6,773</b>   | <b>2,703</b>               | <b>165</b>    | <b>9,692</b>                | <b>1,886</b>   | <b>2,790</b>         | <b>20,250</b>  | <b>—</b>       | <b>—</b>       | <b>1,875</b>  | <b>1,685</b>  | <b>2,960</b>     | <b>5,785</b>   | <b>14,675</b>       | <b>9,268</b>     |



## Money and Exchanges

### EXCHEQUER RETURNS

For the week ended April 22, 1961, there was an "above-line" deficit (after allowing for sinking funds) of £24,289,000 compared with a deficit of £15,976,000 in the previous week and a deficit of £16,572,000 in the corresponding period of last year. There was a net expenditure "below-line" of £16,925,000 leaving a total cumulative deficit to date of £125,000,000 compared with £106,787,000 in 1960-61.

| £'000                                  | Estimate 1961-62 | April 1, 1960, to April 23, 1960 | April 1, 1961, to April 22, 1961 | Week ended April 23, 1960 | Week ended April 22, 1961 |
|----------------------------------------|------------------|----------------------------------|----------------------------------|---------------------------|---------------------------|
| <b>Ordinary Revenue</b>                |                  |                                  |                                  |                           |                           |
| Income Tax                             | 2,728,500        | 69,303                           | 68,410                           | 14,972                    | 24,154                    |
| Surplus                                | 210,000          | 9,500                            | 11,800                           | 1,700                     | 2,500                     |
| Death Duties                           | 240,000          | 14,200                           | 16,200                           | 3,700                     | 5,400                     |
| Stamps                                 | 91,000           | 6,400                            | 6,600                            | 2,700                     | 1,900                     |
| Profits tax, EPT and EPL               | 325,500          | 10,100                           | 12,500                           | 1,500                     | 3,100                     |
| Other Inland Rev. Duties               | ...              | ...                              | ...                              | ...                       | ...                       |
| <b>Total Inland Rev.</b>               | <b>3,598,000</b> | <b>109,503</b>                   | <b>116,910</b>                   | <b>24,772</b>             | <b>37,454</b>             |
| Customs                                | 1,550,000        | 37,636                           | 37,356                           | 25,374                    | 29,327                    |
| Excise                                 | 960,000          | 21,390                           | 17,180                           | 4,935                     | 6,280                     |
| <b>Total Customs and Excise</b>        | <b>2,510,000</b> | <b>109,076</b>                   | <b>114,536</b>                   | <b>30,269</b>             | <b>35,607</b>             |
| Motor Duties                           | 155,000          | 6,554                            | 3,607                            | 210                       | ...                       |
| PO (Net Receipts)                      | 40,000           | ...                              | 2,500                            | ...                       | 2,500                     |
| Broadcast Lic.                         | 205,000          | 55                               | 8,137                            | 431                       | 1,003                     |
| Sundry Loans                           | ...              | ...                              | ...                              | ...                       | ...                       |
| Miscellaneous                          | ...              | ...                              | ...                              | ...                       | ...                       |
| <b>Total</b>                           | <b>6,508,000</b> | <b>232,080</b>                   | <b>245,690</b>                   | <b>55,682</b>             | <b>76,544</b>             |
| <b>Ordinary Expenditure</b>            |                  |                                  |                                  |                           |                           |
| Debt Interest                          | 660,000          | 52,900                           | 54,076                           | 7,181                     | 7,656                     |
| Payments to N. Ireland Exch.           | 92,000           | 2,678                            | 3,028                            | ...                       | ...                       |
| PO Fund—Initial settlement             | 15,000           | ...                              | ...                              | ...                       | ...                       |
| Other Consolidated Funds               | 8,000            | 409                              | 440                              | 3                         | 27                        |
| Supply Services                        | 5,186,902        | 246,800                          | 265,330                          | 64,600                    | 92,830                    |
| <b>Total</b>                           | <b>5,961,902</b> | <b>302,787</b>                   | <b>322,874</b>                   | <b>71,784</b>             | <b>100,513</b>            |
| Sinking Funds                          | 40,000           | 1,071                            | 1,010                            | 470                       | 340                       |
| <b>"Above-line" Surplus or Deficit</b> |                  | <b>71,778</b>                    | <b>78,194</b>                    | <b>16,572</b>             | <b>24,289</b>             |
| <b>"Below-line" Net Expenditure</b>    |                  | <b>35,009</b>                    | <b>46,806</b>                    | <b>7,283</b>              | <b>16,925</b>             |
| <b>Total Surplus or Deficit</b>        |                  | <b>106,787</b>                   | <b>125,000</b>                   | <b>23,855</b>             | <b>41,214</b>             |
| <b>Net receipts from:</b>              |                  |                                  |                                  |                           |                           |
| Tax Reserve Certificates               | 8,044            | 5,791                            | 753                              | 1,499                     | ...                       |
| Savings Certificates                   | 4,900            | 3,400                            | 1,300                            | 1,300                     | ...                       |
| Office Bonds                           | 7,052            | 2,810                            | 1,113                            | 1,407                     | ...                       |
| Premium Savings Bonds                  | 2,050            | 1,700                            | 770                              | 900                       | ...                       |
| <b>Total</b>                           | <b>21,946</b>    | <b>6,921</b>                     | <b>5,736</b>                     | <b>5,106</b>              | ...                       |

\* Civil Contingencies Fund—Repayments of £5 million in 1961-62 compared with £10 million in 1960-61.

### FLOATING DEBT

(£ million)

|         | Treasury Bills |         | Ways and Means Advances |                 | Total Floating Debt |
|---------|----------------|---------|-------------------------|-----------------|---------------------|
|         | Tender         | Tap     | Public Dept.            | Bank of England |                     |
| 1965    |                |         |                         |                 |                     |
| Apr. 23 | 1 140 0        | 1 359 9 | 236 6                   | ---             | 5 586 5             |
| 1961    |                |         |                         |                 |                     |
| Jan. 14 | 1 430 0        | 2 040 2 | 276 0                   | ---             | 5 746 2             |
| " 21    | 1 340 0        | 2 018 5 | 234 5                   | ---             | 5 662 9             |
| " 28    | 1 330 0        | 2 000 6 | 178 7                   | ---             | 5 509 3             |
| Feb. 4  | 1 320 0        | 1 678 4 | 203 8                   | ---             | 5 132 2             |
| " 11    | 1 310 0        | 1 640 0 | 137 6                   | ---             | 5 007 7             |
| " 18    | 1 320 0        | 1 675 2 | 218 1                   | ---             | 5 033 3             |
| " 25    | 1 070 0        | 1 728 1 | 175 1                   | ---             | 4 913 2             |
| Mar. 4  | 1 060 0        | 1 696 1 | 193 5                   | ---             | 4 955 6             |
| " 11    | 1 040 0        | 1 603 5 | 312 3                   | ---             | 4 975 8             |
| " 18    | 1 040 0        | 1 595 9 | 307 9                   | ---             | 4 981 7             |
| " 25    | 1 100 0        | 1 668 0 | 320 5                   | 4 3             | 5 010 7             |
| " 31    | 4 468 1        | ---     | 307 3                   | ---             | 4 955 4             |
| Apr. 8  | 1 110 0        | 1 722 2 | 229 4                   | ---             | 5 038 6             |
| " 15    | 1 110 0        | 1 748 5 | 246 5                   | 6 0             | 5 114 9             |
| " 22    | 1 040 0        | 1 711 3 | 308 3                   | ---             | 5 067 6             |





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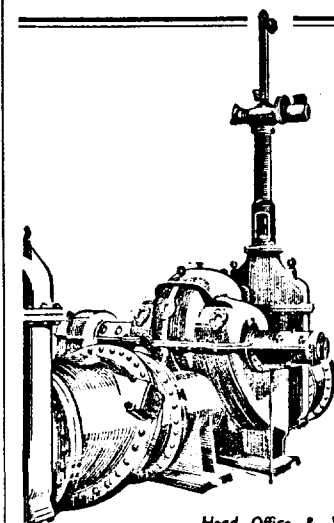
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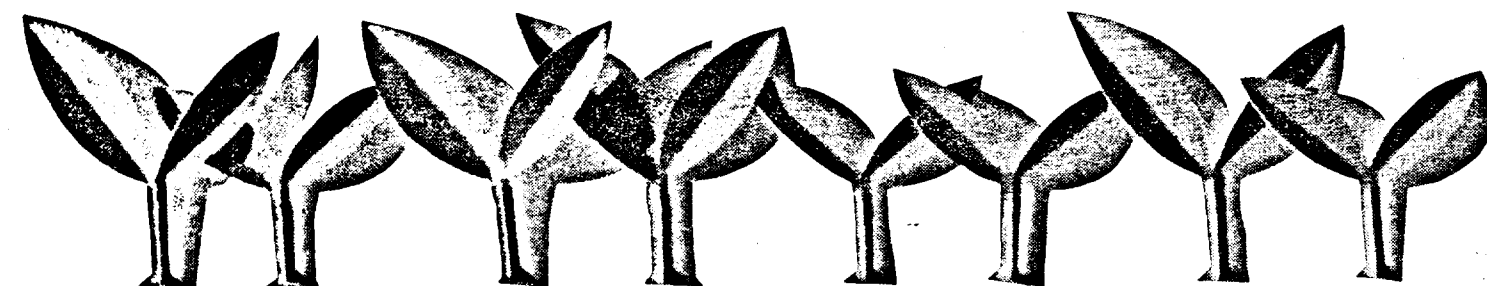
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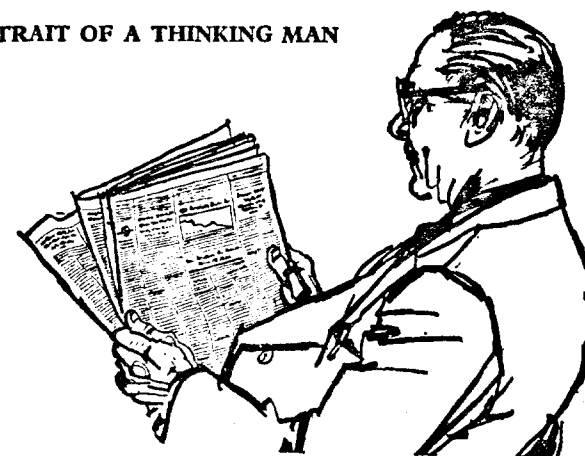
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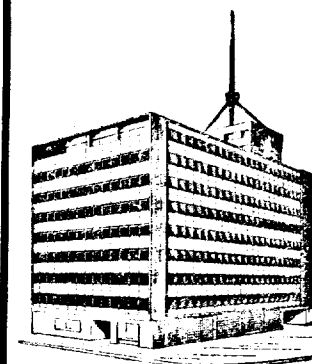
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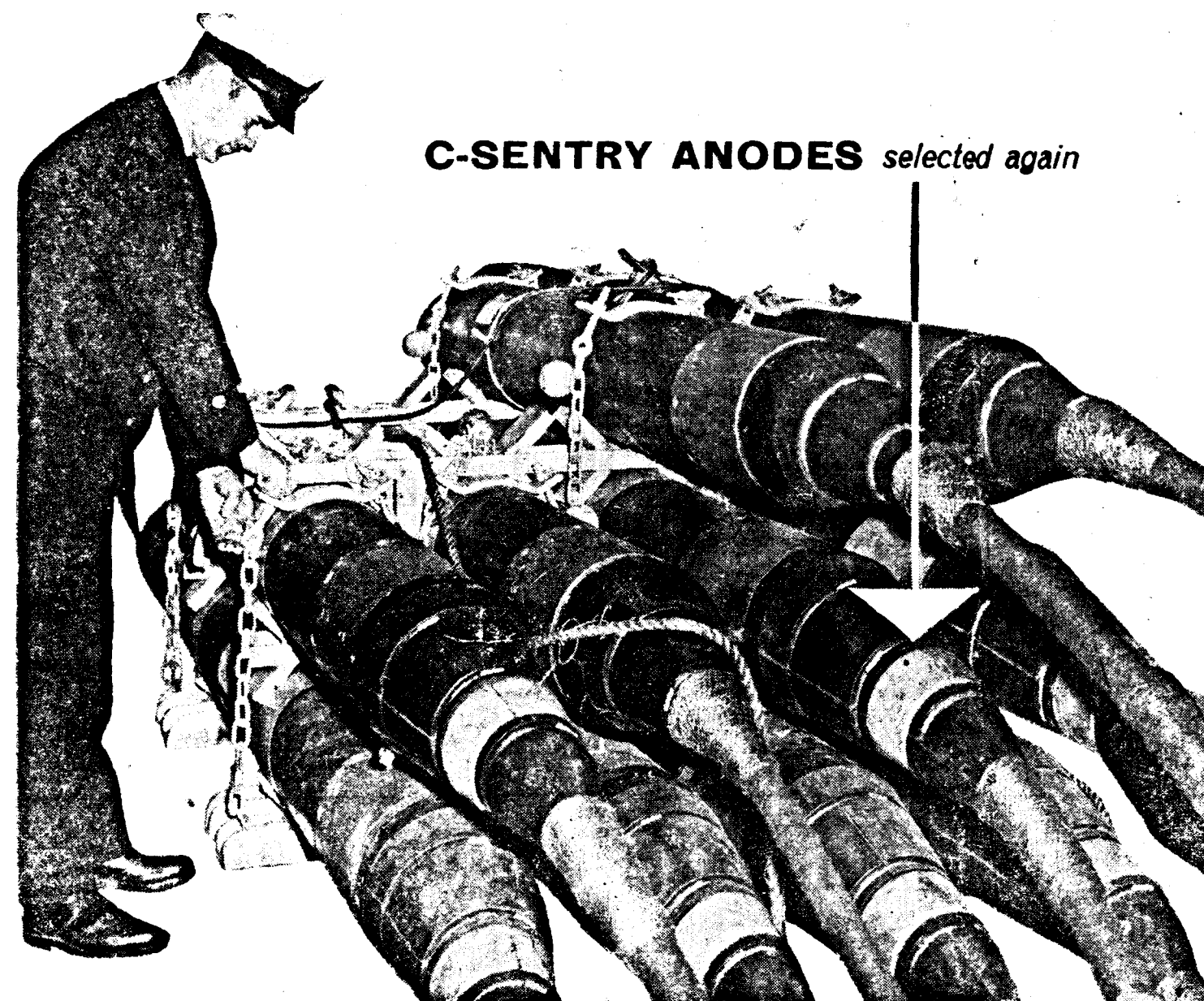
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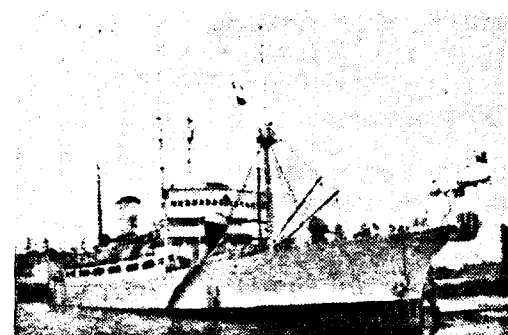
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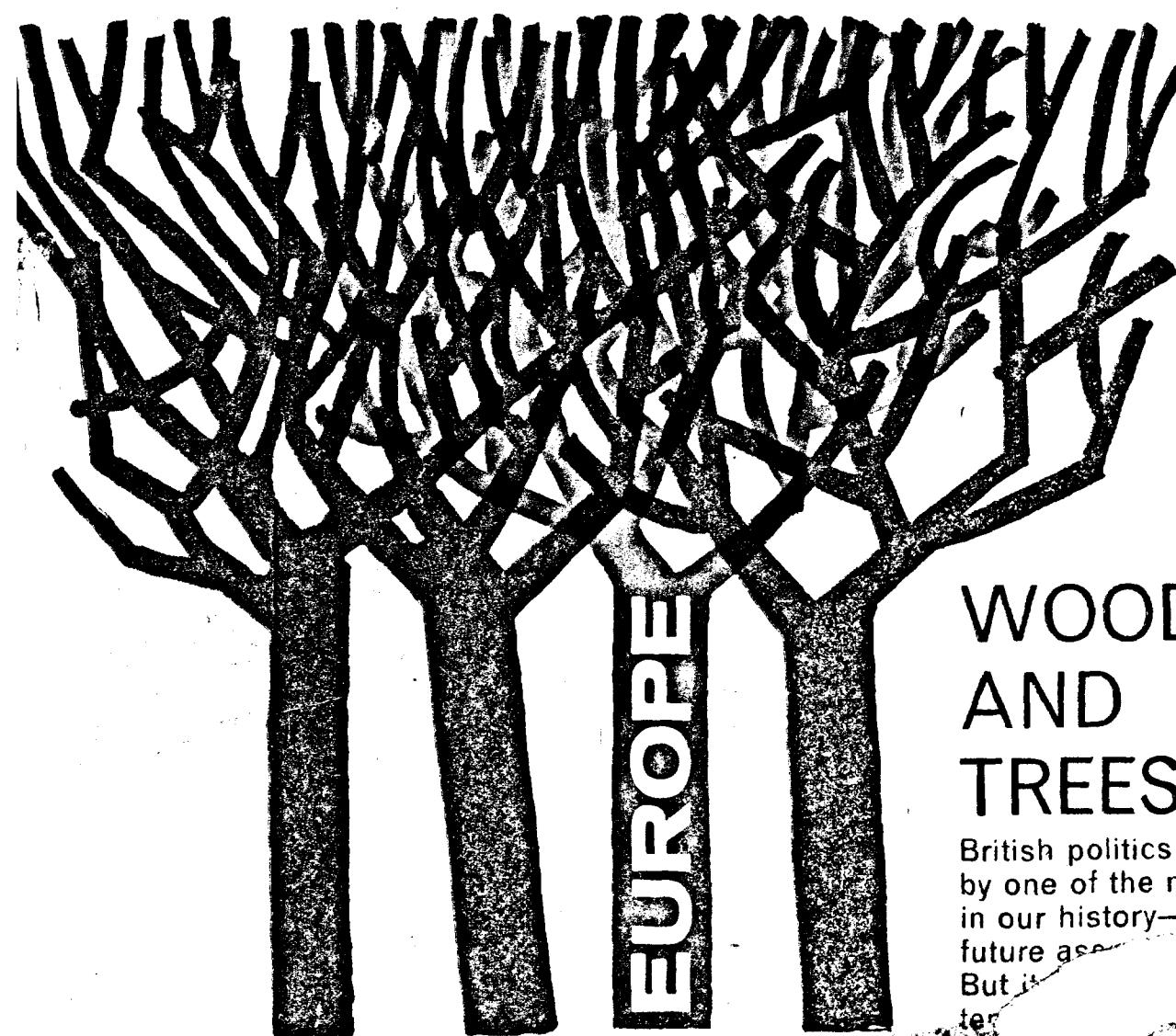
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## WOODS AND TREES

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## In The Economist this Week

May 13, 1961

### HOME

#### EUROPE'S OFFSHORE ISLANDS

With their gaze too fixed on the political trees, Britain's leaders still hesitate to take the country boldly out of the wood—and into Europe (p. 631).

The postponement of a political meeting of the Six gives Britain time to act (p. 642).

Among the distracting flog, Mr Benn should be saved from the backwoodsman's axe (p. 62).

Ireland's Northern Counties: Ulster both gains and loses through being integrated in the United Kingdom—but would gain more yet through integration in Europe (p. 635).

Swindon's dispute over coal wage rates imperilled the further decentralisation of British industry (p. 648).

#### No Substitute?

Wool: too much publicity for the industry's problems is no substitute for publicity of its product (p. 683).

Coal: the budget increased protection against imported fuel oil; now the Government has to decide whether protection against American coal is to stay (p. 681).

#### Schools and a Skinish

Glasgow's striking domies are worried about the state of their nation as well as the lurch of their purses (p. 651).

### INTERNATIONAL

#### RIVAL GIANTS

Russia still has its help for capitalists: Mr Khrushchev's restoration of the death penalty for economic crimes is a reminder that the old Adam of individual enterprise (and profit) is still very much alive (p. 633).

America, emulating Russia, has got its man into space too. The flight has raised America's confidence and prestige; the problem now is to keep them (p. 669).

#### RIVAL LEADERS

President Kennedy is urging his generals under civilian control, but they are fighting back (p. 669). He has made sure, however, that he, and not the generals, will control the new atomic weapons America is offering for the protection of Europe (p. 640).

Mr Nixon is having tussles of his own as he tries to consolidate his position as leader of the Republican party (p. 670).

#### REBEL LEADERS—

Some of the Algerian leaders are in prison, some in Tunis; some have been guerrillas, some politicians. But the long struggle has given them a common loyalty (p. 638).

#### —AND DE GAULLE

Negotiations are approaching, but President de Gaulle's speech on Monday gave no hint of an advance in his negotiating position (p. 662).

Sunshine Holidays: a reshuffle of Britain's school calendar could lend a hand in African education (p. 645).

#### Government . . . Good Ideas

Water: Mr Brooke proposes to prevent it running to waste (p. 685).

GPO: Mr Bevins proposes to give the post office a giro system—and the banks some healthy competition (p. 688).

Export Credits: this year's "profit" vindicates premium cuts (p. 691).

#### Government . . . Bad Ideas

Government Spending: why not publish the Plowden Report? (p. 645).

Payroll tax: climbing down in two easy steps (p. 685).

Spies: secret service should be secret and, in Britain and the US, spies and counter-spies have only themselves to blame when the press publishes their distasteful doings (p. 641).

#### Consumers

Unprotected: valiant Tory backbenchers have killed a sad little bill (p. 691).

Respected: shop-assistants are to go back to school (p. 651).

Unguided: the "Ladies' Directory" is judged unfit for conspiratorial consumption, but the judgment is shaky law (p. 644).

Discriminating: the drawing power of art (p. 645).

#### ASIAN RUCTIONS

A Laos conference is about to open, but it is not clear which Laotians will be there (p. 640).

South Vietnam needs American reassurance, but America needs to avoid identifying itself with a single Vietnamese ruling clique (p. 640).

#### AFRICAN RUMBLINGS

Southern Rhodesia. Removing pinpricks which hurt racial sensibilities has not removed the Africans' inexorable drive for power (p. 659).

Congo. Mr Tshombe's capture may prove a catalyst if it persuades Leopoldville to talk with Mr Hammarskjöld and the other Katanga leaders to talk with Leopoldville (p. 642).

#### EUROPEAN VETERANS

In west Germany Dr Adenauer is offering the electors "no experiments" and scorning coalitions with rival parties. The Social Democrats are offering more welfare and condemning the Bonn set-up as "Portuguese" (p. 660).

In Portugal itself opposition to Dr Salazar runs deep. But it is leaderless, incoherent and divided (p. 666).

#### MIDDLE EASTERN DISCONTENTS

Persia. The Shah wants to lead his country into the modern world, but the monarchy's natural supporters prefer the past (p. 644). He has forestalled discontent by a change of government.

Turkey. The Gürsel government would like to encourage loyal opposition. But it is harrying followers of the Menderes regime by wide arrests (p. 645).

Detailed contents on page 631

## Northrop's

## landing

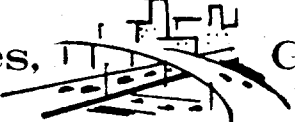
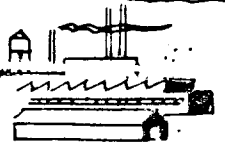
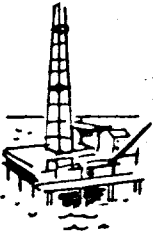
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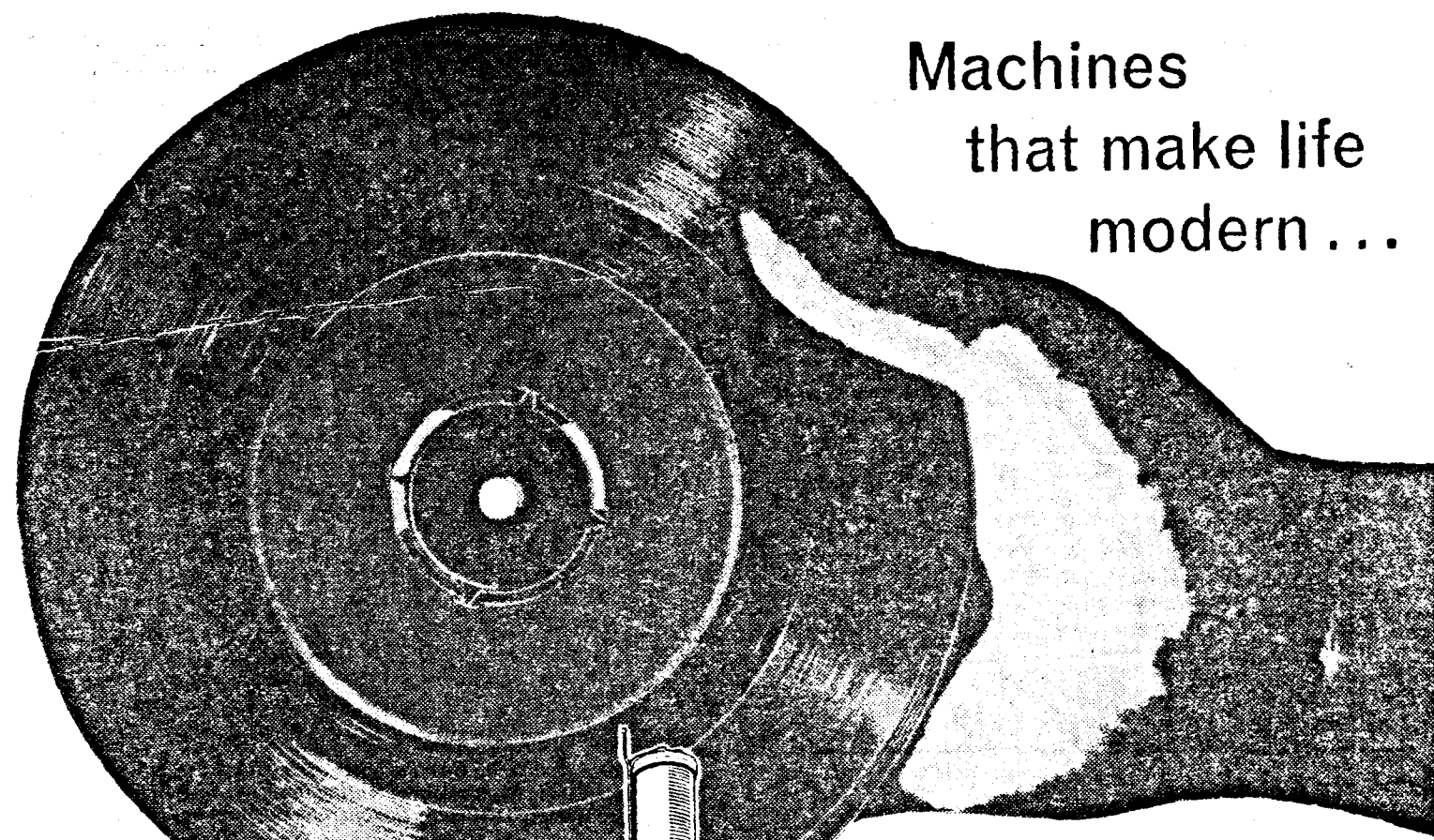
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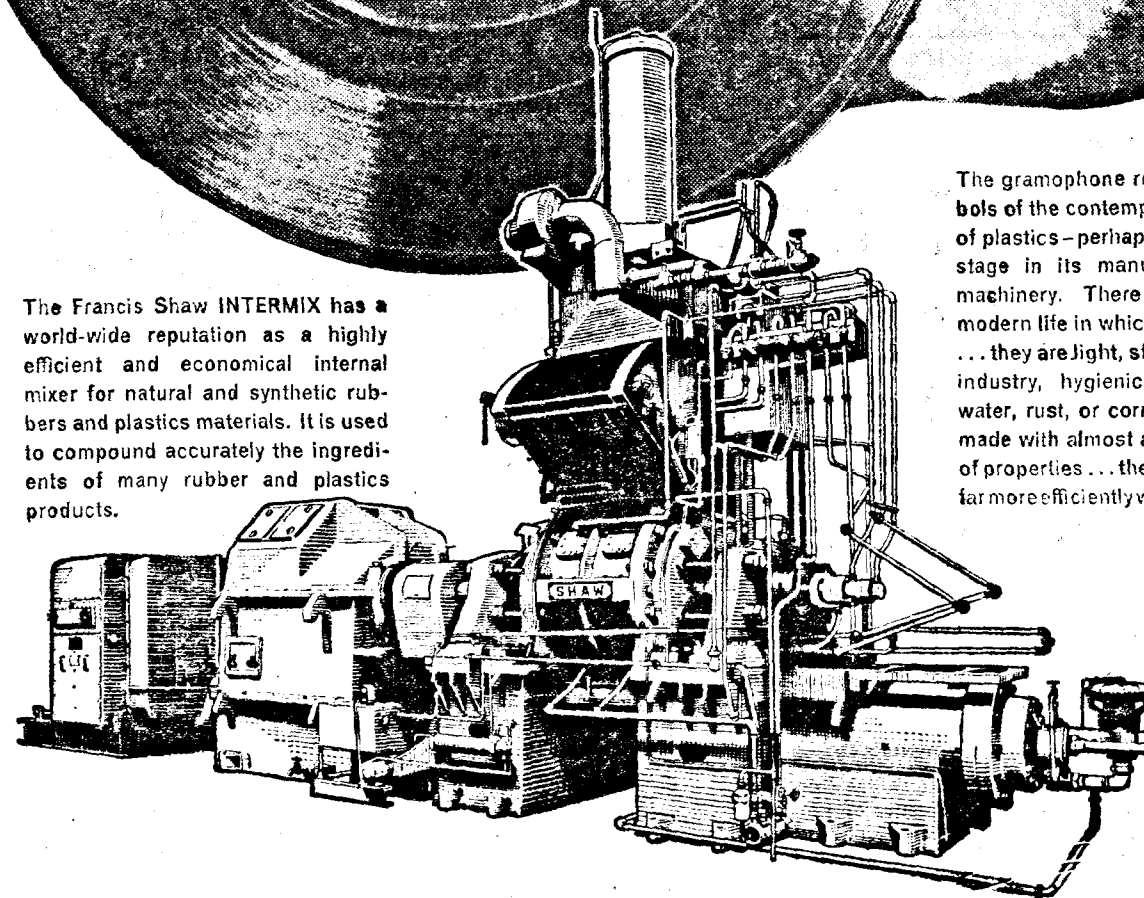
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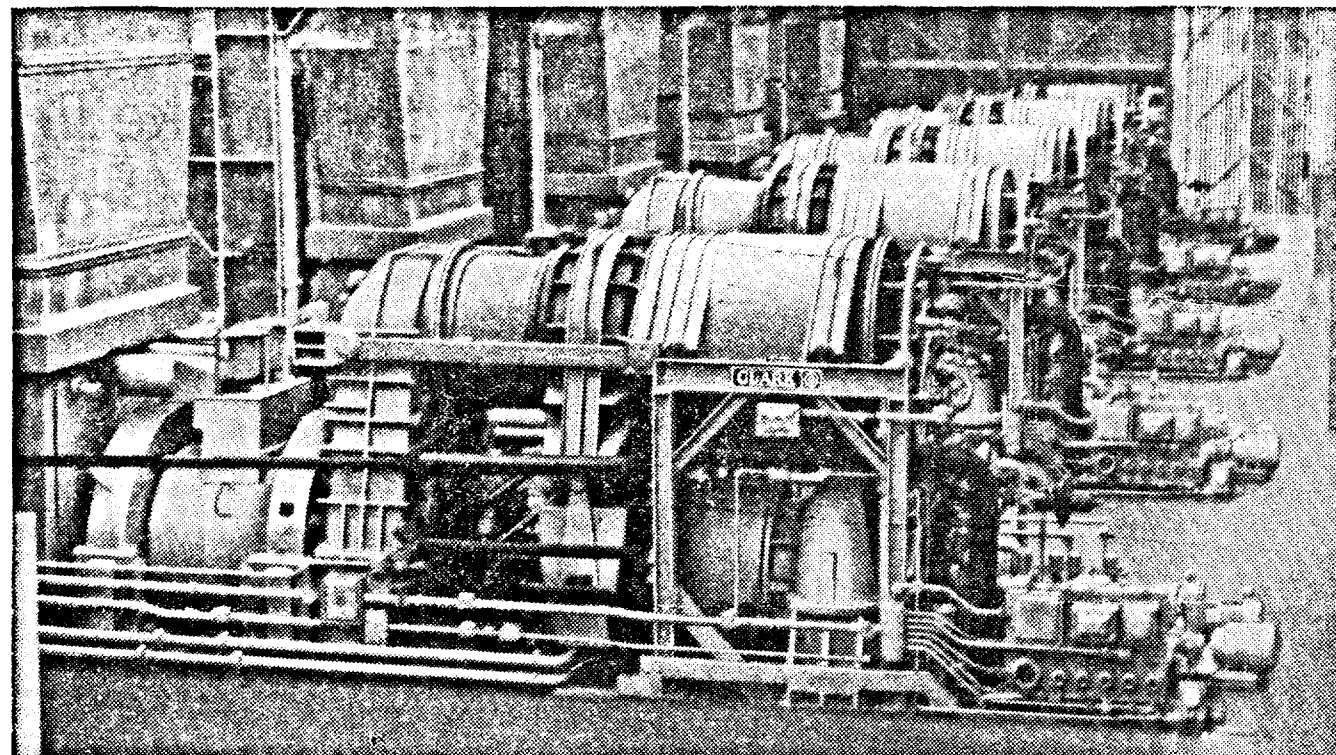
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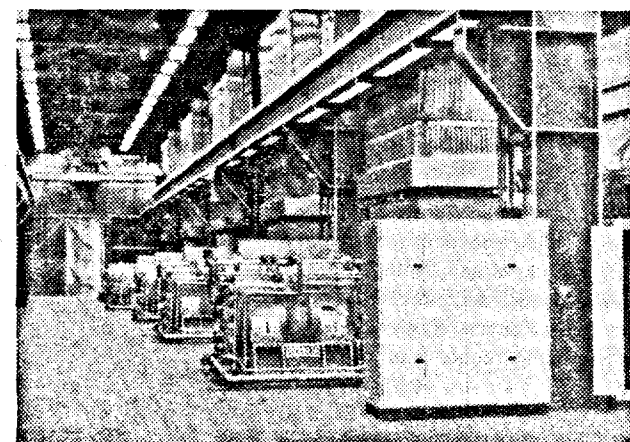
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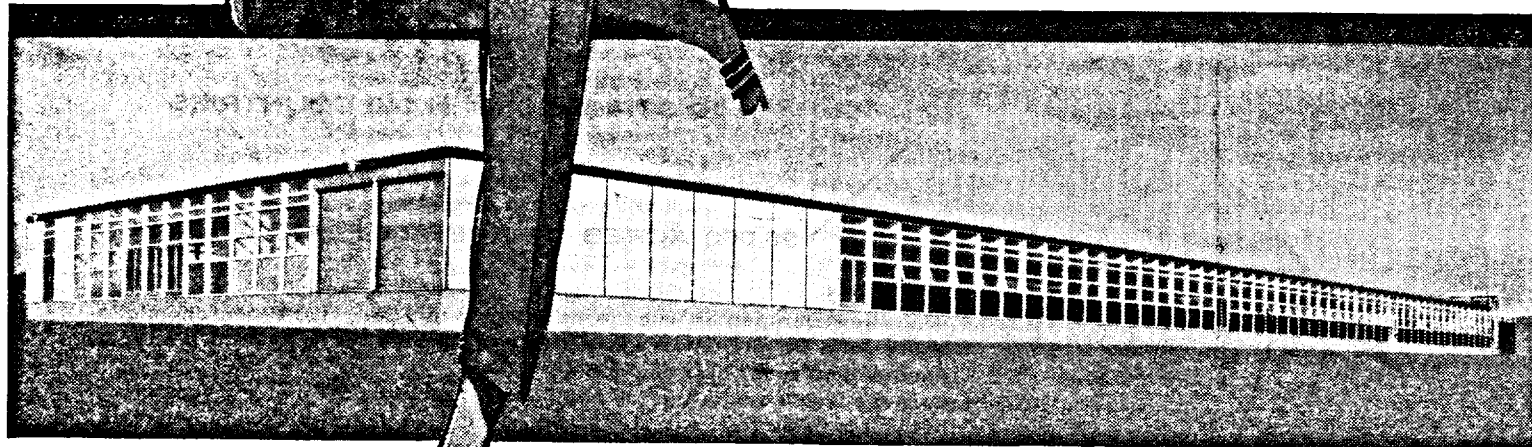


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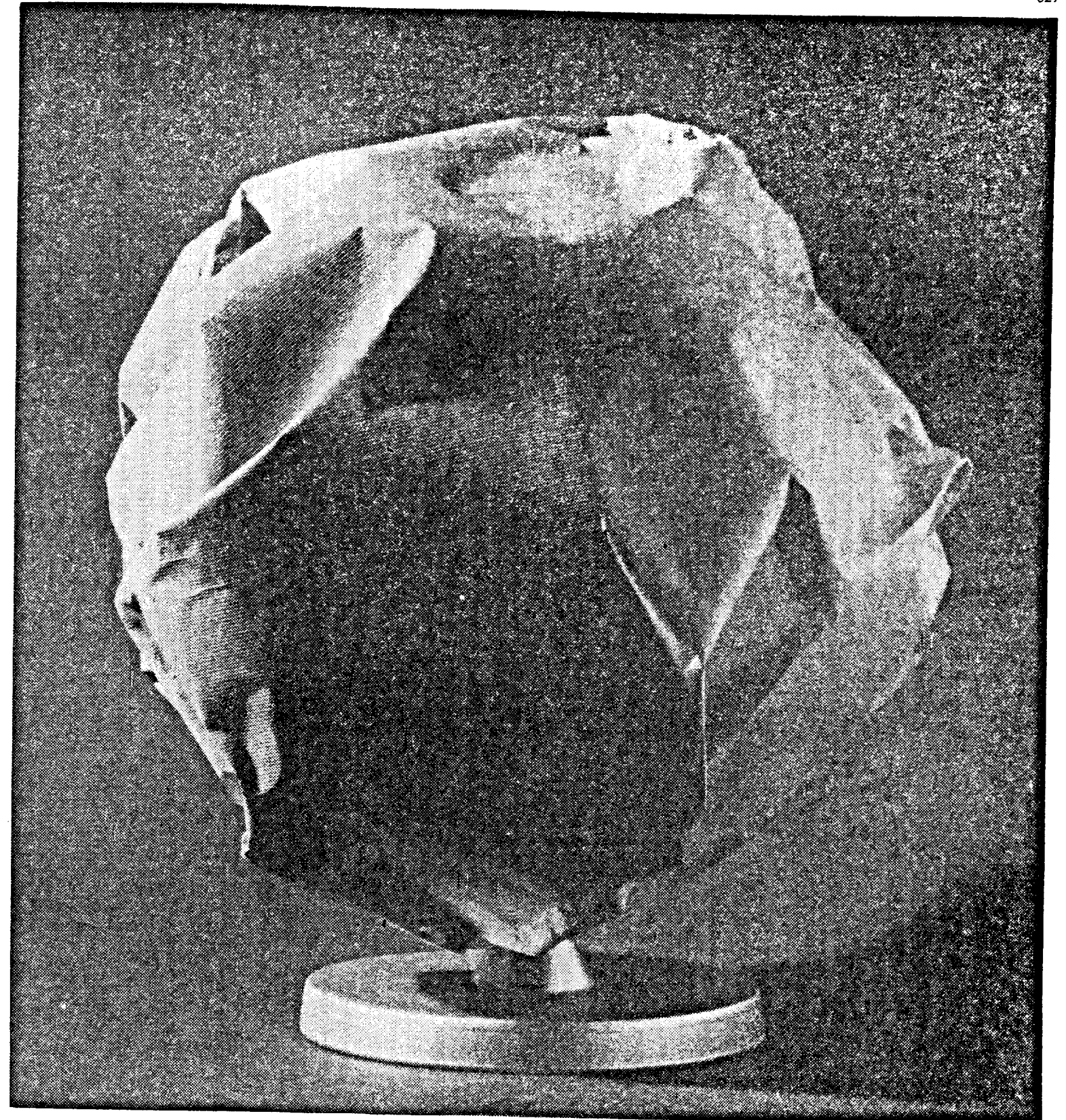
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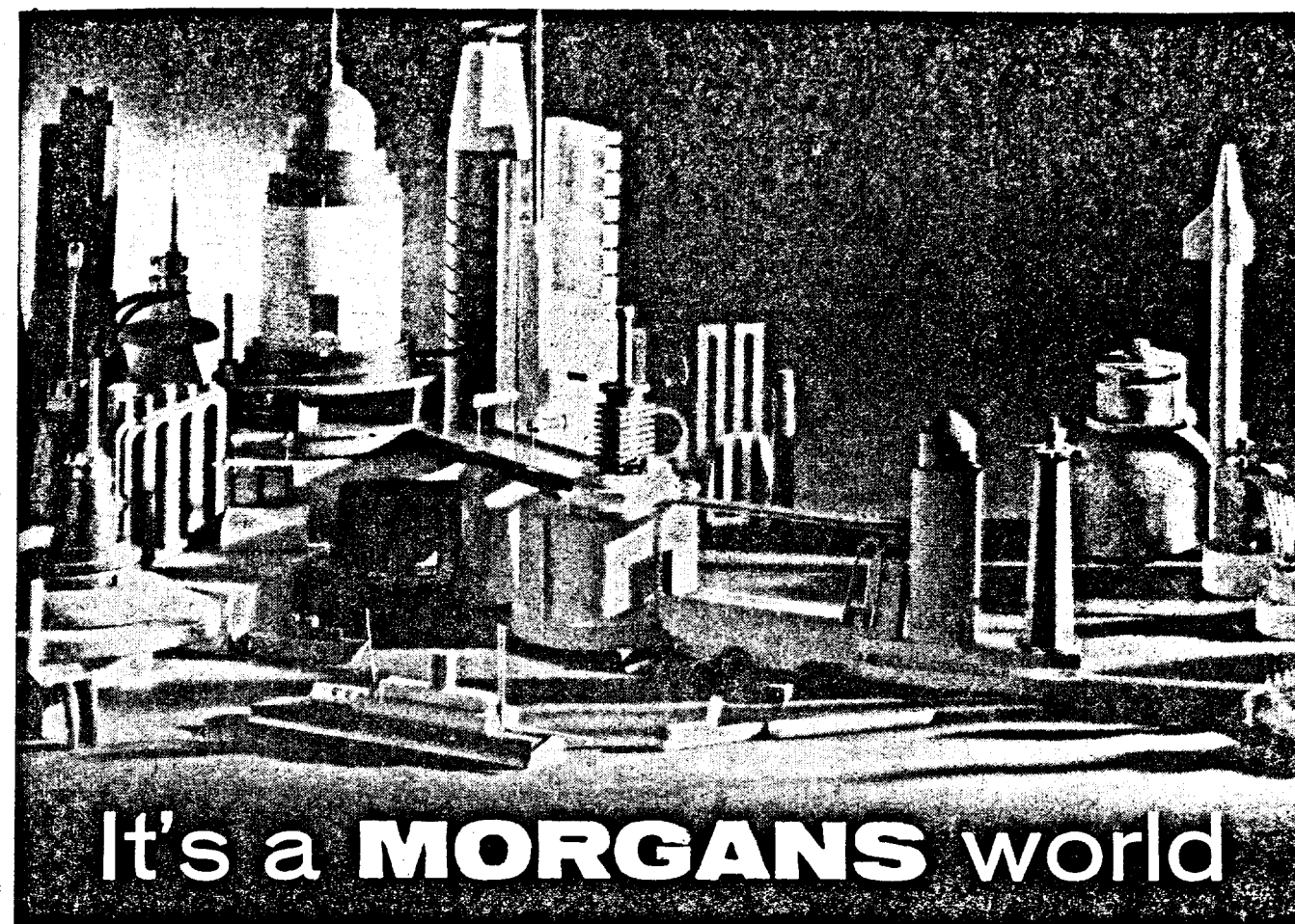
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To make iron for steelmaking, coke is needed—in huge quantities. At the City of Steel the coke ovens produce coke from raw coal. Among the by-products is crude benzole. This has always been a vital material for the chemical industry.

The most efficient way of making benzene from crude benzole is by hydro-refining. This results in a purer product and avoids high processing losses and the effluent problem normally associated with crude benzole plants.

Hitherto, Britain has had no hydro-refining plant to refine the crude benzole from coke ovens. For this reason The Steel Company of Wales

welcomed an approach by the Lincolnshire Chemical Co. Ltd. to form jointly The Port Talbot Chemical Co. Ltd. and to build a hydro-refining plant for handling the crude benzole from the Steel Division coke ovens.

This plant is now in operation at Port Talbot and is supplying Britain's chemical industry with the purest available benzene and its associated aromatics, toluene, xylene and naphthas. These are the chemicals that are used for nylon, all kinds of plastics, dyes and inks, paints and varnishes, enamels and lacquers, insecticides, drugs, flavourings, preservatives, motor fuel, penicillin and perfume. There is scarcely any aspect of modern life where these things do not have a place.

And they all may begin at the City of Steel.

*Behind the girl is the hydro-refining plant at the City of Steel. It makes pure benzene from coke oven crude benzole. Benzene and its associated aromatics, toluene, xylene and naphthas are vital raw materials for Britain's expanding chemical industry—for instance, six gallons of benzene will make one thousand pairs of nylon stockings. In 1960 one company used about eight million gallons to make nylon. Since 1949 the annual U.K. production of benzene from coke ovens has increased more than sevenfold, from 6.2 to 47.1 million gallons in 1960. The Port Talbot Chemical Co. Ltd., formed jointly by the Lincolnshire Chemical Co. Ltd. and The Steel Company of Wales, opened the City of Steel plant, the first of its kind in Britain, in October last year. Much of its operation is automatic and the products emerge with 99.7% purity.*

# THE STEEL COMPANY OF WALES LIMITED

*This is Broadsheet No. 24 from the City of Steel*

## The Economist

MAY 13, 1961

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## Woods and Trees

IT is intriguing to imagine what would happen if one could now introduce into the Palace of Westminster four Rip Van Winkles—who had gone to sleep, respectively, a month, a year, a decade, and a generation ago. Each would surely react to various parts of the current political scene with blank unbelief. The first and central feature of that scene—to 25-year-old Winkle's bewilderment—is that an anti-protectionist Conservative government ("free trade," preaches its Prime Minister, "for the free world") is teetering on the brink of integrating this country into a partly supranational confederation of European states. The main domestic objections to this scheme—here all serious observers must feel equally astonished—seem to be being discussed merely in terms of whether it might hurt a few specialised sections of British agriculture and horticulture. Interesting as such details about the likely degree of competition for some producers of strawberries and tomatoes may be, never in the broad sweep of our history can so great and promising a venture have been launched in so trivial and vulgar a way of coition.

That is why some people have said that, before the Government plunges into the European Economic Community, it should feel obliged to hold a general election on the issue; this is a point that 25-year-old Winkle will understand, for he will remember that Mr Baldwin did the same thing when the Tories took the much smaller step of embracing tariff protection in 1923. But all that Baldwin in fact succeeded in doing in 1923 was to put the issue of the tariff at the mercy of the political swing, in an election which was not really fought in the end about the tariff at all; this is not therefore a very good precedent, especially as the European issue is not at present a party issue (although it might be artificially forced to become one if a general election were ostensibly fought about it, which is one huge disadvantage of even contemplating such referendum-election). Anyway, the argument that there should be an election first too often appears to be a last ditch dodge by those who have refused through the years to make Europe a public political theme.

A short while ago, nevertheless, it seemed just possible that Mr Macmillan might go early to the polls on this excuse, largely because everybody supposed that the current swing was against Labour; this was believed to be an immutable result of Labour's division caused (to the astonishment of ten-year-old Winkle) by a neutralist leader of the Transport and General Workers' Union. Now, however—here it is one-year-old Winkle's turn to goggle—there are some signs of a Labour recovery. This has not been because of a split of opinion on the European issue, but because of an accumulation of petty grievances against the Government, of a sort that often arise in the middle of a Parliament. This week's special bag of grievances, the newspaper headlines proclaim, are that the Conservative government is judged to have been unfair to the eldest son of a deceased hereditary peer; to have been insufficiently tough in tracking down communist sympathisers in the public service; and to have provoked some teachers' strikes by not diverting enough of the national income towards the professional classes. These not exactly traditional socialist causes, it is apparently felt, might be better served if the country swung to Labour.

At this stage, the three elder Winkles will wisely conclude that the current political situation—or at least much of most professional commentators' interpretation of it—is too mad to be likely to last. The Winkle who went to sleep

a month ago, or who (like some professional politicians) takes more than a month to wake up, will probably content himself with denying that the two latest political developments—the swing by the Government towards Europe, and the apparently independent swing by the electorate towards Labour—have necessarily happened. (He is likely to feel confirmed in this latter contention, just as this issue of *The Economist* appears in readers' hands, by the news that several big Labour borough councils have switched in the local elections to Conservative hands; but for assessment of the bogey score against which the swing in the boroughs should properly be measured, see page 641.) Politicians who have decisions to take should not let themselves be deluded by the infant Winkle, but they can reasonably conclude with the elder Winkles that public opinion is unlikely to be swayed by trivialities instead of realities for long. It is indeed probable that some of the individual trees in the forefront of the current political scene loom misleadingly larger than life. All experience suggests that, at what is historically a pretty critical moment for British politics, both the Labour and the Conservative leaderships should plan their future courses by looking at the whole wood instead.

FIRST, then, the priorities for Mr Gaitskell. If he stands back and looks at the events of the last few weeks, the point that he should see most clearly is that Labour's surprising recovery cannot logically be ascribed to any compromising efforts that he has made to unite the party; on the contrary the recovery started at the Small Heath by-election in the very week after he had been accused of splitting the party, by withdrawing the whip from Messrs Foot, Zilliacus and company. The return of moderate Labour voters to the polling booths has since gathered weight throughout the country; it is the realisation that Mr Gaitskell may after all be the next Prime Minister that has played a large part in swinging trade union delegates back to support his line on defence. Unfortunately, the trees that Mr Gaitskell may be more inclined to see are the intrusive Padleyite propagandists who gave him such disastrous advice in the past; their advice to Mr Gaitskell in the present will be to try to outmanoeuvre the left on defence policy (by adopting Crossmanism) and to outbid it on domestic policy (by concocting more and more new versions of old socialist dogma).

If Mr Gaitskell falls into this trap, the odds are that much of the electoral support which he has recently gathered will wither away, and that his party will remain in the wilderness. But they are not unbreakably long odds. Elections are not decided solely by the view that the country has formed of the Opposition; they are also decided, and historically rather more frequently, by the view that it has formed of the Government. The attitude that Labour takes up on certain pivotal questions in the next few months is therefore going to be of considerable national as well as party importance—both because, even while still in Opposition, Labour can have a potent influence on events, and because even an Opposition that is hampered with a fairly mad domestic policy will be universally regarded as a possible alternative to any Tory government that is hindered by a pretty bad record.

The most important and immediate national question about Labour—although few people have asked it yet—is whether

it is going to permit reasonable bipartisanship in the coming approach to Europe. Economically, this should not be difficult for Mr Gaitskell, who can probably be assumed to have been converted to recognition of the economic advantages of European unity at about the moment of the conversion of the average man (even although Mr Wilson certainly has not found it convenient to be converted yet). Even here, however, the long and tortuous advance of this country into Europe could be most gravely impeded if the Government were faced at every step by an Opposition which demanded that the special interests of this, that or the other domestic pressure group must at all costs be safeguarded. Politically, British Labour's attitude to Europe could be transformed if the political complexion of common market countries were to become less deeply conservative than it is just now. Labour, like the rest of Britain, needs to look to the further future and not be transfixed by those political features of present-day Europe that it happens to dislike.

FOR Mr Macmillan, in the not particularly infrequent moments when he regards himself as a party politician, the misleading trees that he should avoid looking at are the tangle of temporary grievances to which some commentators ascribe the recent swing against his Government. Most of the emphasis on these grievances—which change in the headlines from week to week—is really an *ex post* rationalisation of a swing that was almost certainly due to occur for another reason anyway: industrial production has not risen much in Britain for nearly a year now, and it follows that the general standard of living has not been enabled to rise quickly either. If Mr Macmillan can time the next election for a period when industrial production has lately been rising—and this is a legitimate trick—the odds are still strongly that his party should succeed then to its fourth successive period of power; if he concentrates instead on trying not to exacerbate particular pressure groups' special grievances he is much more likely to go down. The issue of joining the European Economic Community is one that is likely to be replete with the manufacture of new special grievances for particular interests, but also likely to breathe a new dynamism into the British economy (even at the earliest stages when it has merely become apparent that we are genuinely seeking to join). It follows that it should be a good political move for the Conservatives, as well as (much more important) a vital move for the country.

THERE is, however, another respect in which the Conservatives' habit of looking at individual trees, instead of at broad woods, could get in the way. It can best be exemplified by reference to the agricultural issue in Europe. At present Germany's system of agricultural protection is much more uneconomic than Britain's, and the German government is much more dependent politically on the rural votes that this system of protection brings in; but when one points out to a German politician that the EEC could theoretically decree a fall in German agricultural prices just before Germany's general election, the response is likely to be a loud guffaw that his allies are unlikely to mess him around like that. The fact is that good Europeans of Dr Adenauer's circle, who like to consider themselves free trading liberals but are in many respects

rather protectionist conservatives, have an instinctive urge to talk themselves into the acceptance of sweeping liberal and supra-national principles; but they also have an instinctive trust, that if special difficulties should arise, their friends will show sufficient understanding not to insist on a contractual right to do them deliberate dirt.

By contrast Mr Macmillan's ministers, who call themselves Conservatives but are really largely free trading liberals, have an initial urge that works precisely the other way; they feel that they owe it to their titular respectability as Conservatives

## Russia's Private Sector

The new Soviet penalties for "economic crimes" serve as a reminder of the persistence of private enterprise 43 years after the revolution. To abolish it altogether would create a real gap in Russian life

DEATH has been the penalty for serious "economic crimes" since 1954 in Bulgaria, 1958 in Hungary and Rumania, 1960 in Poland. Now the firing squads are forming in Russia too. The week that began with May Day ended with a ukase decreeing execution by shooting for several groups of offenders—counterfeiters, prisoners who attack their guards, and "large-scale embezzlers of state property." Dotting the i's in *Izvestia* last Saturday, Mr Roman Rudenko, the Prosecutor-General, dwelt on the last group most heavily. Recently, he wrote, a large number of big embezzlements had been detected; heavier punishments were unquestionably needed. He saw no difficulty about concluding his article by saying that "persuasion and education" are now becoming Russia's chief means of protecting public order.

Persuasion has some way to go, if Mr Khrushchev now has to revive draconian penalties which Stalin abolished, at least on paper, in 1947. Official schizophrenia on this subject has been marked. Recently the Soviet press has been publishing a series of shocking revelations about corruption in high places and, simultaneously, a series of dreamlike dissertations about the quick approach of true communism, with special insistence that crime (as well as the state) will disappear, once there is so much common property about that a man need only reach out for whatever he wants. These parallel themes have never met; indeed, even when appearing on the same page of a newspaper, they have seemed reluctant to catch each other's eye. The more utopian of the two themes will doubtless continue to be plugged; it is part of the build-up for the party congress in October. But it is the firing squads that will hold the experienced eye of the Russian people.

SHOCK treatment is evidently the government's aim. Heads must not only roll, but must be seen to roll. The central committee plenum through which Mr Khrushchev stormed in January was largely a scapegoat-hunt after two lean years on the farms. He played the outraged father of a long-suffering people, bent on ridding them of corrupt hierarchs. Thus, he had a splendid time with the luckless party boss from the Tien Shan, Mr Isaev, who had been caught buying

to examine every liberal utterance that could conceivably ever interfere with such vestiges of pragmatic conservatism as they still practise, and to insist on written escape clauses that would protect them against every dimly-foreseen bogey which might ever arise in the dark. Europeans then naturally assume that Britain would stretch these legalistic escape clauses as far as they themselves are apt to stretch their looser ones. It will be maddening—and a national surrender—if this pettifogging British clerkliness now holds these historic negotiations up. But it is one of our greatest dangers.

butter from state shops and then "delivering" it back to the state to bulk out local output statistics. (Mr Isaev's case deserved its fame. When his sins were first detected, the system of *kombinatsia*, or mutual covering-up, swung into action so smoothly that he was actually promoted to be a minister of the Kirgiz republic, before somebody who had not been squared gave the show away.) There have been many dismissals at various levels, including the premier of the Ukraine, since January; but Russia's dauntless racketeers apparently still run its rocketeers close in the success stakes.

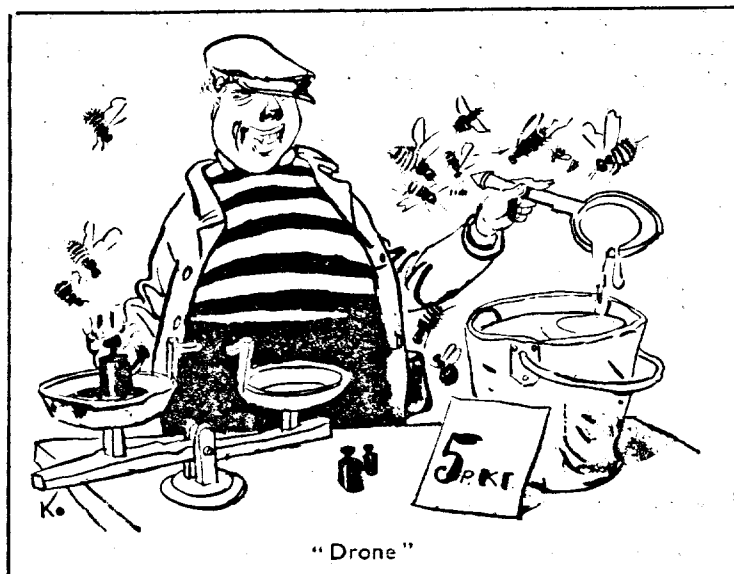
The line is thin between the covering-up swindles to which most party officials and managers have been driven at times simply in order to survive, and the equally common forms of *kombinatsia* in which somebody's personal nest is feathered. Most such deals inevitably involve a bit of both covering-up and buttering-up. In a system in which everyone has something to hide, it is a chancy business which particular *skandaly* get classed as "embezzlement." Does the government, for instance, really want to scare its hierarchs into being so honest that output figures slump to the level of output?

"You can't make pancakes out of statistics," complained Mr Khrushchev in January, as the plenum heard of local officials' skilful padding of crop returns. Can one make *blini* out of bullets? Fear of the firing squad may stop book-cooking, but it cannot make 17 ears of corn grow where 10 grew before, which is what the 1958-1965 farm plan requires—and the last two harvests were actually below the 1958 level.

In *Izvestia*, Mr Rudenko linked the new death penalties with "the right now given to the courts to add deportation for two to five years to the sentence for particularly serious crimes against the state." This presumably referred to the decree, newly applied to the Soviet Union's Russian republic, providing for the deportation to forced labour of those who "refuse to do useful work, obtain unearned incomes, or commit other anti-social acts." Seemingly a new version of a measure first heard of in 1957, this decree permits "public sentence at a collective of workers"—that is, by show of hands at a drumhead meeting called by local party men of the lowest grades. There is no appeal.

These drumhead convictions, like the older established "comrades' courts" and *druzhini* (volunteer policing patrols),





Krokodil, Moscow

are along the ideologically correct line which demands audience participation in the process of arrest and punishment. Probably they give ample scope for real rogues to bluff or bribe their way out, and for party men to victimise innocents against whom they have some score to pay off. The type of victim assigned to these kangaroo courts would seem well chosen. Who could possibly defend "drones, idlers and parasites"—against whom a preparatory campaign of agitation has been waged since August?

Yet, on their accusers' own showing, many of the threatened "drones" must be more active and enterprising individuals than most Soviet citizens. The trouble is that their enterprise is private—and flourishing. They fill many gaps in the economy. As a recent letter to the Soviet press pointed out, they make and market the spades, brooms and other essentials which official sources in the writer's district simply could not supply. Their carts, sledges and even cars can be hired to carry furniture or other things whose owners cannot get the stuff shifted any other way. In one district, 880 of them have been growing onions on land leased from collective farms which seemed incapable of using it themselves. Worst of all, they hire labour—obtaining it, despite the acute shortage of manpower, by the outrageous device of offering good pay. Thus they "undermine labour discipline, and damage the workshop economy." Most of them do all this while "holding some job for appearance's sake."

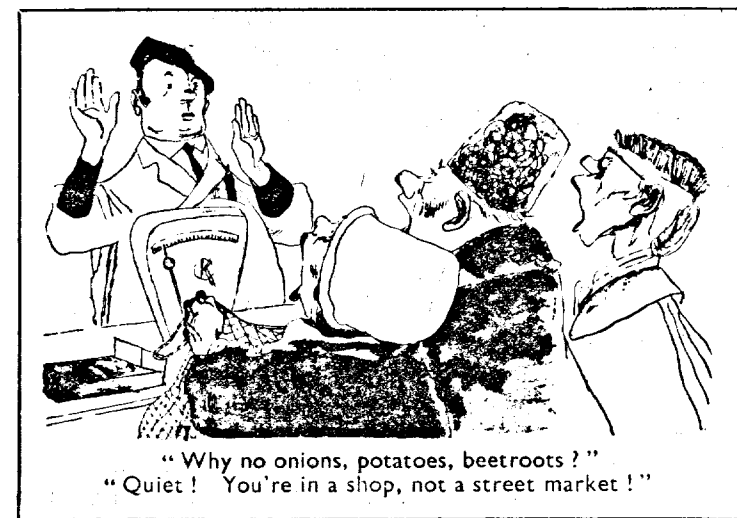
MANY a large factory has managed to avoid stoppages only by getting from these busy "idlers" the spare parts or other supplies it had failed to get through the proper channels. Many a well dressed party man would be a sorrier sight without the suits and shoes they turn out; hardly a household but turns to them for repair jobs, rather than endure the slow inefficiency of the licensed workshops. In secluded lanes outside Moscow, the "drones" have been busy building houses of above-average quality—and disposing of them briskly in a classic seller's market where an ever-growing mass of money is chasing few goods and fewer homes.

Mass deportation of these people to the bleaker regions of Russia may help to ease the acute labour shortage there, and offset the drift to the cities which continues despite

all the apparatus of passbooks, residence permits, tied homes and other checks on labour mobility. But one wonders who would replace them as solvers of problems which seem to baffle the planners of production and trade; and whether the new decree will really stop local authorities turning a blind eye on their ideologically intolerable, but often very helpful, activities.

The authorities face a similar dilemma over the admittedly still licensed private production of collective farm workers. Mr Khrushchev, in despair at the contrast between this flourishing individual enterprise and the flagging efforts of the collectives on the official plane, has once again raised prices for officially sold farm products; ordered state farms near large towns to grow more of the vegetables which half of Russia still buys from the individual peasant; and launched yet another propaganda drive to induce the farm worker to put more effort into his public duties and less into his private and more profitable life. But the pace cannot be forced here. The farm worker (with, now, the ever more numerous urban allotment holder) owns privately half Russia's livestock (the better tended half), and produces privately nearly all its eggs. Any real showdown with these private producers means short rations for the townsman; and he, as Russia's bustling market places and city alleys show, feels no ideological urge to queue in ill-supplied state shops rather than buy freely from private enterprise.

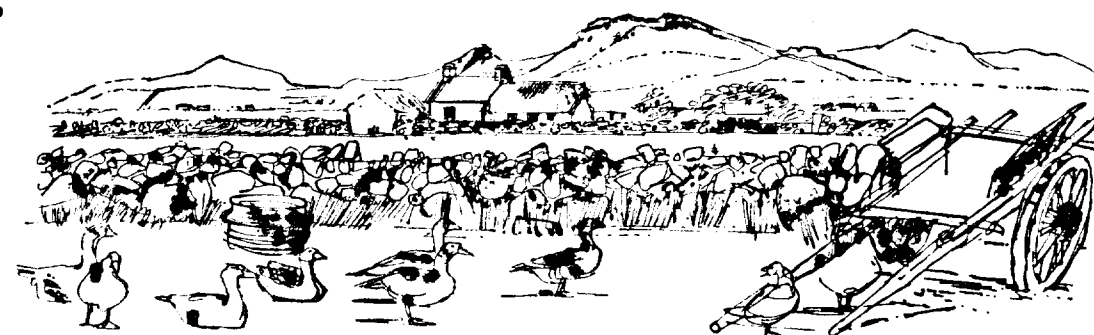
LAST week's draconian decrees must have aroused mixed feelings among Russians. Few will shed a tear for any corrupt functionaries who may face the firing squads for embezzlement; but many will wonder where their next spade or spare part is to come from if the small fry of individual enterprise are really suppressed. "Creeping capitalism" on the upper levels is a matter of personal graft, and so of indifference to humbler folk; on the lower levels it is a convenience, however offensive ideologically or to those who resent seeing others thrive. Whether the decrees will in fact have any real effect is another matter. If, in the matter of firing squads, Russia goes all out to catch up with and overtake Bulgaria, which has now executed more than 40 people for economic offences in four years, it may still find, as Bulgaria has found, that in an inefficient system of bureaucratic monopoly one cannot stop people from finding ways round artificial economic obstacles—even by putting the fear of death into them.



Krokodil, Moscow

## How Ulster Stands

In sober economic terms, what does Ulster gain today—and what does it lose—from being integrated in the United Kingdom?



CHIPPED off the Irish block when the war of independence ended in 1921 with freedom for the south, Northern Ireland remains one of Europe's most curious political phenomena. A squiggling border, complete with armed police, customs posts, time-bombs and Union Jacks, separates one land of soft brogues, thatched cottages, and green hills from another, similar in every respect except the once vital one of officialdom's religion. Nowadays, despite the occasional explosives of the Irish Republican Army or the offensive invective of the Orange lodges, the division of the country more often gives rise to farce than to tragedy: for example in the case of coal, which the National Coal Board sells at the world price to Eire but at the higher British price to Ulster. An ingenious southern coal merchant, prohibited under his contract from selling to Ulster, devised a method of selling to a "third party," who then undersold the Ulster coal merchants by 30s. a ton—and everyone made a profit. Again Eire enjoys the Commonwealth privilege of sending its exports duty-free into the United Kingdom, but can put protective tariffs on imports; so Ulster furniture manufacturers must compete on their home ground with drawing-room suites from Eire, while their own goods are prevented from competing in Dublin by swingeing customs duties. Ultimately, the overwhelming force of ridicule must reunify this island—at least economically—in some form or other. Meanwhile it is useful to see how Ulster stands, alone.

The quick answer is that, by the standards of the United Kingdom of which Northern Ireland is a part, the province is in a pretty poor way. Unemployment is steady around eight per cent of the working population—despite the large local bureaucracy. The three main traditional industries—agriculture, shipbuilding and textiles—are each beset by characteristic weaknesses. Some 15,000 new jobs a year would be needed over the next ten years to keep pace with the rising population and bring unemployment down to the British level.

Of course, the employment figures do not tell the full economic story: a declining labour force in agriculture is a symptom of the industry's efficiency, and the farms are said to be more highly mechanised here than anywhere in the world. The plight of the shipyards is dramatised by the laying off at Harland and Wolff's of 7,000 wage-earners, out of a peak labour force in this one yard of 21,000 men. Linen is being to some extent replaced by Europe's largest concentration of plants producing man-made fibres; and there are hopes that new processes may make it possible for Ulster to start again growing its own flax, instead of importing almost all of it from Belgium and Holland. But even cunning combinations of artificial fibres with flax may not be able to withstand the competition of cheap linen from overseas.

Ulster's fundamental problem is, in clinical purity, that it is

the outlying region of Britain's economy, which cannot be run flat out all the time. When the United Kingdom enters a boom, Ulster is the last place it reaches; when the boom ends, Ulster is the first place where firms begin to draw in their horns. The limited regional autonomy of the province does not allow it to cope effectively with economic problems—the regional parliament at Stormont was set up primarily as a nucleus for an eventual Council for All-Ireland, on which representatives from the north would sit with their parliamentary opposite numbers from the then Free State. Taxation, except for death duties, motor taxation and entertainment duties, is levied by the Westminster parliament (embarrassingly known as "the Imperial parliament" in Ulster), so that the Stormont government's theoretical powers to legislate on, for example, agriculture, are limited by the amounts which Ulster can wrinkle out of the Whitehall treasury as its share of United Kingdom taxation. The Stormont government also has constitutional powers to establish its own social services, but its staunchly Conservative government voted in and maintains a national health service practically identical with that against which the Unionists at Westminster had voted as an immoral socialist measure.

THE resemblance of the imposing palace in the Belfast suburbs to a real parliament is further reduced by the fact that one party has been in power since its inception in 1921: there are at present 37 Unionists, eleven Nationalists and four Northern Ireland Labour members. The Nationalists are not willing to form Her Majesty's official opposition, so the Labour party does its best; but nobody pretends that bills introduced at Stormont get a very thorough examination. Stormont's constituencies are sometimes gerrymandered to keep out Nationalists. (In local government elections the need for gerrymandering has been reduced by the ingenious expedient of retaining the old property qualifications for local government electors, so that only the richer, ergo Protestant, inhabitants have a vote.)

Because it has its own parliament, Ulster sends only 12 members to Westminster, from constituencies with around 70,000 voters as opposed to 50,000 in Great Britain. Unionists at Westminster are said to be inhibited in their comments on bills introduced there by the knowledge that their criticism of a Tory, or indeed a British, measure would at once be taken up by a chorus of opposition debaters at Stormont.

The main way in which the Northern Ireland government can take economic action is by building factories for rent as a bait for new industries, and by paying up to one-third of the cost of plant installed in them. The Ministry of Commerce also subsidises the price of coal and transport for industry.

Some 40,000 new jobs have been brought into Ulster since the war (not all of them with aid under these schemes): but some of the subsidised new firms have conspicuously failed to employ the expected numbers.

Many of the attractions of Ulster for outside industry are in the form of comparatively short-term and artificial government subsidies. The main long-term attraction which the province can offer is a large reserve of willing and competent workers who are much more likely to stay with a job than their counterparts in England. In most industries, however, rates of pay are governed by United Kingdom agreements and are the same as in Great Britain, so that Ulster's main potential attraction for employers is wiped out. Ulstermen get the same unemployment benefit, national assistance payments and medical care as Englishmen. Around 10,000 Ulstermen emigrate each year to Britain or abroad: Eire has about double the population, but six times as many emigrants.

The Northern Ireland budget is a notoriously complicated document (when a Unionist MP who happens to be an accountant found a discrepancy of £10 million in the figures last year, it was suggested that this was due to the death of the only man in the Ministry of Finance who understood the

traditional way of cooking the figures). But last year Northern Ireland was being subsidised to the tune of some £36 million from Whitehall—£6 million of which was promptly given back in the form of the "Imperial contribution" paid by Ulster as its share of the cost of maintaining Britain's putative Empire. Thus £30 million is the mathematical advantage that Ulster has over Eire, which is not integrated with a rich industrial society to pay for social services that it has not earned. The price Northern Ireland pays for integration is less tangible, but not unreal. Its life is not being drained off by emigration; but it lacks the adventurous, if sometimes chimerical, new ideas which are so prevalent in the Republic at present—with tax concessions, cheap labour and some smart gimmicks, Eire brought in 30 new firms from 11 countries during the last year, even if, as Ulstermen are inclined to say with contempt, many of them are English tax-dodgers or Japanese wizards making green plastic harps for export to Boston. There is a dearth of tourist hotels in Ulster; air freight, the obvious means of exporting agricultural produce overseas, is barely used; almost all Ulster beef is, unbelievably, exported on the hoof, losing weight and quality on the voyage and giving employment in slaughtering, butchering and packaging to Englishmen. When the British forces placed a large order for canned meat, they placed it in Eire, for there is no meat-canning plant in Ulster.

The idealist might be tempted to make some suggestions for overcoming this cushioned lack of enterprise. First, he would wish to separate Ulster's wages from the English trade union bandwagon (although in Ulster he would have to deal with not one but two versions of the Transport and General Workers, one being Mr Cousins's well-known outfit, and the other being based on Dublin—which should make any company's negotiators quail). An Ulster £ could perhaps be devalued just sufficiently below the English £ to give exports the narrow competitive edge they need. Finally, in an impossibly perfect world, Ulster would be fitted out with a genuine parliamentary opposition whose members were not all either directors, or golfing partners of the directors, of Ulster's largest businesses—for in the small Establishment of the province it has sometimes been found impossible to apply Mr Churchill's Westminster directive about the incompatibility of business interests and ministerial posts.

Perhaps the most hopeful feature of the province is that the urban workers, at least, are abandoning their traditional Protestant *versus* Roman Catholic feuds. Even in Harland and Wolff's shipyard there are a few Roman Catholic shop stewards, although about 85 per cent of the workpeople are Protestant. Of course a reduction of sectarian rivalry does not imply that the two Irelands are soon to be reunited; the fact that the north enjoys a British scale of social services adds vast practical difficulties to the already strong emotional obstacles. But at least some of the passionate energies which Ulstermen devote to the preservation of the *status quo* may be turned to the real question before the province—how to reap financial advantage from the two natural resources of a climate ideal for textile manufacture, and a year-round supply of greenest, richest grass. Paradoxically, some Ulstermen are beginning to suspect that the brightest future for this most loyal of British territories would lie in Britain's own integration—and Southern Ireland's—with a European market hungry for stout tweeds, fine linens and rich red beef.

## The Economist

MAY 11, 1861

### REPRESENTATIVE GOVERNMENT

By JOHN STUART MILL.

ALL Mr Mill's books are able, thoughtful, and vigorous in a high degree. . . . Certainly this book is not an exception. . . . For the early portion we feel sincerely grateful to Mr Mill. It is an exceedingly able protest, by the only living thinker of much authority among English Liberals against that helpless and reluctant drifting of the Liberal party into pure democracy which is so melancholy a sign of their political imbecility. Mr Mill has not a vestige of sympathy with pure Toryism, exceedingly little, if any, with mere inert Conservatism; no one represents better the faith in the possibility, nay the duty, of constant political expansion, . . . of drawing a larger and larger portion of the population into the circle of political duties which connect them with the Government, give them a control over it, and interest them in what it does, . . . than Mr Mill. To the Radical party, therefore, he will speak with some chance of being heard. . . . Mr Mill lays down as the two main criteria of good government, first, the degree in which it tends to improve the political qualities of the people governed, . . . and next, the degree in which the machinery is adapted to take advantage of all the political capacity in a people which exists, and apply it to the purposes of firm, intelligent, and just administration. . . . The second end, . . . that of obtaining intelligent and capable and just administration, . . . is often secured nearly as adequately, and with less obvious impediments, Mr Mill points out, in bureaucratic systems, but only at the cost of completely sacrificing the first and still more important end. . . . Mr Mill contrasts very powerfully and ably, as we have so often done in these columns, the principle of representing *All*, with the democratic principle, as it is chiefly known in Great Britain, of representing *all local majorities*, and leaving all the minorities, however closely allied in conviction and however widely distributed, entirely unrepresented. . . . Let us suppose the representative body an exact counterpart of the nation, though on a diminished scale, . . . giving an image of all its blind wants, and passions, and partial intelligence, and limited education and self-control. All such imperfect elements should be represented no doubt, in order to ensure real self-government. But besides self-government, we want good government, . . . in other words, the most skilful use of the national resources which is compatible with self-government at all. . . . If, then, the political system is modified by giving a greater *relative* weight to the votes of the educated classes, the people's political training will be even more perfect, and the security for a well-chosen administration will be far more perfect. The working classes will be more likely to be in that best of all positions, "strong enough to make reason prevail, but not strong enough to prevail against reason," . . . and, moreover, there will be more security for a discriminating and intelligent choice of the actual administration, and of highly-cultivated men out of whom to form an administration.

## LIVELY PLACES IN THE SUN



EDUCATION has high priority in the go-ahead states of West Africa. These secondary-schoolboys of Mian-sipim college, Ghana, like their fellows in Nigeria, will be trained in the universities for new tasks in a more industrial economy.

## Men and energy in West Africa

GHANA AND NIGERIA, two of Africa's most progressive states, are throwing themselves energetically into the development of their new nationhood.

Both countries (and their newly independent neighbour, Sierra Leone) will depend on expanding education to provide trained manpower, hence the many new schools and the fine universities at Ibadan and Accra. Both countries are keenly aware of the need to diversify their economies—to build up new industries rather than depend so much on agriculture, as at present. Both have adopted far-sighted and liberal policies in attracting foreign capital to establish these industries. And both have ambitious plans for producing the electrical energy they will need, from their resources of coal, natural gas, oil and water: Ghana, with her great Volta Dam project, and Nigeria, planning schemes on the Niger and Kaduna rivers, are both preparing to meet the demands of their rising industries with an abundance of power.

### ENGLISH ELECTRIC IN WEST AFRICA

For many years now The English Electric Company has been active in developing power production. As long ago as 1931 a

water turbine generating set was installed at the Kurra Falls power station in Nigeria. In Ghana today, English Electric diesel-generator sets are already on the Volta Dam site, to supply the needs of the workers' town there. There is English Electric generating and distributing plant in industry and public works from Kano airport in Northern Nigeria to Port Harcourt and Lagos in the south, in Ghana and, much further west, in Gambia and Sierra Leone.

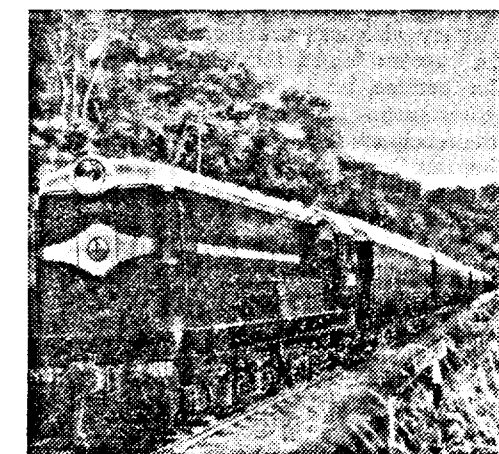
Railway equipment is another branch of electrical engineering for which this company is well known—in fact its customers are found in over 35 countries. A delivery of 14 diesel-electric locomotives for Ghana was followed by an order for 12 more; all these are now in service.

English Electric also pioneered the diesel-electricification of the expanding railway system of Nigeria.

And so the fruitful relationship grows. These new and vital countries can depend on the store of technical knowledge, skill and research which lie behind every contract with The English Electric Company, while English Electric gains there further valuable experience in the special requirements of West Africa.



ENGLISH ELECTRIC MOTORS, supplied under a comprehensive contract, driving cotton-processing plant in Kaduna Textile Factory, Nigeria. English Electric has on order equipment for a further textile mill in Nigeria.



ONE OF TWENTY-SIX 750-h.p. diesel-electric locomotives built for Ghana by English Electric. Similar locomotives have been supplied by English Electric to Nigeria.

### POWER FOR PEACE

## 'ENGLISH ELECTRIC'

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# Algerian Leaders

Eight men in Tunis and five in French hands make up the FLN's "Provisional Government of the Algerian Republic". Their personalities are now of urgent interest

THE fate of Algeria depends on the talks that will start at Evian on May 20th. Who are the leaders of the rebel FLN who will decide the limits of a compromise on its behalf?

Often supposedly divided into "tough" soldiers and "soft" politicians, they reflect in their different backgrounds the divisions in the nationalist movement before the insurrection broke out in November 1954. There were then two main nationalist parties. One, the Democratic Union of the Algerian Manifesto (UDMA), was led by Ferhat Abbas, now head of the rebels' provisional government.

At 62, the dignified and sad eyed Ferhat Abbas is the elder statesman of the revolution. A pharmacist by profession, he was involved in politics from his student days onward. Once he believed in assimilation to France. He doubted the very existence of an Algerian fatherland. "I have questioned history. I have questioned the living and the dead, I have visited cemeteries; nobody has spoken to me about it." These words of his have often been quoted by his French critics.

Even when he abandoned hope of winning equal rights for Moslems, he still aimed at Algerian self-government in association with France, to be attained peacefully. The French response was electoral fraud and legal obstruction. By 1955, disillusioned, he came to share the rebels' belief that only revolutionary violence would move the French. In 1956 he joined them in Cairo; in 1958 he became head of the first provisional government. His name became a symbol of the rebellion; it echoed through Algeria during last December's Moslem demonstrations. Although the leadership is really collective, he apparently has a casting vote in its councils, often held in his villa in Tunisia; but there is no evidence that he is any less sensitive to the mood of the fighting guerrillas than are his colleagues drawn from their ranks.

His brother-in-law, Ahmed Francis, twelve years younger, has followed closely in his footsteps. A doctor, he has become minister of finance and economic affairs—and thus knows where the FLN's funds (apart from its local levies) come from. He revisited Moscow at the end of March; his

knowledge of the sources of further potential aid may affect his assessment of the situation.

To complete the ex-UDMA trio, a man must be mentioned who does not hold formal ministerial rank. The massive Ahmed Boumendjel has the stuff of which revolutionary heroes are made; the names of Mirabeau and Danton come naturally to mind. Eloquent and witty, he can coin the apt phrase and perceive the historical perspective. Now 52, he was a lawyer who specialised in defending nationalists, and a political figure known in both Paris and Algiers. His younger brother was "made to commit suicide" during interrogation by paratroopers in Algiers. Ahmed headed the delegation to the abortive Melun conference last June. After that, he may have concluded that the light would come from the East—the Far East if need be. If the conflict were internationalised he might be forced to the front of the stage.

## The Ex-Messalists

The second group in the leadership has its origins in the other pre-1954 nationalist movement, that led by Messali Haj, whose dictatorial ways led to a split between him and the central committee of his Movement for the Triumph of Democratic Liberties (MTLD), and who now, as leader of the Algerian National Movement (MNA), is the bitter enemy of the rebel FLN. His MTLD had both a legal and an underground element; it even had the nucleus of a fighting force, its Security Organisation (OS). When it split, the picked men of the OS decided on direct action. Among them were the nine "historical leaders" who gave the signal for the insurrection in November 1954. Three of these are now dead, and five are prisoners in French hands. The only one at large is Belkacem Krim.

Krim, born in 1922, is a small, tough mountain man from Kabylia, with a reputation as a veteran guerrilla. A former corporal in the French army, he lived as an outlaw in Algeria from 1947 until he left it ten years later. In 1954 he took command of *Willaya* 3 (Kabylia). Now deputy prime minister, he has long been in general charge of military operations, and in January 1960 was also



Abbas: elder statesman



Ben Bella: already escaped once

## Front of National Liberation (FLN)

Provisional Government of the Algerian Republic (GPRA)  
13 ministers, 5 of them in French hands

National Council of the Algerian Revolution (CNRA)  
54 members

Regions (*willayas*), each headed by a colonel with political as well as military responsibility.



Messali: now odd man out

entrusted with foreign affairs—involving frequent visits to Cairo, which is still the seat of that ministry in the provisional government. He has now recovered from an operation undergone in March and the expectation has been that he will lead the delegation to Evian next week.

Small, thin, with slightly slanted eyes, Lakhdar Ben Tobbal is almost Asian in appearance and seems a controlled bundle of nerves. Over 20 of his 37 years have been spent in political action. He joined the MTLD while still at school, and went underground in 1950. In 1954 he was among the 22 resistance chiefs who met to approve the future leadership. He was in command of the north Constantine *willaya* in 1957,



Krim: veteran guerrilla



Boumendjel: a witty Danton



Boussouf: ex-colonel at 34



Yazid: misleadingly informal?

when he left to become minister of the interior in the provisional government. In this post, his concern extends to Algerians throughout the Maghreb and in France. He is responsible for the political apparatus as well as for administration and policing. In his MTLD days he learnt the weakness of a movement without contact with the masses. Having worked chiefly among peasants, he is convinced that the masses want land and better living standards as well as the symbols of independence.

Abdelhafid Boussouf, at 34 the youngest of the leaders, comes from the same village near Constantine as Ben Tobbal, and was likewise a follower of Messali Haj in his teens, an OS member, one of the 22. He fought in the Constantine area at first, then commanded the Oran *willaya*. His organising skill and intimate knowledge of the whole country made him a natural choice to be minister of communications. Contact, chiefly by radio, is vital for a scattered resistance movement, and the rebels are very proud of their system. Strong, short sighted, with an enigmatic smile, he seems a man on his guard. In Tunis he retains the mental attitude of the resistance, and diplomacy is to him much like "war by other means."

Said Mohamedi, now a minister of state, is a fourth "ex-colonel"—he succeeded Krim as commander in Kabylia. But the direction of the fighting is done by the triumvirate of Belkacem Krim, Ben Tobbal and Abdelhafid Boussouf.

## The Prisoners

Of the five ministers held by the French, four were captured when the Moroccan aircraft taking them to Tunis in October 1956 was diverted by its French pilot. Best known among them is Ahmed Ben Bella, now in his early 40s, a former warrant officer in the French army with a fine war record, and a national leader of the OS. Condemned to forced labour for life, he escaped from Blida jail in 1952 and reached Cairo, whence he played a key part in staging the insurrection. He is a legendary figure in Algeria.

His companions are all "historical leaders" too. Mohammed Boudiaf was the link between the heads of the insurrection in

tive at many international gatherings since then.

The only Arabic scholar in the government is Abdelhamid Mehri, minister for social and cultural affairs, 35 years old. There is no Arabic university in Algeria, and for the others Arabic is a colloquial mother tongue; but Mehri, though from a poor family, was able to study in Tunisia. His literary polish often comes in useful at international Arab gatherings.

Outside the ministerial ranks, the most brilliant of the younger men in responsible positions is the frail Mohammed Ben Yahia. Not yet 30, once president of the Moslem students of Algeria, a negotiator at Melun, he is now both secretary-general of the

Algeria and their supporters abroad. Mohammed Khider was in charge of the Cairo end, and was helped there by his youthful brother-in-law, Hocine Ait Ahmed, who has a leftist reputation. Rabah Bitat, caught by the French in 1955, was until then in charge of the Algiers region.

Five years behind bars is a long time. The international context of the insurrection has changed since 1956. The question is whether there has been a parallel evolution among the imprisoned leaders, who have been kept informed and have all spent much time in study. It has already been agreed that the Algerian delegation to talks with the French will be able to consult Ben Bella and his companions. Which way will they throw their weight?

## Spokesman and Scholar

Two ministers are neither ex-guerrillas nor ex-Fabians from the UDMA. One is the tall, bespectacled M'hammed Yazid, minister of information, official spokesman, and a familiar figure in the United Nations lobbies. Married to an American, he conducts his briefings in an informal American way; but his easy manner could prove misleading. Born in 1923 into a family that had provided several officers for the French army, he has a long record of nationalist struggle, including a two-year sentence in Algeria and four years in hiding in France. He rallied Cairo in 1954 and has been the rebels' representa-

government and *chef de cabinet* to Ferhat Abbas. Though he never lived in France, he has all the qualities of a Left Bank intellectual. He has views about using the millions uprooted by war in modernising Algeria, and has thought hard about the political implications of an economic deal with France.

The distinction between "tough" soldiers and "soft" politicians has been lost during the years in which former moderates have come to the top of a revolutionary movement, while men reared in guerilla war and underground activity have taken on diplomatic and political responsibilities. Political divisions may reappear with peace; but it was a French illusion that "fighters" and "politicians" were likely to fall out within the leadership in time of war.

The FLN leaders do not seem as yet to know very precisely what sort of society tomorrow's Algeria will be. They tell you of the need for planning and land reform, and speak contemptuously of the reforms carried out by some newly independent states. But they give a general impression of being still uncommitted, "available," much as Castro's *barbudos* probably were in their first hour of triumph. Unlike a communist movement, the Algerian leadership does not have a fixed enough conception of its ultimate aims to determine lightly what concessions it can afford to make in negotiation. But now, at Evian, it will have to decide whether the French price for independence can be paid without betraying the Algerian revolution.

# NOTES OF THE WEEK

## NATO

### In But Not of

NEITHER of the main proposals put to this week's meeting of the Nato foreign ministers in Oslo is as radical as it looks. Mr Dean Rusk's offer, on behalf of the new Administration in Washington, to station five polaris-firing submarines "in the Nato area" is designed to reassure the European members of the alliance who are afraid of being left naked to Russian nuclear blackmail. But the method of reassurance chosen by Mr Rusk is one that entails the minimum possible dilution of the Americans' control over these weapons.

The submarines will apparently sail with the United States Sixth Fleet in the Mediterranean, or with an American naval force linked to Nato on a similarly semi-detached basis. This means that they will have American crews, and be commanded by an American admiral; the lowest level at which un-American fingers will get anywhere near the trigger is presumably the Nato council, which is not designed for quick military decisions. It is reasonable to conclude that these missiles, like the rest of America's nuclear armoury, will not be fired unless President Kennedy says so, and that they will be fired if he does. Thus the submarines do not constitute a "Nato deterrent" in any separate sense. This is a sensible (though perhaps not permanent) solution. The need to give the European allies a sense of security by dispersing the submarines in European waters does not mean that control over them should also be dispersed—unless it becomes much clearer than it is now that the American umbrella is unable to cover Europe.

Clearly the new Administration has not yet made up its mind how long this coverage will last. The trouble is that until it does, the recasting of Nato's military forces, conventional as well as atomic—already several years overdue—will be further delayed. Lord Home's bland assurance on Wednesday that "all the military possibilities are going to be injected into the military review" suggests that 1961 may well be out before a decision is.

Those who want to turn Nato into a supranational entity will also be disappointed by the Oslo meeting's ideas for getting the allies to consult each other more effectively. It is suggested that officials should form a joint policy planning group and small committees on special problems. The obvious comment is that neither device will ensure effective consultation in circumstances where one country wants to act on its own without talking to its allies. The most these committees will do is to diminish the danger of an accidental failure to let

other people know what is going on, and make it slightly more abnormal for policies to be formulated without the rest of the alliance learning about them in advance. But the weakness of the committees is also, in a sense, their strength. There is no suggestion, for instance, that Portugal's representative on the policy planning group can prevent the Americans from voting against Portugal's wishes in a debate on Angola in the United Nations.

## INDOCHINA

### Reluctant Conference

UNTIL the very minute of its opening, the international conference on Laos will have kept participants and public guessing. A baffling development was the assassination in Vientiane on Wednesday night of Major Eckarath Souvannarath, an officer close to one prime minister, Prince Boun Dum, and related to the other, Prince Souvanna Phouma. By Thursday, a number of delegations had arrived in Geneva, but others had not turned up and had given no indication whether they would be there in time for Friday's opening, or at all. Mr Dean Rusk, the American Secretary of State, arriving on Wednesday straight from the Nato Council meeting at Oslo,



Marooned: Vientiane delegation to truce talks at Hin Heup

cautiously remarked that he would take part in the conference "if information from Laos about a cease-fire permits it."

Prince Sihanouk of Cambodia, the man who first proposed the conference but who opted out when he learned of the objections raised by the King of Laos, opted in again. On the Laotian side, Prince Souvanna Phouma's "neutralist" delegates arrived

early, though without their prince, and so did their communist allies, representing the Pathet Lao fighting men. There was no news from Vientiane about the intentions of Prince Boun Oum's government.

Mr Gromyko, an early arrival, was seen to smile on his way to the communist headquarters at the Hotel Metropole, where advance parties of Chinese and Vietnamese delegates had already checked in. From Moscow, Marshal Chen Yi, the Chinese foreign minister, was flying to Geneva on Thursday; so was Lord Home, having stopped in London on his way from Oslo.

That there was to be a conference did not seem, therefore, to be in doubt when *The Economist* went to press. The doubtful points were the number of delegations at the opening session and the identity of the delegates claiming to represent Laos. From Laos itself, the news was that each side was accusing the other of violating the cease-fire and that the reactivated control commission was having difficulty in making contact with the communist forces.

### Mission to Asia

VICE-PRESIDENT LYNDON JOHNSON'S mission to Asia makes sense in the context of reassurance to Asian allies disheartened by the collapse of the pro-western forces in Laos on the eve of the Geneva conference. It would make less sense if it turned out to be a possibly dangerous reaction to the Cuban humiliation. Mr Johnson is to visit south Vietnam, the Philippines, Formosa, Siam, Pakistan and a solitary neutral, India. The most immediately threatened country on his list is south Vietnam, where a few thousand communist guerrillas have gained control of important areas—at any rate, by night—by methods that include terrorism and assassination of government officials.

President Kennedy told the press on May 5th that Mr Johnson would discuss the possible assignment of American armed forces to south Vietnam with President Ngo Dinh Diem. Whether or not American forces are actually sent there, American military aid to that country is to be increased by \$41 million.

It has long been clear that the provision of weapons, on however massive a scale, does not guarantee victory in the kind of war that is being fought in south Vietnam (the Laotian experience should have removed any lingering doubts). American troops might boost Mr Diem's confidence, should it need boosting, but a small force would be ineffectual, and a large force would make sense only if the United States had chosen Vietnam as the best field of battle against communism. Either way, the presence of American troops in Vietnam

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would be grist to the mill of "anti-imperialists" everywhere.

A pitfall the American vice-president will have to guard against is that of identifying one man, however worthy, with the nation he rules, and perhaps even more of appearing to identify the United States with that man. The new American ambassador to Saigon, Mr Nolting, appeared to avoid it when he arrived there on Monday, by not following the example of an earlier envoy, who made American aid to Vietnam conditional on Mr Diem's remaining in power. As Mr Kennedy has put it, in the final analysis threatened regimes will survive only if they have popular support, and "we cannot do it for them."

## ELECTIONS

### Bogey for the Boroughs

BY the time this issue of *The Economist* is in readers' hands, the results of Thursday's borough council elections in England and Wales will be streaming in. Elections for the smaller urban and rural district councils began on Monday, and have been continuing throughout the week. When these particular triennial council seats were last fought over in 1958 Labour made some 280 net gains compared with 1955 in the boroughs, and some 170 net gains outside the boroughs. So if Labour made compensating losses on the same sort of scale this year—i.e. if in the boroughs it lost about 280 seats net (or approximately one sixth of the 1,600 or so seats that it is defending)—this would still merely be a sign that Labour was back to approximately the same position as it held in 1955, a fortnight before the general election of that year gave the Tories a majority of 60 in the Commons. In the local elections of May of 1960 Labour did much worse than this, and held only about 1,130 borough seats; so only if Labour on Thursday lost between 450 and 500 borough seats would it be doing as badly as it did in that, its most dreadful performance, last May.

In last month's county elections the results were back at approximately the 1955 level, and in parliamentary by-elections since then Labour has done even better. At Warrington three weeks ago the swing from Tory to Labour (admittedly with a new Liberal intervention) was 6 per cent compared with 1959, and at Bristol last week (admittedly in a very peculiar by-election) Mr Benn secured a swing of 13½ per cent. Politics have now reached the stage where it is right to remind people that a maintained swing of 3½ per cent to Labour compared with 1959 would actually make Labour favourites to win any early general election, and that if Labour's net losses in the boroughs have been kept below about 100 (or about one sixteenth of the seats it is defending) that should probably be regarded as a sign that Labour has reached this position of temporary favouritism. In the first three days of urban district council elections, however, Labour still

## NOTES OF THE WEEK

seemed to be doing rather worse than this; it appears to have lost about one-tenth of the seats it has been defending, and some argument can be advanced that on Monday and Tuesday it did rather worse than it did in the counties last month. (Some people think that publicity about its coming home policy statement may already have lost it votes.)

One of the oddities of this year is that even comparatively small Labour losses could lose Labour control of several big city councils. This is because two-thirds of the present councils were elected in the Tories' relatively good years of 1959 and 1960; and it is only because Labour did so well in 1958 (the year of the election of the councillors who are now re-contesting their seats) that Labour has so far retained control of Birmingham, Liverpool, Leicester, Carlisle, Nottingham and others. There is the additional point that the winning side this year can add to its majority by the election of new aldermen, as Labour did in 1958. A short while ago it seemed that Labour must fear very extensive losses among the 50 (out of 83) county boroughs and 70 (out of 177) large non-county boroughs that it controls. Now it looks as if many of these losses may be contained, but that—on the sketchy evidence of Monday's and Tuesday's urban district results—it may still be thrown out of power in some of its biggest municipal citadels.

## SPIES AND THE PRESS

### Mum's the Word

THE essence of secret service is to be secret—from everybody, friend or foe. The cardinal fault in espionage or counter-espionage is to be found out: whether because an American spy-plate is shot down over Russia, or because a British spy turns out to be a Soviet spy and has to be brought to trial. Blame belongs to the controllers of the spies for these things ever happening, and so letting in the light of publicity on these distasteful but no doubt indispensable activities. That is the first answer to any plea by governments that the press should keep these secrets for them: they should keep them themselves, even from the press. When the security service (which sifts all those in positions of secrecy or special trust) brings a Lonsdale or a Blake to book, it should not pat itself on the back for smart detection but kick itself, or be kicked, very hard for having to lift the veil at home, as well as for having allowed the gaff to be perilously blown abroad. Under pressure, the Prime Minister has set up a new inquiry into security procedures by "independent persons," who will report to him. Whether such a report could be made public must be very doubtful. Certainly, the secret service proper can really only co-exist satisfactorily with a democratic system by, to all appearance, not existing at all.

But there are quite other sorts of "secret" affecting the national security

which call for different treatment. These are the pieces of apparently ordinary information which come the way of journalists, but which the authorities may have grounds for wanting to keep from outside eyes and ears. Here the right principle is certainly not to keep the press in the dark. It is just the opposite; it is to take the press into the authorities' confidence, to say what it would be unsafe to publish, and if possible, why.

The difficulty is the natural tendency of officials, when in doubt, always to say "mum's the word," even though the information may already be quite widely known—or be necessary, without really imperilling national security, for the understanding (and criticism) of national policy. The way used in Britain of trying to meet this difficulty is for representatives of the press to sit with officials on the committee which passes on requests not to publish: the decision whether to publish or not still rests with editors.

### Democracy's Duty

GOOD American journalists have often, in the name of democratic discussion and decision, criticised British journalists for being much too co-operative in official secrecy about defence matters: for not digging more obstinately, and more skilfully, into the real facts of defence arrangements. Recently, however, the new American President has retorted by reproaching American editors, implicitly, for giving away the plans for the Cuban landings. The riposte of responsible American journalists is in three tiers: that the intelligence agency (which in the United States has also an operational function, so that it can bamboozle itself with its own "intelligence") fed false facts to the press; that the quite overt (and just as misleading) views and doings of the Cuban exiles were well known anyhow to every journalist; and that the real charge against the press was not that it said too much, but that it said too little, too uncritically.

There is nothing in these arguments to justify in any free country anything that could rightly be called censorship. There are two equal and opposite dangers in these

## Statistical Advisory Service

Modern statistical techniques are a very useful aid to management efficiency. A new E.U. service is available to help business concerns and other organisations with advice on using the "statistical approach" in the understanding and solution of their problems. Further details from:

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affairs. One is to stifle discussion about defence and security; the other is to imperil national security by printing too much. In arriving at a right conclusion the responsibility of governments is even larger than the very real responsibility of the press.

## EUROPE

### Breathing Space

WHILE Mr Macmillan has continued to hedge on the subject of the common market, the Six have given him a helpful respite. On May 5th their foreign ministers decided to postpone the meeting of heads of government, planned for May 19th, which was to take the next step towards political association. The meeting is put off till July, which gives the British government two months to make its intentions clearer, if it wants to be considered in the new plans.

The postponement seems to have been proposed by the French, but more from resignation than from any change of heart about the way they would like to see Europe organised. The French felt that there was no chance of agreement just now if the heads of government did meet. Evidently the signs of movement in London have stiffened the resistance of their partners to any hasty move without the British. In Bonn the idea even circulated at one time that Mr Macmillan might be invited to take part in the May 19th meeting. That idea clearly had no chance of success while the British intentions remained obscure. All the same, the delay by the Six is a sign of the serious interest that their governments are taking in Mr Macmillan's struggle with his soul.

Meanwhile the communities are not marking time in other fields. While Professor Hallstein is visiting the United States, the European Commission is preparing plans for a second phase in the common market's acceleration plan—the 20 per cent tariff cut due at the end of the year, which will bring the total reduction in the members' tariffs against one another to 50 per cent. This week the assembly of the Six debated the community's association with African countries, which is due for re-negotiation by the end of 1962. A joint meeting at Strasbourg with African parliamentarians is to carry the debate further early in June.

## GERMANY

### Two-Edged Weapon

WHEN the trade agreement between east and west Germany was renewed at the end of December on relatively amicable terms, amid a general easing of the tension over Berlin, some people in Bonn put this to the credit of the west Germans' threat of a trade boycott. The east Germans, it is true, hold exactly the opposite view—that it was Bonn that

## NOTES OF THE WEEK

climbed down. Perhaps both sides, in fact, had second thoughts when they came face to face with the likelihood of a breakdown of trade.

However, the long-term consequences of the west German threat, which are just beginning to emerge, may prove anything but helpful. Late in April Herr Leuschner, head of the east German planning department, returned from talks in Moscow with a promise of bigger Russian supplies of raw materials and other goods, to enable the east German economy to become independent of west German deliveries. Bonn's threat of a boycott, while it worried the east Germans at the time, thus stung them into a decision to work towards complete independence of west German supplies, so that the weapon could not be used again. The rash attempt to use trade as a weapon in the Berlin argument looks like severing one of the few remaining bonds between the two German states.

The consequences are far-reaching. Although east Germany already conducts three quarters of its foreign trade with the Soviet block, 11 per cent of its imports still come from western Germany, and these include some key supplies—special steels and machinery for instance. A decision has also been taken to adapt east German engineering standards—hitherto similar to west German ones—to the Russian model. This process will inevitably take a long time, but once complete it will be even more difficult to reverse than the flow of trade.

The search for independence of west German supplies is one of the factors that have encouraged the east Germans to seek more trade with Britain. If the east Germans are looking for substitutes for their west German suppliers, it is all to the good if they find them in the West as well as in the Soviet block. But one current of feeling encountered from time to time amongst British exporters to eastern Germany—a certain *Schadenfreude* at the west Germans' plight—is wrong. Trade between Britain and east Germany is a minor commercial and political asset; trade between east and west Germany is an important factor in the peace of Europe.

## CONGO

### Prisoner's Base

MR TSHOMBE's captive person is both an asset and an embarrassment to the Leopoldville politicians. To dispose of him as he and they disposed of Mr Lumumba would merely mean killing a goose which may yet lay them some fine copper-bottomed eggs. Katanga's wealth must suggest mouth-watering possibilities in terms of what used to be crudely called ransom; today, it would doubtless rate as a fiscal agreement, under which part of the copper province's rich revenues would again flow to Leopoldville, as they did under Belgian rule. But the longer Mr

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Tshombe is held at Coquilhatville, the greater the possibility that somebody in Katanga may decide that, as things have not fallen to pieces there in his absence, there is no reason to bargain for his return.

Mr Hammarskjöld has very properly warned his captors of the serious implications of their action. The Secretary-General did not wait to be nudged by a British Government which has itself been nudged by a "Tshombe lobby" including Rhodesian backwoods peers and other interested parties. The UN's representatives have never been in doubt about their duty to oppose political kidnapping. It is too often forgotten that they protected Mr Lumumba from it, until he rashly forsook their protection and fell into his enemies' hands. But they have no better means of rescuing Mr Tshombe now than they had of crushing him at Mr Lumumba's behest last year.

The prudent Mr Adoula, minister of the interior in Mr Ileo's provisional government, has already qualified his colleagues' loud talk of trying Mr Tshombe for crimes committed long before they welcomed him to a place of honour at Coquilhatville. It was hard to take talk of a trial seriously; the Congo has no judges. But there is at least some possibility of constructive progress as a result of this chapter of accidents. Breaking with Mr Tshombe, President Kasavubu and his ministers have begun to try to make some sense out of their crazy relations with the UN; alarmed by his fate, the remaining Katanga leaders have come halfway down off their high horse in the same respect. Obviously unintended, ethically no doubt deplorable, Mr Tshombe's detention may yet prove a timely catalyst.

## PARLIAMENT

### Distinguished Stranger

ON Monday a lobby packed tighter than anyone can remember with peers, MPs, and journalists saw Mr Wedgwood Benn turned back from the doors of the Commons debating chamber by a polite but adamant doorkeeper, who added that the Speaker had given instructions that the exclusion was to be made effective if necessary by physical force. Fortunately his faithfulness to these instructions was never put to the test, and Mr Benn withdrew resignedly to the distinguished strangers gallery where he sat patiently for the next seven hours closely following the debate. It was a debate marked by Mr Gaitskill's sprightly pleading, Mr Brown's ponderous passion, and considerable Tory confusion. But—apart from seven brave Tories who disobeyed Mr Butler's whip—the divisions on the linked questions whether Mr Benn should be heard and whether he should be allowed to take his seat were on strictly party lines.

It is now clear that Mr Butler made a bad miscalculation when he gave his casting

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### LESSON 2



## GUINNESS

FLORA and FAUNA

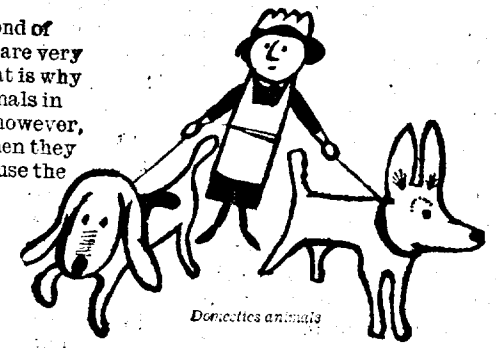
TREES play an important part in British sport, the most popular being the Oaks, the Willow and the Ashes. Most British trees are insidious, like the Spreading Chestnut Tree, and when their leaves get browned off, especially round the Mulberry Bush, they all fall down. The British are very fond of Flora of the genus *Guinnessia Goodforia*. (See illustration).



G.E. 3499.D

For strength the Biceps

THE BRITISH are very fond of Animals. Animals, too, are very fond of the British. That is why there are very few wild animals in this country. The Britons, however, get very wild sometimes when they cannot get a Guinness because the Bear or the Lion is closed.



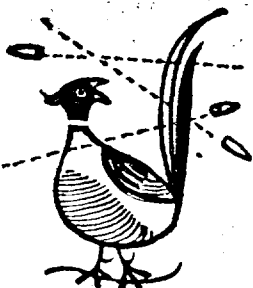
THE BRITISH do not have Insects the way some people have insects. They have Moths, which live in holes, and Butterflies, which are collected. The most popular of these are the Red General (*omnibus londinium*), the Bridewell Beauty, and the Antigua Puce.



Wherever you go you get

## GUINNESS

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The British do not snipe pheasant until October, or the HSI CA grouse

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vote on the select committee against bringing in a special Bill to aid Mr Benn; and that he has not really retrieved the brick he then dropped by his subsequent strategy to commit the Labour party to participate in a general reform of the Upper House. The argument that an individual reform is acceptable only as part of a more radical revolution is a strange one to come from a Conservative minister, and it just has not been accepted by public opinion. The Government is in danger of a head-on clash with popular feeling which would make the future of the House of Lords a subject of continuing debate not only at Bristol but in every constituency in the country. This would be an extraordinary situation for a Tory government to have created in the cause of radical symmetry.

Mr Benn's case has now passed from the House to the courts, and this has given the Government a breathing space of which it would be wise to take advantage. It is not too late for Mr Butler to introduce a short Bill to allow any peer to become eligible for a seat in the Commons by executing an irrevocable declaration of intention not to take his seat in the Lords. If the Government did this, it might now actually find it easier—it certainly would not find it more difficult—to secure Labour co-operation in further discussions about reform of the Upper House.

## LAW

### Who Will Join the Ladies?

THE decision of the House of Lords in the case of the "Ladies' Directory" has disturbing implications. No sympathy need be wasted on the convicted Mr Shaw—either on the pseudo-liberal argument that this enterprising scoundrel provided a dubious public service (by letting customers know where prostitutes can be found now that the Street Offences Act has driven them indoors) or on the irrelevant historical ground that there is a long if unrespectable tradition behind his publication. (In the eighteenth century a less puritanical community allowed an earlier edition of the

"Ladies' Directory" to circulate without restriction and the "List of Covent Garden Ladies," which enjoyed a great vogue in Dr Johnson's time, was used freely and openly by whores for advertisement.) But the fact remains that the House of Lords has settled the case by making a sweeping contention that a conspiracy to corrupt public morals is a crime under English law. In a powerful dissenting opinion Lord Reid denied that any such offence existed and underlined the dangers created by this return to the law of three hundred years ago.

An essential principle of English criminal law is that crimes should be closely and narrowly defined. A conspiracy to corrupt public morals is so loosely phrased that it virtually gives the judges *carte blanche* to punish whatever at any particular time happens to arouse their moral indignation. There are certainly precedents for the judicial creation of new crimes, but they are not happy ones. In a famous case in the nineteenth century a man was sent to prison for pointing an ancient pistol at Queen Victoria, who was riding by at high speed and quite out of range. The offence of which he was guilty was never specified. Again in 1933 (*R v Manley*) a woman who had caused trouble to the police by making false allegations concerning a robbery which had never taken place was held guilty of a "public mischief," a new crime which has not found subsequent jurisprudential favour.

Another result of the Lords decision is that it means that the Obscene Publications Act of 1959—with its insistence on judging books as a whole, and its defence of publication in the public good, and its use of experts to assist the court—can now be by-passed. The Act declares that obscene publications shall not be prosecuted at common law, but the House of Lords has now held that this does not exclude prosecution for an immoral conspiracy. It is to be hoped—although judging by past experience this could be an aspiration erected on somewhat shaky foundations—that the Director of Public Prosecutions will not take advantage of this new situation created by the House of Lords in its judicial capacity to escape from the will of Parlia-

ment as expressed in the Obscene Publications Act. But the right to bring a criminal prosecution remains a private one, and so any old lady or public morality zealot can now presumably set the whole machinery of the law in motion against the author, publisher and bookseller of any book they find shocking, alleging that between them they have been guilty of "a conspiracy to corrupt public morals."

## PERSIA

### Diseases Desperate

ACCUMULATED tensions in Persia have driven the Shah to act. On May 5th he dismissed his prime minister, Mr Sharif Emami, and appointed Dr Ali Amini in his place. On Tuesday he dissolved both houses of parliament and spoke of new elections under a revised electoral law. During the interval, to which no time limit has been set, the country will presumably be ruled by decree. Meetings are banned in Teheran, and the government has reminded the public of the terms of imprisonment that await anybody interrupting the orderly life of the city.



The latest reformer: Dr Amini

The dismissed government had a short, unhappy life. Two shots were made at elections to the Majlis, or lower house. The first elections, in August, were so flagrantly dishonest and so loudly criticised that a second attempt was made early this year; this time there was less criticism but, apparently, not much less cheating. The government, discredited before it began, tried to enforce a mild austerity programme. In its last weeks it was harassed by strikes, first of university students and then of teachers. When a teacher was killed during a clash with the police on May 2nd, the rumblings against the government became dangerous, and the Shah, to keep a step ahead of his critics, has acted with the cool initiative that he has shown in previous crises.

Dr Amini, the new prime minister, has been such a fierce critic of the way things were being run that there was not much

question of his being able to work with the former members of the Majlis. An ambitious and experienced politician, he has held a number of government posts, including the economics portfolio under Dr Mossadegh. As one of the chief architects of the agreement with the consortium of oil companies in 1954, he proved himself a tough negotiator. In a speech made two days after his appointment, the prime minister drew a dramatic picture of Persia's economic troubles and promised that given "time, calm and co-operation" he would put things right.

Whether or not Dr Amini's reforming zeal will survive his rise to the heights, it is bleakly improbable that he will be given the preconditions that he asks for. The Shah, in his efforts to bring his country into the modern world, has to depend for support on people who fundamentally want to keep things the way they are. Among those Persians who share his vision of genuine social and economic reform, monarchists are relatively few.

## TURKEY

### Sitting on Dissenters

SOME eighty persons were arrested on Tuesday in Istanbul, allegedly for having tried to overthrow the present Turkish government and bring the Democratic party back to power. Nearly a hundred further arrests were later reported from other Turkish cities. No names have been published, but those arrested are believed to include members of the Justice party as well as some ex-Democrats. These are by no means the first arrests of opponents of General Gürsel's regime under the martial law at present in force in Turkey. Nor is it the first time that the Justice party, by its more or less blatant appeals to former supporters of Mr Menderes, has fallen foul of the authorities. But this week's arrests appear to be the most severe step yet taken by General Gürsel against those who refuse to accept the revolution of a year ago. He evidently feels that he has no alternative but to be tough with them.

The soldiers who now rule Turkey are not the only ones to be perplexed by the problem of restoring democratic rule without allowing the supporters of the Menderes regime to get back to power. A group of Istanbul newspapers recently suggested that the political parties should get together and agree on the principles of Turkey's political future; in particular, the politicians should accept the principles of Ataturk's reforms, and reject the reactionary policies of the Democrats. If carried out, this proposal (which General Gürsel has approved) would not guard against all dangers, but it could be a sizeable contribution towards the construction of solid foundations for Turkish democracy. Those who are prepared to play the party political game fairly have everything to gain from implementing it.

## GOVERNMENT SPENDING

### Publish Plowden Please

LAST week MPs on the Select Committee on Estimates published (and more or less approved) a frankly infuriating Treasury memorandum about a suggested new form of the annual estimates; the Treasury said that this memorandum was in accordance with certain recommendations of the Plowden committee on controlling government spending—recommendations that only the Treasury has so far been allowed to see. The memorandum fore-shadows only the change which is most simple, most obvious and most convenient for the Treasury: it rightly proposes that the annual estimates should be simplified so that instead of the main civil estimates being divided under some 1,700 subheads in a volume of over 1,200 pages (which nobody manages to read) they might be compressed under less than 1,000 subheads in a volume perhaps only a third as large. Even at this level there are several detailed points about simplification which outside consumers of the estimates might like to make.

But the real objections to this memorandum must come from those who want to see discussion of much more radical reforms. So long as the Plowden report is kept secret, that discussion is going to be hampered. For example, most economists would like to investigate the possibility of a switch towards "objective" accounting in the estimates, so that (as Sir Godfrey Nicholson, the most lively MP on the Select Committee, put it), it would be possible to compare the running costs of, say, a military hospital with a non-military one; the Treasury representative agreed that interesting costing operations of that sort were going on, but "I think at the moment they are for internal consumption." Again, many people feel that more government spending might better be assessed by a commercial accounting rather than a cash accounting system; but the Treasury memorandum sticks to the latter, and says with demarcationist primness that "it is the Treasury's task to identify those areas in which the cash accounting system is inadequate as a tool of

management." But it isn't; it is Parliament's task as well.

The memorandum admits that "the Plowden committee asked the Treasury whether there was any tendency to encourage over-estimating and a rush to spend uneconomically in the last weeks of the financial year"; but says in effect (or so it seems) that, after due consideration, the departments all agreed to tell the Plowden committee to go to hell. Perhaps the biggest question of all is whether, in conjunction with the new longer-term budget estimates which Mr Selwyn Lloyd wants to present, Britain might advance to what Mrs Ursula Hicks has called the "cost-benefit approach" of assessing Government spending—i.e. the scientific assessment of "the benefits of the proposed public expenditure set against the costs of the taxes, or loans, which would finance it." There is nothing about this sort of approach in the Treasury memorandum, and so long as the Plowden report is kept secret outside discussion of it is going to be impeded. Is it really impossible to raise a large scale, backbench Tory revolt, with the slogan "Publish Plowden Please"?

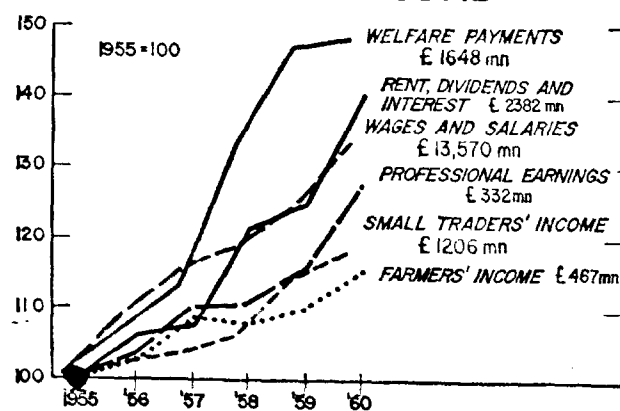
## AFRICAN EDUCATION

### Teaching the Teachers

WHAT the Ashby report did to provide a basis for educational planning in Nigeria last year still needs to be done in most of the independent and dependent countries of Africa. The Unesco conference of 40 African states and territories which opens at Addis Ababa on Monday is intended to draw up an inventory of African educational needs that will then be presented to the European powers with responsibilities and experience in this field, principally the British and French: the Americans and Russians are also sending observers. This very necessary exercise could prove to be of greater moment than anything else that Unesco has yet turned its hand to. The task for non-African countries is massive.

The Ashby report estimated that Nigeria

## PERSONAL INCOME



Last year, the British people had 7 per cent more money, before taxation, than in 1959. Wages and salaries, which account for about two-thirds of the total, went up slightly more than this but, proportionately, "property income" went up the most, by over 12 per cent. Professional earnings also rose sharply but the chart shows that, over the last five years, income from self-employment has lagged behind other kinds of income.

## CLASSICAL OR CUBIST?

Gallery-going is increasing; in particular it is the famous controversial artists that now draw the crowds. Even with the advantage of the Royal Academy's central position, would the 1930 Italian Art Exhibition be quite so successful today? Exhibitions become "fashionable," particularly if publicised on television, and a well-known name always arouses interest, even if the quality of the collection might disappoint the connoisseur.

### ATTENDANCE PER WEEK

|        |                                                       |
|--------|-------------------------------------------------------|
| 60,848 | ITALIAN ART: ROYAL ACADEMY 1930                       |
| 43,182 | PICASSO: TATE 1960                                    |
| 27,620 | CHINESE ART: R.A. 1936                                |
| 24,000 | TOULOUSE-LAUTREC: TATE 1961                           |
| 19,533 | SUMMER EXHIBITION: ROYAL ACADEMY 1955                 |
| 15,273 | MONET: TATE 1957                                      |
| 13,500 | MEXICAN ART: TATE 1953                                |
| 7,614  | ROMANTIC MOVEMENT: TATE 1959                          |
| 7,100  | RUSSIAN ART: BURLINGTON HOUSE 1959                    |
| 6,577  | THYSSEN-BORNEMISZA: NATIONAL GALLERY 1961             |
| 3,857  | JAPANESE ART TREASURES: VICTORIA AND ALBERT 1958      |
| 2,844  | EPSTEIN'S PERSONAL COLLECTION: ARTS COUNCIL GAL. 1961 |
| 1,180  | NIGERIAN TRIBAL ART: ARTS COUNCIL GALLERY 1960        |



# THERE'S A WORLD OF EXPERIENCE IN EVERYTHING MARCONI'S DO



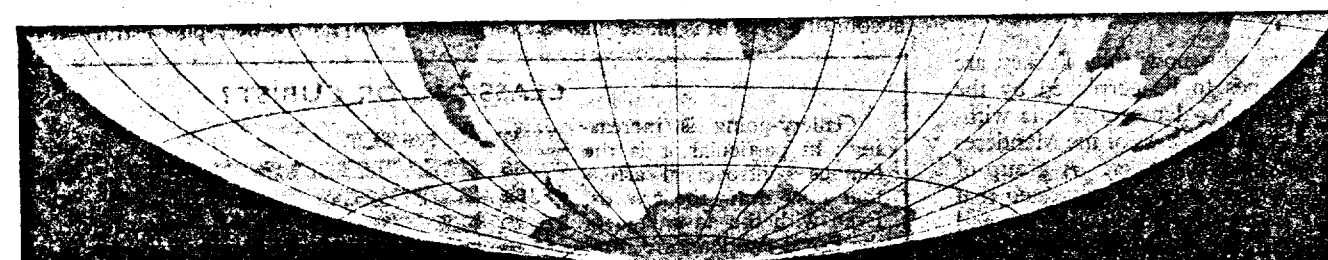
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H2

would require 1,000 teachers from overseas each year between 1962 and 1966 to supervise the local teacher-training programme; it also wanted 7,000 foreign teachers (including Moslems for the Northern Region) to man actual classrooms in the next decade. Since the Nigerians are now looking beyond the Ashby target for a faster rate of development, these figures may have to be regarded as minima. The needs elsewhere are, if anything, even greater, if any impression is to be made on Africa's 80-85 per cent illiteracy rate. How can foreign aid be stepped up?

Britain now has 11,500 African students (over half from Nigeria) receiving full-time higher education in this country: there are also 200 African student teachers receiving grants under the bursary scheme set up after the Commonwealth education conference in 1959. These numbers may rise further as British higher educational facilities expand, but the gap, for African purposes, will still be a yawning one. Plans to send more British teachers to Africa, in addition to those recruited by the Colonial Office, the British Council and the missionary societies, are still in their infancy; but it is doubtful whether more than two or three hundred full-time British teachers can be found.

The most promising approach is the release of temporary British teachers during the summer vacation to run the refresher courses in which the lower grades of African teachers can be brought up to standard. This year applications greatly exceeded the 55 summer posts available in Nigeria's pilot scheme. The future supply might be increased substantially by revising the British school calendar to ensure that enough of the younger and adaptable British teachers, who could profit from their own experience of Africa, were known to be available for at least four months of the year.

### FINLAND

#### The Third Mr K

PRESIDENT KEKKONEN of Finland, who has been visiting Britain this week, is often treated in the West as slightly suspect, on the ground, first, that he is excessively effusive towards the Russians and, second, that he plays party politics with the presidency. Neither charge is wholly just. The Finnish presidency is not an office for a figurehead above the party struggle; it carries wide powers in the conduct of foreign policy and the formation of governments. Since Mr Kekkonen became president in 1956, Finnish politics have been complicated by a split within the Social Democrats—the chief rival, among the democratic groups, of Mr Kekkonen's Agrarian party; one faction of Social Democrats, being vehemently anti-communist, has briskly criticised the president's handling of foreign affairs. Thus the political controversy surrounding Mr Kekkonen cannot be laid solely at his door.

Mr Kekkonen's foreign policy is, in fact,

a continuation of "the Paasikivi line" laid down by his predecessor. This is based on the hardly challengeable maxim that Finland, to survive, must avoid giving offence to Russia; to maximise its liberty, it must exploit the amused and slightly sentimental affection the Russians feel for their tough little neighbour (rather like the feeling, *mutatis mutandis*, the English have for the Irish). When Mr Kekkonen is accused of carrying deference to extremes—as he was last year when he went to Moscow to ask, apparently, if Finland could join the European Free Trade Association—he can reply that his deference is justified by results. Finland has been allowed to attach itself to



Mr Kekkonen: Treated as suspect

Efta; and over the last four years the Russians have let the Finns gradually reduce the proportion of their trade they conduct with the communist block.

This has now produced a new problem for Mr Kekkonen. As the proportion of Finnish exports going to the communist countries has slowly declined, that going to Britain has slowly increased. The Finns now face the possibility that, if Britain joins the common market, the buyer of a quarter of their exports will vanish behind the common market's tariff wall. The best hope would then be that the Russians, having permitted Finland to associate itself with Efta, might decide to go the whole hog and let the Finns link themselves with the common market as well. If that were to happen, Mr Kekkonen's policy of smiling eastward while edging westward would have been triumphantly vindicated.

### DENMARK

#### Saving the Bacon

BRITISH farmers, who have had their troubles in selling pigs and butter recently, can hardly be expected to regret the Danish farmers' boycott, which stopped all deliveries of food to both home and foreign markets for two days this week. Irked by wage increases for farm labourers and by a strike of transport workers, the Danish farmers were using this novel form of pressure to demand an increase in incomes of some £28 million a year from the government. The boycott has now ended,

but with bacon stocks low and Whitsuntide coming the London market began to turn, for a while, to British producers for more supplies. The paragon of European farming nations, so often held up as an example to British farmers, has been shown to have its troubles after all.

The troubles go deep. Since the beginning of the century skill in breeding and effective co-operation in marketing, distribution and farming itself have placed Denmark in the front rank of agricultural exporters. But protectionism in other countries has left little room for expansion in recent years. Farm exports and farm incomes alike have risen only sluggishly in the past eight years. This time the government has found a way to conciliate the farmers by cutting taxes and granting subsidies. But it cannot satisfy their demands for higher incomes indefinitely, so long as Denmark remains an isolated economy, struggling to export food over high protective walls.

It is easy to see why the Danish government has been doing everything it can to encourage Britain to join the common market, so that it can do the same itself. Mr Krag, the Danish foreign minister, was in Paris in April paving the way for this likely step; and he has been pressing the advantages of joining, both for Britain and Denmark, in Oslo and London this week. Because Britain is Denmark's largest customer the Danes still feel that they cannot join without Britain. But an enlarged common market, providing a substantial measure of protection to all farmers, while allowing free competition within that framework, would exactly suit the Danish book.

### TUNISIA

#### The Carthaginian

ARRIVING from Ireland, Canada, and the United States, President Bourguiba will have had his fill of official declarations of goodwill and amity; but he will have more to swallow when he reaches London on Tuesday. Relations between Britain and Tunisia are good, and were lately reburnished by the Queen Mother's visit. Difficulties are liable to beset this friendship so long as the French position in North Africa is unsettled, as was shown in 1958 by the sequel to the French bombing of the Tunisian village of Sakiet. British and American attempts to mediate then helped to touch off the explosion in Algiers which brought the Fourth Republic down.

Mr Bourguiba's patient efforts to repair his relations with France were rewarded at the end of February, when he spent a day at Rambouillet with President de Gaulle. Since then he has been through the anxious time of the generals' revolt in Algiers, which revived for a moment the fear that the French Army might re-enter Tunisia. But this has passed, and if Algerian peace talks are at last about to begin, a share of the credit goes to Mr Bourguiba.

## HOME REPORT

HOME REPORT is a new section of the paper, in which members of the editorial staff and local correspondents will report on life and happenings in and around Britain.

## Swindon Leaves the Rails

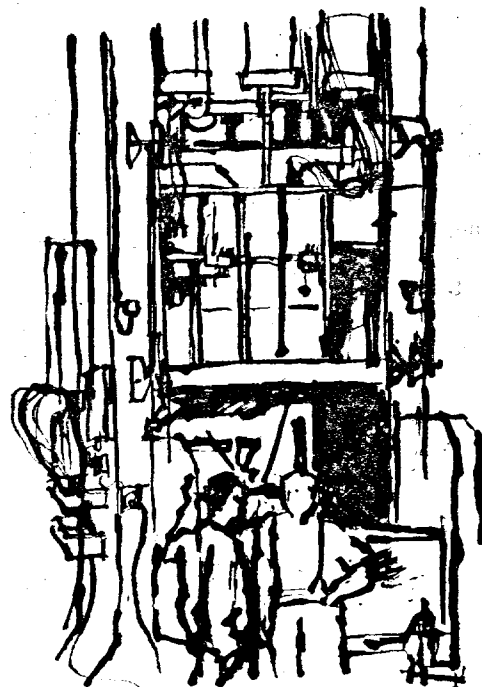
FROM OUR SPECIAL CORRESPONDENT

SWINDON is near nowhere in particular, and this is why what is still a Wiltshire market town happens also to be in the middle of its second industrial boom in a century. A hundred years ago the Great Western railway set up their workshops there, half-way between London and South Wales: ten years ago the civic authorities decided to steer the community away from its dependence on this one industry. Rail and road communications are exceptionally good; there is plenty of land for building, with no danger of spreading out to join some nearby conurbation. All that was lacking was a supply of labour, and London's need to get rid of some of its bulging population provided the opportunity. Swindon has grown from 70,000 to 86,000 people in ten years: in 1950 there were 12,000 men in the railway works and 7,500 in other industries; now there are 10,000 in the railway works and 14,000 outside. Flashing new factories dominate the town and housing estates spread across the fields outside. When a new pedestrian shopping centre starts up later this year Swindon will be abreast of all the current fashions in town planning.

Until the early 1950s Swindon boasted the highest proportion of owner-occupied houses in the country, but the rush of new council housing has changed all that. The new Swindonians are almost all youngish couples with families, who have abandoned the slums, the cinemas and the family circle in London to give their children the chance of growing up in healthier surroundings. One of their grumbles is that television reception is bad in Swindon: but soon it will be distributed by wire, and the picture of welfare state contentment will lose its last traces of wobble.

But 4,000 of the new employees work in the motor industry, which has brought its typical problems along with it. The Pressed Steel Company, at its Swindon plant, supplies car bodies and panels to several manufacturers, as well as making machine tools for other buyers and for export. In 1958 there was a strike at the plant when the men claimed parity of wages with workers in Pressed Steel's parent plant thirty miles away at Cowley, Oxford. It ended when the men's trade unions repudiated this claim (the present custom is for firms to insist that the unions make such an agreement before a new plant is set up). Last month, in defiance of the official union representatives, and in breach of this agreement, the skilled men at the factory struck in an attempt to secure a pay rise of 9d. an hour, which would bring them up to the level of the Cowley plant.

These 1,200 skilled men had been working full-time throughout the recession in the car industry, on export orders and on tooling up factories for future production. About half of them are former employees of the railway workshops, which have cut down their labour force since British Railways' conversion to diesel or electric traction: most of these own their own houses and are earning some £5 a week more at Pressed Steel than they ever did before. Many of the others come from outside London, since the capital exports very few qualified workmen: they have probably never earned so much either. The 1,600 semi-skilled men are almost all from London; heavily committed to hire purchase for furnishing their new council houses, they also suffered from short-time working during the winter. Unwilling to stand the hardship of a strike, they have now almost all returned to work.

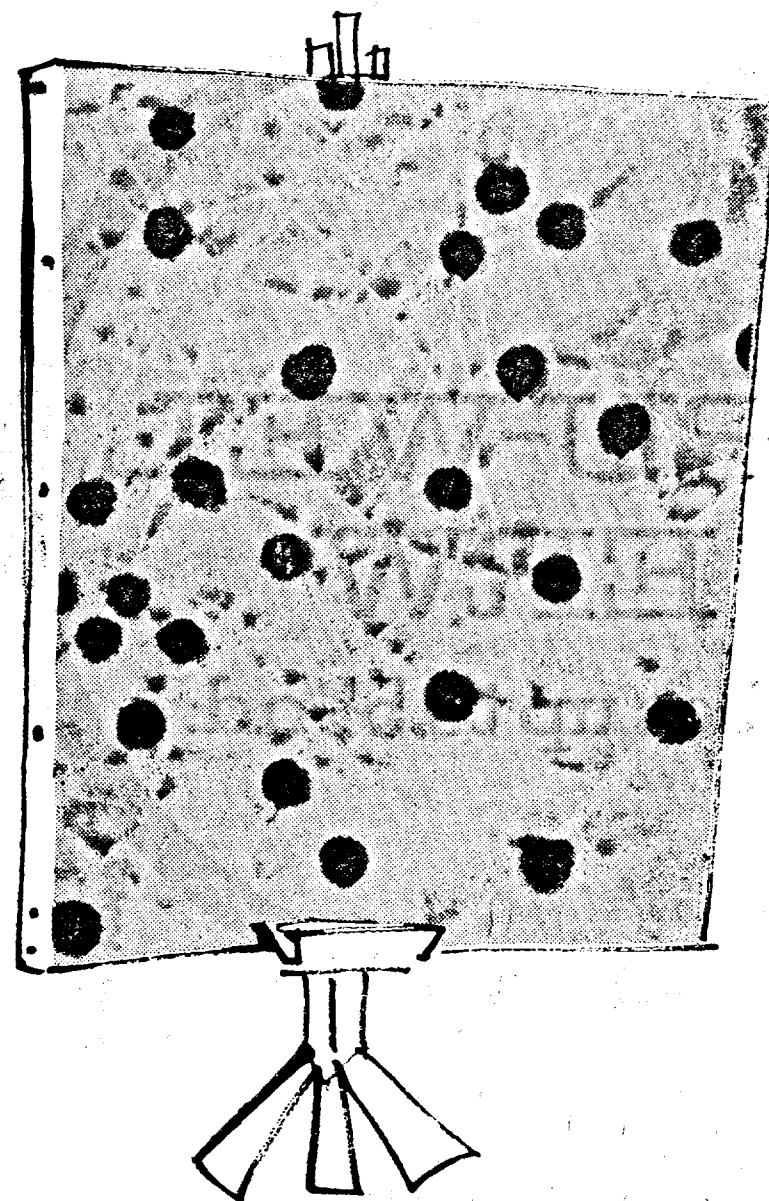


After three weeks, Pressed Steel dismissed the strikers and advertised in the local paper for skilled workers: new employees must undertake to observe the agreement between management and unions—and it was understood that any striker reapplying for a job would lose his seniority, and thus have to accept a pay cut. On Thursday most of the strikers voted to ask their unions to negotiate a return to work, provided that the company reinstated all those sacked and gave them the rise of 3d. an hour which they had previously spurned.

BOTH sides were determined that they were fighting on a question of principle. The men, in their strike headquarters decorated with a pin-up of a plump Russian girl voting with a smile, said they were resisting attempts to undermine the wage structure of the car industry by setting up cut-price plants outside the areas where the unions are all-powerful. The former railway workers would explain that they had been used to a job where "you are treated like a man, not mucked about like at Pressed Steel": which probably meant that, in contrast to the railway yards, the higher wages at Pressed Steel are earned for hard work closely scrutinised by work-study experts.

The firmness of Pressed Steel had equally cogent motives. As a supplier to car firms everywhere, and as the owner of a new plant being built in Scotland, the company felt it must hold the line against the idea that new plants should necessarily cripple their chances of being competitive by paying wages on a scale divorced from the realities of the local demand for labour. The case of Swindon is certainly an exceptional one in the national picture of redistribution of industry: far from being a depressed area, there has been no substantial unemployment in the town for twenty years, and the present rate is a minimal 0.9 per cent. Some Swindon people even travel to work at Cowley—and understandably those who stay at home resent getting less money for the same job. But, if the company had lost the gamble it took in threatening to sack all its skilled men in a town where there is literally no reserve of labour, it might have been a death-blow to the Government's hopes of persuading firms to set up their new factories in areas where there really is unemployment.

## The pretty patterns of distribution



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clearings, on mountain slopes, where one man with a few drums of fuel can keep the village lorry or local bus rolling for a year.

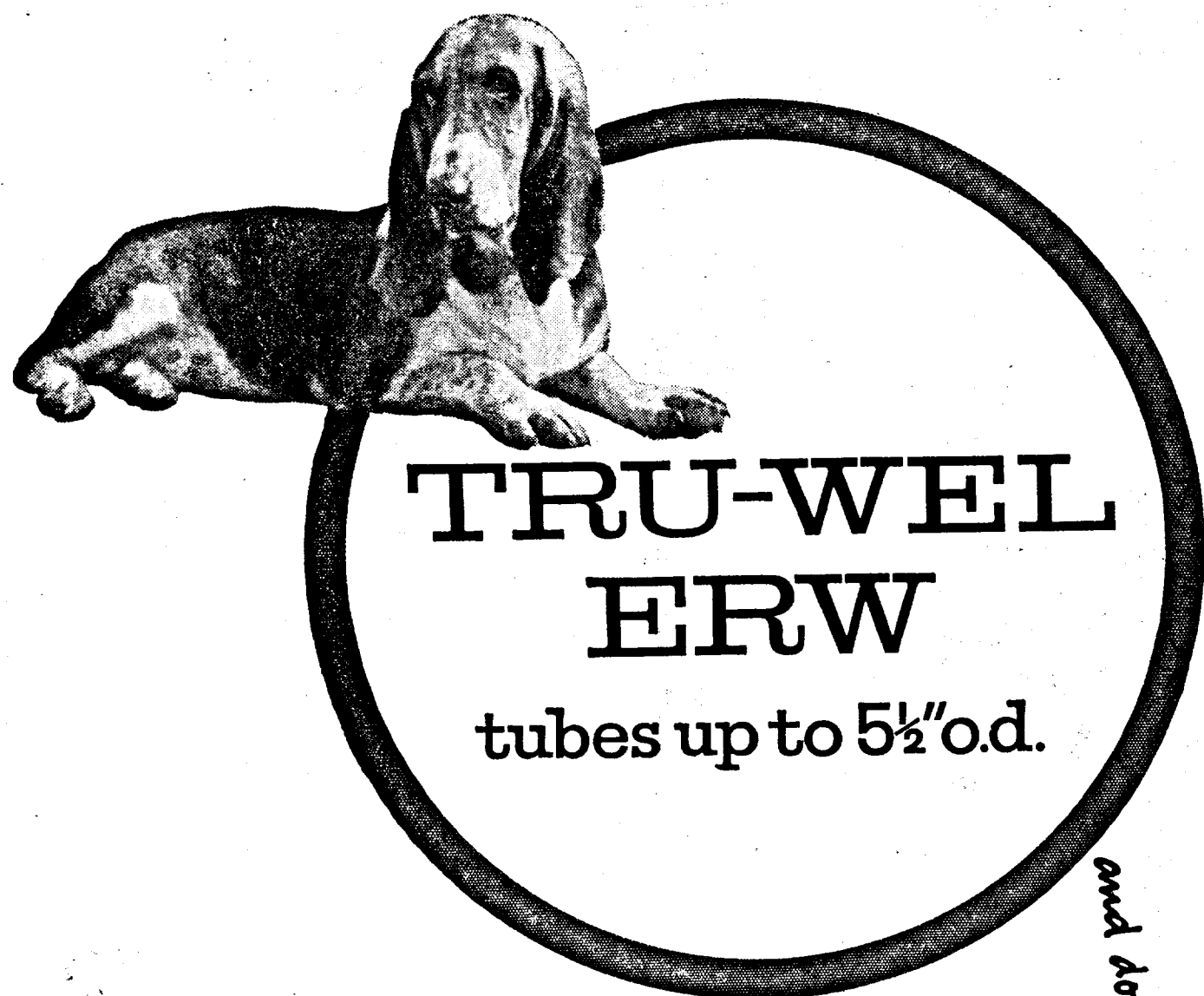
To many people fighting off nature in the rawer parts of the world, the motor vehicle is the only means of communication. For them, being within easy tankful of a petrol point is half the battle of progress. We can best help them by covering every corner of our canvas.



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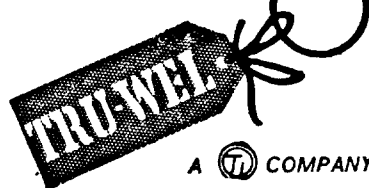


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## The Old School

FROM OUR SPECIAL CORRESPONDENT

OVER 5,000 Glasgow teachers, the bulk of them belonging to the Educational Institute of Scotland, duly came out on a week's strike on Monday, displaying a solidarity that even reduced classes at the famous and snootier fee-paying schools in the city, including the High School, Hutchesons' and Hillhead. In all, 50,000 disappointed pupils were provided for by the remaining staff and 130,000 had their wildest expectations fulfilled. Whether the teachers who called for the resignation of the Secretary of State for Scotland at a mass meeting in the Kelvin Hall on the same day have much hope of that particular expectation remains to be seen. The demand was backed up by three Labour MPs and the Liberal champion at the Paisley by-election, Mr John Bannerman, from the platform. Mr Maclay, who is by no means the "plastic mac" of Mr Bannerman's description, reserved his answer for the Commons debate on Thursday.

The Glasgow teachers received sporadic support in the neighbouring counties of Lanarkshire and Renfrewshire, chiefly activated by the one-day strike called on Monday by the local branches of the Scottish Schoolmasters' Association, who do not always see eye to eye with the militant ladies of the EIS. They also had the unsolicited assistance of a body calling itself the Associative Pupils' Union (the name suggests at least a minimum secondary education) which was caught distributing handbills outside Allen Glen's School. From Edinburgh the previous Saturday there had come rumbles of a national strike programme drawn up by a special delegate meeting of the EIS. The EIS is determined to have the Secretary of State accept the salary award reached in the national joint council and do away with the threat of "dilution" (the employment of non-graduate male teachers) altogether. Its plans include staggered strikes, withdrawal from the school meals service and refusal to correct papers for the Scottish Certificate of Education.

To the professional, business and genteel Glasgow of Kelvinside and Pollokshields the strike has confirmed its worst suspicions of the teachers' claims to status. Conversation insists on the teachers' Labour sympathies and on the freely expressed accounts of political promotion in the profession engineered from the City Chambers in George Square. (The Glasgow education authority is sympathetic to the strike.) Among older teachers, many of them drawn from this rigidly stratified middle class, the idea of striking would have been insupportable even two or three years ago: often enough, they have come out with hesitation and regrets. The younger men and women are tougher, more strident in their claims, and more conscious, it may be, of the difficulties of keeping up with neighbouring families on the new estates.

Even so, they are plainly unused to mili-



A Plastic Mac?

tancy (the originator of the strike, Mr Arthur Houston, who teaches at a Roman Catholic school in the city, has only been in the profession a short time after fifteen years in the navy) and the danger that confronts them is that, having made the break, they may eventually be unable or unwilling to grasp at a compromise, however favourable. What unites them is not the salary claim (honours graduates admit privately that Mr Maclay's offer to them on that score is unexpectedly good) but the deeper feeling that their demonstration, any demonstration, will somehow help to put Scottish education as a whole back on the pedestal that it once occupied throughout Europe. "Perhaps," said one woman teacher within a year of retirement, "I am really striking for—and against—intangibles." "If we lose our educational standards," said another, "what else will Scotland have left?"

THIS is a feeling that goes beyond any of the precise issues in the dispute with Mr Maclay. Scotland is increasingly nagged by the fear that the times are passing it by, an economic backwater that may be pleasant to live in but where nothing new ever comes from within. This has prompted either a total retreat into the sentimental past ("Culloden: The Fantastic Truth At Last" is the chief bill of a mass-circulation newspaper in Glasgow this week) or inevitable emigration. For years the Scots have been buoyed up at home, and given a racing start in England, by the comfortable knowledge that their education was still second to none. But the great days of their universities, unflaggingly recalled when the talk turns to the avoidably high failure rate of today, ended with the generation before 1914. Now the schools too, even when not markedly understaffed, are beginning to face up to unfavourable comparisons. Scottish teachers find that English pupils who go north at the start of their secondary education are still generally inferior to the native product, but the English advanced level GCE is recognised to be "very high" and "probably even a better discipline than ours."

This is why the teachers who care about

their community (and they deserve credit for it) believe it to be desperately important that the basic grounding that the Scottish education system provides at all stages, the ark of the covenant, should not be tampered with, and that if standards are to be raised in the final years it cannot be done by opening the non-graduate door to dissatisfied secondary modern teachers from England. (It is hard to see where suitable non-graduates would come from in Scotland, with its relatively high university population.) The stand on "dilution" may look unnecessarily hard: some members of the EIS are prepared to admit that there may be certain jobs that non-graduates could do in secondary schools that would not bring down the academic level. But the circumstances that might, at other times, have made for a reasoned discussion of whatever proposals the Secretary of State has been entertaining do not exist now.

It may be that an inquiry into Scottish education, which is beginning to be talked about, would help to clear the air, not by revealing anything very new but by giving both sides a chance to think again about their immediate plans. It may be that a self-governing teachers' council, which the indefatigable Mr Houston is diligently promoting, would, if it ever came into being, give the teachers balm for their hurt pride when they mix with doctors and dentists. But the inner uncertainty and disquiet that the dispute has brought to the surface go deeper into Scottish life, to a reaction against the relaxed standards of behaviour and thought that a mild dose of prosperity has introduced into a harder and, in recollection if not always in experience, more admirable educational tradition. The Glasgow teachers might not accept that the people they are really striking against are the parents and future employers of their pupils. But this is true in more ways than one.

## Courtesy, Ltd

FROM OUR SPECIAL CORRESPONDENT

THERE was a time when the British customer could ill afford to complain of his treatment for fear of involving himself in a scene arising out of the shopkeeper's injured dignity or his assistant's sulks. If a particular joint or an off-ration egg depended on good relations such brushes could be serious. That time is past; but it has left its legacy of bad service.

From the growing bias of the market towards the consumer, however, and from the increasing choice of goods and stores available to him have come some amelioration of this depressed condition: many a corner shop has found, when its customers begin to walk the extra half-mile to the supermarket, that price-cutting is not enough to win them back. The cowed shopper, armed with his memories of what shopping was like before rationing and his copy of *Which?*, is beginning to fight.

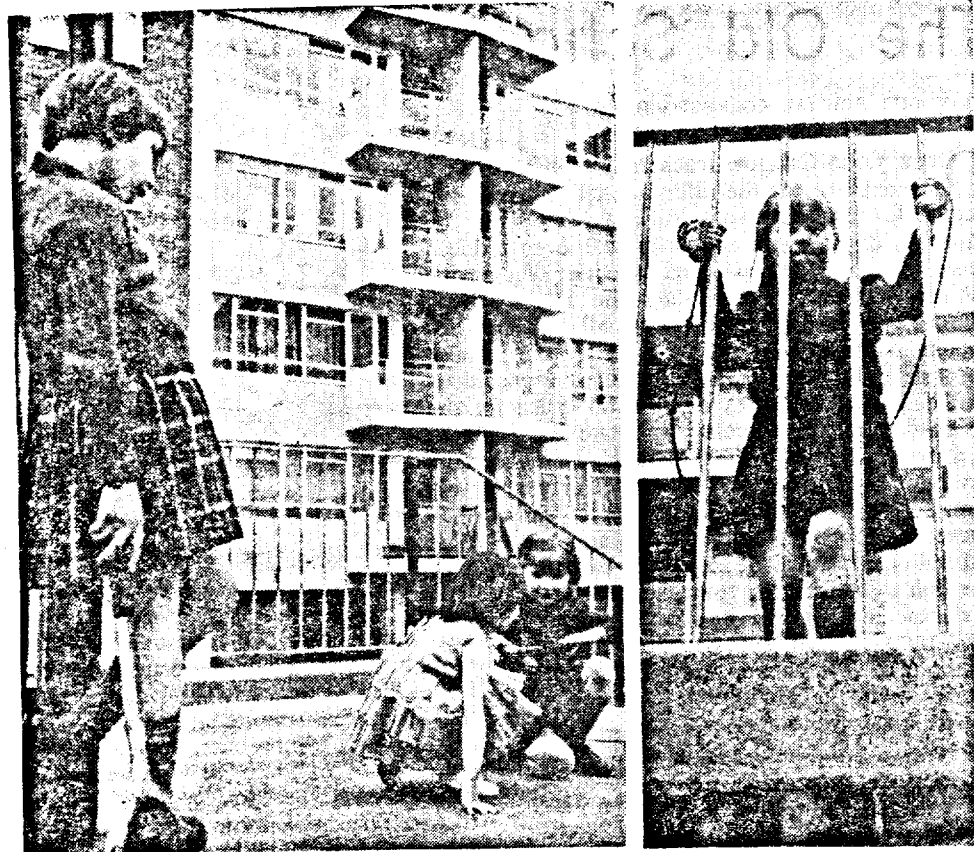
The department stores were among the first to realise that something would have to be done to convince the customer that he was wanted, rather than merely tolerated, and today many of them have training schemes aimed at pandering to the customer's feelings of dignity and importance. Their problems are complicated by the swift turnover of juniors, most of them girls, without skills or commercial ambitions, whiling away the time in a secure, unexact-ing and easily escaped occupation until marriage puts an end to their aimlessness.

Often enough, these assistants cannot, even if they would, aspire to promotion, for the multiples hold out hope of advancement to very few of their staffs. They become frustrated, bored and indifferent, and their response to the sometimes intolerable provocations offered by customers is rudeness or shrugs.

In the nature of things, this pool of un-directed adolescents must always be the main source of shop assistants: but an attempt is now to be made to give them some direction, some interest in what they are doing. Research and Marketing Limited have set up a twice-yearly training course designed ultimately to bring light into every large store in the Home Counties.

Obviously they could not treat each hard case individually, and the course therefore concerns itself with staff trainers, a dozen of whom will be intensively indoctrinated at a time, and who will in turn pass on their knowledge to their staffs. Their firms will each pay £160 for 20 days of instruction in the arts of staff manipulation, salesmanship, "promot-ability," work study, organisation and discipline.

Whether their money will be well spent is a matter for conjecture. Ruffled shoppers may feel that it will need more than training to overcome that sour contempt implicit in the attitudes of many assistants towards their customers: perhaps brainwashing, complete conversion to a new faith, is what is needed—a rebirth of confidence in the idea that service and politeness under difficulties are not incompatible with personal dignity. Heaven knows there is enough so-called salesmanship: what is needed is courtesy. If Research and Marketing can ever substitute a cheerfully spoken "Good morning, madam. Can I help you?" for a churlish "Yes, what is it?", they will have deserved well of the consuming classes.



Life with Mum—and the telly

## London's Flatted Kids

By folklore standards children reared in high modern flats are deprived of the rich cultural associations of back-to-back and tenement life. This may make them poorer in companionship: it has certainly made them healthier. But the chief difficulty, according to a report\* published this week by a committee under Mrs Eirene White, MP, is that mothers living above the fifth floor have perpetual jitters that their off-spring will either fall off the balconies or get into other trouble if they play on the ground out of sight.

At present London County Council has 72 blocks of ten storeys or over, housing some 11,000 people: individual London boroughs and a number of provincial cities have built or are building more. Last year 40 per cent of the approved tenders for LCC building were for high flats. Inevitably a growing number of families with young children are likely to find themselves housed in this way, although efforts are made to keep them near ground level. Most parents actually like being high up, but initial worries over play facilities are only natural.

The report offers no comparison of accident rates among children in high flats and

\* Two to Five in High Flats, 2s. 6d. The Housing Centre, London, SW1.

those in old-fashioned city dwellings of three or four storeys. But the effect of parental fears has been that a substantial proportion of flatted children are unduly confined at home, relying on their mothers or siblings for companionship and the television set for their experience of life. It may be that some mothers are simply too lazy or inefficient to provide the discreet supervision that all toddlers need when they are finding their feet on the ground (the report is silent about this), but it is generally true that the type of playground that young children appreciate is hard to come by in many of the new schemes.

The provision of more suitable play-grounds is one remedy urged in the report (although it may be thought that the suggested employment of trained supervisors should depend on the parents' willingness to pay for them). Another obvious need is for better designed balconies, with portable mesh screens to contain the adventurous. The parents who are really dissatisfied would probably not be content unless they had the standard semi-detached and garden of their own—although telly-gazing and restlessness on rainy days are not unknown there either. There is a case for a little more imagination by local authorities, and a good deal more by the mothers themselves.

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## LETTERS

## Vietnam

SIR—That your commentator (page 299 of *The Economist* of April 22nd) is entitled to his sceptical attitude toward the Republican regime in Vietnam is a right I do not pretend to discuss here. But what is regrettable is his indiscriminate use of any fact to back up that attitude.

The process is carried to the extreme limit when he professes doubts about Dr Dan's "alleged part" in the November revolt. At the time of the "coup" of November 11, 1960, it was widely reported here that this same Dr Dan was one of the ringleaders. As its "political commissioner" he even convened the foreign press to announce the composition and programme of the "revolutionary committee."

That your commentator is unaware of these facts may be strange, but quite startling is the suggestion that a leader of an armed rebellion should not only be free but also allowed to be a candidate in presidential elections.

This frame of mind may partly explain why he finds the results of the elections "not easy to analyse." On the other hand, he seems to confuse discontent and opposition. The Vietnamese people may not feel extremely happy about their lot: how could they when communist subversion and terrorist activities compel the government to deflect towards military expenditure a substantial part of the budget from work of economic and social development. Consequently, they do not spare the government their criticisms, but when the crucial moment came of entrusting their destinies to an elected president they chose to vote for President Diem, realising that with another man, their condition might be worse. That was the conclusion which should be drawn from our presidential elections.—Yours faithfully,

London, W8

NGO-DINH-LUYEN  
Ambassador for Vietnam

Bernstein, Triffin,  
Stamp...

SIR—You write: "If there is no hope of getting the 70-odd members of the IMF to accept the scheme, why not urge that some such certificates should be issued through the OECD...?"

If the members of the latter would be likely to accept there should be no difficulty about persuading the former (which includes the members of the OECD) consisting as they do mainly of less developed countries.

It is to be hoped that, if this proposal is accepted, the allocation of fund certificates will be made through the International

Development Association and used, for the first few years at any rate, exclusively for infrastructure investment in the developing countries. It could be an invaluable means of helping to finance a World Development Decade on the lines proposed by Mr Paul Hoffman.—Yours faithfully,

GORDON EVANS  
United Nations Association,  
London, W1

SIR—In your article of May 6th, you gave four objections in London to the Triffin plan. Only one is fundamentally political, and if it is invalid the remaining three objections can easily be refuted by the simple logic of Professor Triffin's technical solutions.

The objection is that the British government, in accepting the Triffin plan, "would be sharing with other countries the responsibilities that are now attendant upon (its) management of the sterling area system—and the political influence, particularly within the Commonwealth, which has sometimes accompanied it."

This objection leads the British authorities to pursue a policy which is not in the best interests of the United Kingdom. The Triffin plan is the only plan that would solve the chronic problem of insufficient international reserves, and this problem must be solved if the prosperity and unity of the free world are to be accelerated. Since the interests of the United Kingdom are inextricably linked to the prosperity and unity of the free world the present rejection policy should be reversed.

The British government's fears of losing political influence was one of the primary reasons why Western Europe finds itself split into an Inner Six and an Outer Seven today. But this was a mistake of the '50s; it should not be repeated in the '60s.—Yours faithfully,

TIMOTHY REID  
Christ Church, Oxford

## Hire Purchase

SIR—In your article of May 6th you make the point that the whole concept of hire and purchase is becoming outworn. Nor is it surprising that the public regard hire purchase as a form of borrowing (you buy the goods at a higher price, hence Higher Purchase: this nice mistake is amazingly widespread), when even the finance companies blandly refuse to consider themselves as traders, although they buy the goods and, ultimately, sell them.

But unfortunately (despite the prospects for industrial plant or cows or air travel) the future of hire purchase depends heavily on the motor trade. Finance companies all the

time are thinking up gimmicks to diversify away from the motor trade, but they all know that the growth in this sphere is still great, and their own best prospects depend on it. At the same time the standards of ethics and intelligence in the motor trade are not high, and the finance company which seriously relied on even its best dealers would soon be in trouble. In practice, finance companies must rely on the deposit and the period of hire: with a 25 per cent deposit and 24 months to pay, the balance outstanding can usually be kept below the current trade price of the goods, even after allowing a reasonable margin to cover the likelihood that the dealer sold them for a bit more than they were really worth.

Thus the security of the goods as provided for in the hire purchase contract is a very real one, and until the finance companies buy themselves into the motor trade in a big way I can see no effective substitute. Critics of the system have been misled by the experience of the past two years when companies have been repossessing, at huge loss, vehicles hired on 10 per cent deposits and 36 or 48 monthly instalments. These losses will soon be a thing of the past. Meanwhile, the basic principle of hire purchase, that the hirer should always have an equity interest in the goods, is emerging, I think, all the stronger.—Yours faithfully,

P. J. BISHOP

London, SW15

## Fall of the Dinosaurs

SIR—Pish and Tush. Why all these ungenerous "at least"s and "in the end"s. You were wrong about de Gaulle in 1958. Why not admit it now, in so many words? —Yours faithfully,

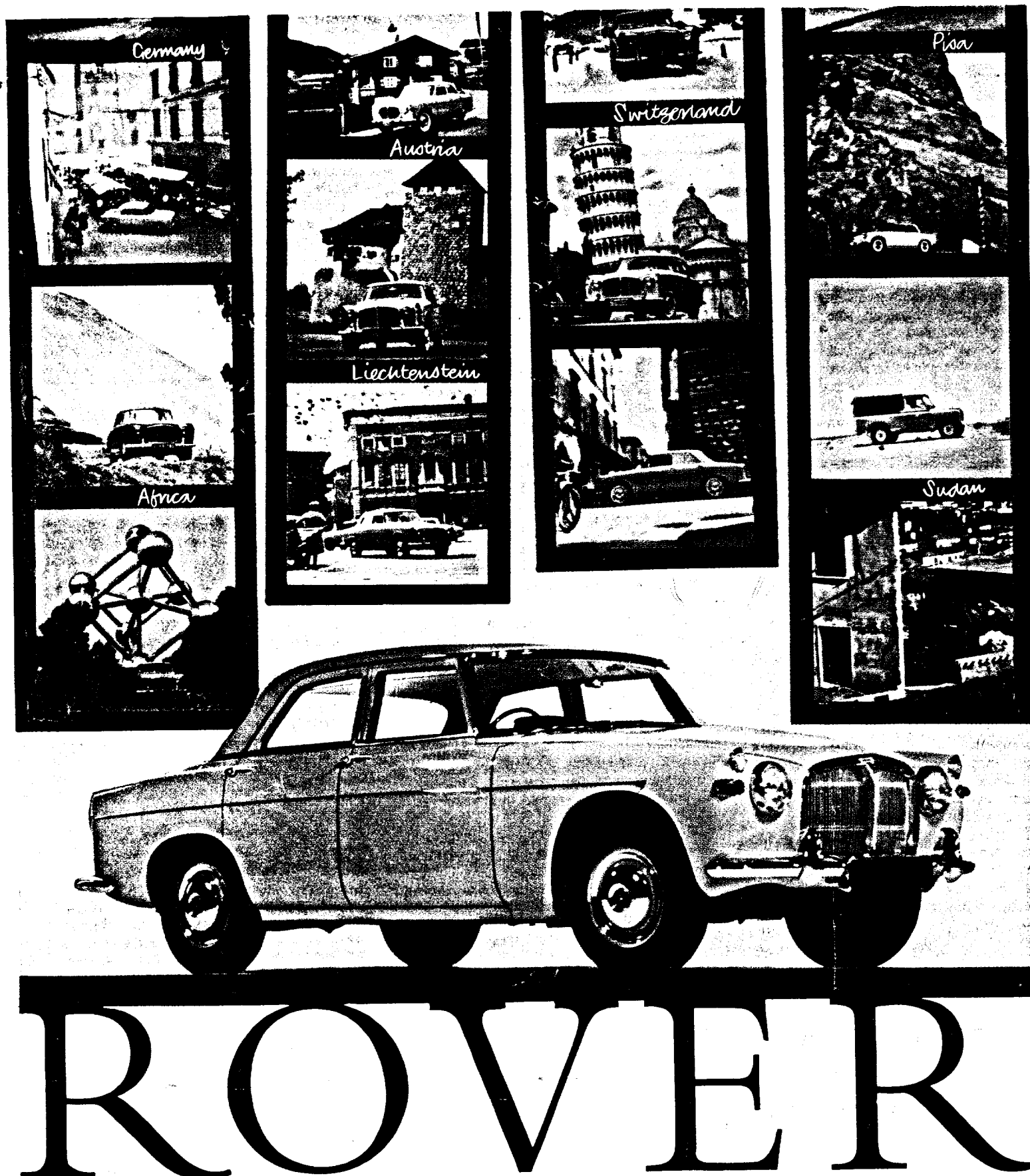
C. H. P. GIFFORD

London, NW3

## Cameroons

SIR—Please permit me to make a few remarks on the article, "Problems for Mr Foncha," which appeared in your issue of April 29th. The difficulty in communication lies not so much between the Southern Cameroons and the Cameroun Republic as within the United Kingdom Trust Territory. The telegraph line which passes through Loum and Mundek in the Republic can easily be connected with the one in Kumba, which is in the Southern Cameroons. All year round motorable roads link Kumba and Bamenda, both in the Southern Cameroons, to the Republic. After 40 years of British trusteeship, the only road which runs from the south to the north still becomes impassable at certain times of the year and Southern Cameroonians are obliged to use the Republic roads.

The pessimist view attributed to British officials, who envisage a conflict between Mr Foncha and M. Ahidjo over a Constitution for a United Kamerun Republic suggests inability of Cameroonians to settle their problems through democratic means, since in the long run it is not Ahidjo or Foncha who will decide but the people.



It was born and bred to cross the frontiers of the world, this Rover 3-Litre. It combines the grace and comfort of a town carriage with the dash—and stamina—necessary for long-distance motoring. On the 3-Litre power steering is an optional extra. On all three Rover models—the 80, 100 and 3-Litre—front wheel disc brakes and overdrive are standard equipment.

The '80', £1,396.10.10d. The '100', £1,538.4.2d. The '3-Litre' with conventional gearbox, £1,783.5.10d., with automatic transmission £1,864.0.10d. (Prices include P.T.)

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The staff problem, which is not unique to the Cameroons, cannot be denied but it is hardly fair to pinpoint Nigerians and "French-speaking Cameroonians from the Republic." The question is why has the administering authority failed to train, within the past forty years, the few Cameroonians required to fill "the posts that are now the responsibility of the Federal Government of Nigeria?"

"Language and cultural differences will make it almost impossible for English-speaking Cameroonians to receive their education at Yaounde," the article says. If an Englishman can study at the Sorbonne why is it going to be impossible for a Cameroonian to study at Yaounde?—Yours faithfully,  
A. BELINGA  
Paris

### Ethiopian Investment

SIR—In your issue of April 1st you published an article from your special correspondent, "Eternity in Ethiopia." We feel obliged to draw your attention to an obvious inaccuracy with respect to the facts about the Wonji sugar industry, which was founded by our company. It was stated in the article that the Ethiopian government took over this sugar factory and demoted our company to the position of managing agents. This statement is not true, the real situation being that in 1958 this enterprise was brought into a newly founded company of Ethiopian nationality, "HVA-Ethiopia." Eighty per cent of the share capital of said company is owned by our company whereas 20 per cent is in the hands of shareholders of Ethiopian nationality.

The board of this Ethiopian company consists of three members, of which one member, viz. our subsidiary of Dutch nationality, "HVA-Internationale NV," acts as managing director.

We think it important that these facts should be accurately presented so that your readers may not get a wrong impression about the Ethiopian government's attitude with regard to foreign investments.—Yours faithfully,  
VERENIGDE  
HVA-MAATSCHAPPIJEN NV  
Amsterdam, Holland

### Universities and Others

SIR—If the teacher training colleges are to give degrees, as you suggest in your issue of April 22nd, why should they exist at all? The segregation of intending teachers in inferior institutions can only be defended by those who believe in cheap education for the lower orders, or by those who believe that the pool of ability is pretty well dry. Of all people, the intending teacher needs the extensive social and intellectual contacts provided by a university and denied at the best of training colleges by reason of its nature.—Yours faithfully,  
GEORGE PATTISON

Basildon, Essex

## BOOKS

### Foresight and Hindsight

#### The Origins of the Second World War

By A. J. P. Taylor.  
Hamish Hamilton. 296 pages. 25s.

#### All Souls and Appeasement

By A. L. Rowse.  
Macmillan. 130 pages. 18s.

MR TAYLOR'S attempt at a detached analysis of the origins of the German war is already arousing violent controversy; although he himself says that the subject is one nobody bothers with, it has remained very much with us since the end of the war left mankind faced with another, still more colossal, war danger. Statesmen and publicists in Moscow, Bonn, London, Paris and Washington discuss the conduct of east-west relations today in terms of Germany's relations with the powers in the nineteenth-thirties. Mr Taylor is right to the extent that these arguments are not based on any historical study of what happened in 1938 or 1939; more often, the version that is given of those events expresses the statesman's view of what everybody ought (or, more often, ought not) to do now.

Each of the world wars of this century ended with the victors united about the proposition of German war guilt, though unfortunately about little else. German rejection of the charge after the first war took the form of accusing the allies of having really caused the war themselves, by denying Germany the international status appropriate to German power, numbers and talents. After the second, dissent has taken a different line—that the allies helped to cause the war by shameful weakness. Kurt Schumacher used to shock westerners (and Russians too, for that matter, though they have often used the argument themselves against the West) by roundly charging the allies with this form of shared responsibility for the disaster. It was largely because this reproach, coming from a German, was found so shocking that Schumacher's party, the German Social Democrats, were labelled as nationalists and therefore unreliable, a label they are only now getting free of by turning nationalist in earnest. Even some leading men of Dr Adenauer's party have been heard to chide the British with Munich, a reproach they are curiously reluctant to direct at the French, or indeed at their own country. British and American writers have never been lacking to agree with them in assigning a secondary responsibility for the war to the hesitations and temporising of the "men of Munich."

Mr A. L. Rowse in his highly emotional little book puts this thesis as hotly as, perhaps, it will ever be put again. A devoted

All Souls man, he has set out to describe what there was, and what there was not, in the accepted mental cliché that associated Neville Chamberlain, and the policy of appeasement, specifically with his college. In retrospect, what is puzzling about appeasement is not that the men who then governed Britain should have clung so stubbornly to the idea of preferring compromise with Nazi Germany to world war, but that they should have done it with such an unshakable complacency, insisting to the end that if only people would leave them to conduct policy in their way, everything would work out for the best. Greek tragedy (and Mr Rowse does see the whole thing in those terms) would simply have had it that the leading figures were blinded by the gods. A historian cannot quite leave it at that. But Mr Rowse has not written "All Souls and Appeasement" as a historian, he has done it as his contribution to the sources from which history has to be written. He shows the appeasers, some of them his friends, coming and going, wrong-headed and well-mannered, learning nothing from each fresh disastrous turn of events. Not only the record of what they said and did, but also the writer's own feelings about it all, are material for the historian.

To Mr Rowse, these men ruined the country and led the world into a disastrous war, from which the men they had refused to listen to had to rescue us. Mr Taylor would have agreed with him at the time; now, looking back, he writes a different story, "a story without heroes and perhaps even without villains." His characters do what seems, at the time, the obvious thing in defence of the interests they are concerned with; but, partly because of the foolish claims they made to higher wisdom and foresight, things go persistently wrong:

What was done at Munich mattered less than the way in which it was done; and what was said about it afterwards counted for still more.

Mr Taylor offers no answer to the question whether war might have been avoided by greater firmness, or by greater conciliation; merely observing, with a lapse into the wisdom of hindsight, that "the mixture of the two, practised by the British Government, was the most likely to fail."

His keenest blow at the accepted view of the origins of the war is that he questions, as a matter of fact, whether Hitler ever really had in his mind the definite timetable of aggressive actions attributed to him by the anti-appeasers at the time, and by nearly everybody since. After the Munich agreement, in particular, Mr Taylor thinks that Hitler had no particular idea what to

do next, and that what he actually did was prompted from outside, by events.

These controversies are not conducted purely academically, and their consequences are far from academic. The rejection of German war guilt after 1919 made it easier to demolish the Treaty of Versailles as a structure, and prepared opinion in the victor countries for retreat in the face of the German re-expansion conducted by Hitler. After 1945, or at any rate after the Prague coup of 1948, it came to be widely assumed in the West that the Russians had a set programme of aggressive expansion analogous to Hitler's timetable. The supposed lessons of Munich have been applied as proof that any search for accommodation with the Communist powers would be worse than useless. To dissent from this last proposition, it is not necessary to agree with Mr Taylor. But equally, one need not agree with all his propositions in order to pay the clarity and penetration of his reconstruction the tribute they deserve.

### Fifty Years in the Middle East

#### Arab Nationalism and British Imperialism

By John Marlowe.  
Cresset Press. 236 pages. 30s.

MR MARLOWE, who has already written two books that are excellent contributions to the history of British paramountcy in the Middle East, here produces a third that is important on account of his sense of perspective. For the chief feat of this good piece of work is its explosion of the old belief that the Middle East is in all circumstances "vital" to Britain. What it reveals is that the Middle East is important to the west only in two contexts—that of tension with Russia and that of a seller's market for oil. The latter does not apply at the moment; supposing the former were simultaneously to cease to do so, the Arab League states would be endowed with a healthy interlude of obscurity in which to shake down on their own.

Mr Marlowe expounds this piece of realism by telling, chronologically, the history of the last fifty years, including the period of British misjudgment and Arab confusion that followed the not-so-undignified withdrawal from the Suez base in 1954. His crisp summaries of muddles, such as the aftermath of the Suez war when the loser (Egypt) took all, or the contest between Cairo and Moscow for the limp body of Syria, are admirable, and anyone—student or businessman—who wants to try to read the leaves in the Arab teacup is recommended to buy his book.

Several national likenesses are painted, warts and all. The Arabs score few successes because they will not agree to live with circumstances they are too weak to alter. They lose all in Palestine because they never face "the clear-cut issue between

fighting and negotiating," and their league is a façade because no one member is strong enough to dominate it; yet they will not abandon competition for this role, and so are unable to agree on common ends or common action. The best Mr Marlowe can wish them is a period of unimportance during which their new generation of technocrats can come to the top and preach the virtues of attracting investment as opposed to counting on blackmail.

The British are commended for much of the work they did when they were in a position to call out the guard if need arose, and for accepting, after some explicable false starts, that attempts to retain their military foothold in Nasser's Egypt bred subversion instead of countering it. If only they had seen the same point about Iraq there might have been no Suez and Nuri might yet be enjoying retirement.

But perhaps not. Egyptian imperialism is added to the picture, though President Nasser is given more credit for statesmanlike planning than is perhaps his due. In fact he plays his hand rather as King Edward VII was said by an equestrian to play bridge: "When he has a good hand with his dummy he knows how to make the best of it, but he has no knowledge where the unseen cards should be." The collapse of Nasser's bid to dominate the Arab world is ascribed chiefly to his inability to score points against Israel, but surely there are also two other reasons. The first, which is bad luck, is the virtual impossibility—given Egypt's shape, resources and population problem—of achieving the results on the home front that would enable him to set an example to satellites; the second, which is bad management, is the impetuosity that impels him to retort to every critic, sometimes through the medium of subversion in neighbouring countries. These malpractices may not count against him with fellow peoples, but they have done so with fellow governments.

One notable feature of the book is that it was written a whole year before it was printed. Admittedly the year was one in which Britain was friendless, detached and able coolly to assess the advantages to the west (and the annoyance to the Soviet union) of the growing strength of Arab neutralism. Nevertheless the way in which the author's opinions stand up to the test of time says much for his political judgment.

### Memories of a Century

#### Friends and Kindred: Memoirs of Louisa Kathleen Haldane

Faber. 248 pages. 25s.

THE Haldane family are a legend in the land. And, it seems, they marry women as remarkable as themselves. "Old" Mrs Haldane, mother of Lord Haldane and of John Scott Haldane the physiologist, was one of the great characters of her generation, and now "young" Mrs Haldane, her daughter-in-law, has, in her ninety-eighth year, produced a book of memoirs that show

## Famous pencil sharpener gets the sack!



"Stubby" Carver, as millions will remember him

"Stubby" Carver, the man who cut himself out a reputation as the world's finest pencil sharpener, is out of a job.

Yesterday, after 43 years as Personal Pencil Sharpener to the Chairman of Britain's largest importers of camel saddles, he was told that his services were no longer required.

The Chairman has bought himself an electric pencil sharpener.

"Zum noo-fangled gadjit!" was Stubby's description of it.

But the Chairman told our reporter: "It's fantastic, Sir. Entirely automatic, y'know. Not even a switch to press. You simply dip your pencil in, hold it there just a couple o' seconds, and you've got a perfect point."

"It's an immaculate-looking instrument too (not like old Stubby!). Self-contained... no flex trailing about. Looks extremely smart on me desk."

Stubby's dismissal is causing consternation in the pencil sharpening trade, and a Union meeting has been called for tomorrow to "ascertain the seriousness of the situation."

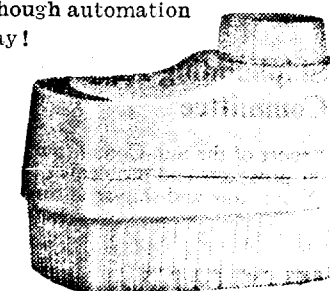
Meanwhile, businessmen all over the country were today sending their secretaries out to buy Kent Kordless Electric Pencil Sharpeners. It looks as though automation is here to stay!

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her to be as courageous, and as independent-minded, as any member of that courageous, independent-minded, and notably eccentric family.

It is strange to find the mother of Professor J. B. S. Haldane and Mrs Naomi Mitchison an unrepentant Tory and imperialist, and that not from convention but from conviction. Born a Coutts-Trotter and related to half the aristocracy of the Scottish Border, she has no regard at all for aristocratic convention but an enormous admiration for the aristocratic virtues which helped to build the British Empire. Born before Disraeli proclaimed Victoria Empress of India and living to see India declare itself a republic, Mrs Haldane has been an interested witness of all the most vital stages in that Empire's growth and metamorphosis into the British Commonwealth, and by her work for the Victoria League and for other "Imperial" causes she has played her own not altogether insignificant part in its affairs.

Her memories are, however, more interesting when they deal with personal rather than political reminiscence. Mrs Naomi Mitchison's clear and curiously objective style has for years been a delight to connoisseurs of good writing. Now, it appears, this is not an individual gift but an inheritance from her mother. Rambling and incoherent as the memories of the old inevitably must be, this book is nevertheless very much alive. It is impossible not to regret the heavy blue pencil with which

Mrs Mitchison has avowedly censored her mother's writing. Those who knew the remarkable household at Cherwell would welcome many more stories of Oxford days and characters, with less, if need be, about people dead so long ago that they are no longer even names. Indiscretion is the salt of reminiscence.

### Poetry of Love

Themes and Variations in Shakespeare's Sonnets

By J. B. Leishman.

Hutchinson. 254 pages. 35s.

THERE are too few good comprehensive studies of the sonnets of Shakespeare, though plenty of ink has been spilt in efforts to identify Mr W. H., the dark lady and the rival poet. The lack seems the stranger when one considers how much critical attention has been lavished, during the last thirty or forty years, on Shakespearean themes and imagery. The plays tend to be regarded primarily as poems; but such individual sonnets as have come in for penetrating analysis have been chosen either because of their Donne-like complexity or because they appeared to furnish clues to incidents in Shakespeare's biography.

It is obviously important that we should try to come to terms with the whole collection of sonnets, in spite of—indeed, because of—the fact that they do not form anything like a coherent sequence. What Mr Leishman has done is to select certain themes, common to classical and renaissance poets, and by comparison to suggest the significance of Shakespeare's variations on such perennial topics as the immortality conferred by poetry, time the devourer, the transience of beauty and the intrinsic worth of love. This method achieves a double result. It demonstrates Shakespeare's solidarity with a great European poetic tradition, and at the same time shows his singularity and independence. Mr Leishman's erudition and sensibility enable him to make some very illuminating juxtapositions.

In the latter part of his book, he expounds his thesis that the most characteristic conceptions in Shakespeare's sonnets, those which set them apart from most other love-poetry, are the idea of the beloved as the archetype of all beauty and the idea of love as an activity that compensates for all the evils and deficiencies of life. These conceptions give to some of the finest sonnets a quality which he calls religious. Certainly these poems do reveal a capacity for devotion, constancy and self-abnegation unmatched in English love-poetry. But alongside these sonnets, with their almost feminine evaluation of love as the one undeniably true mode of life, there are quite a number that express disgust and disillusion; and these, with their indecent puns and harsh indictments of human frailty, are surely no less characteristic of Shakespeare than the ones affirming the supremacy of the heart's affections. By leaving the dark

lady out of his calculations and concentrating on the adored friend, Mr Leishman has done less than justice to the rich complexity of the sonnets.

### Pamphleteering on Prices

Resale Price Maintenance and Shoppers' Choice

By B. S. Yamey.

Barrie and Rockliff (1960) for Institute of Economic Affairs. 48 pages. 3s. 6d.

Fair Trade: Resale Price Maintenance Re-examined

By P. W. S. Andrews and Frank A. Friday. Macmillan (1960). 84 pages. 6s.

THE second of these pamphlets was written with the intention of refuting the first one. Thus the consumer who really cares about resale price maintenance can have the arguments both for and against it, all for 9s. 6d.: seldom, one feels, can it have been possible to settle decisively any comparable issue for such a bargain price. Mr Yamey begins with an estimate of the present extent and effects of resale price maintenance in Britain, and summarises the experience of other countries—notably the United States and Canada—in an attempt to calculate what the abandonment of the practice would mean here. He believes that the prices of price-maintained goods would fall by an average of at least five per cent; if true this would amount to savings by consumers of about £180 million a year. The remainder of his booklet is devoted to analysing briefly the case put forth by those who feel that price maintenance has virtues which, on balance, offset any savings that might be made by consumers. His arguments on these points are not new, and he has set them out at a more suitable length in "The Economics of Resale Price Maintenance" (constant readers of *The Economist* should know them off by heart).

The authors of "Fair Trade: Resale Price Maintenance Re-examined" are both more or less publicly committed to their cause. Mr Andrews, of Nuffield College, has testified for respondents before the Restrictive Practices Court, and Mr Friday is an economic adviser to Electric and Musical Industries, which is not exactly a discount house. The first half of their booklet is taken up with counter-polemics aimed mostly at Mr Yamey, who is accused, perhaps rightly, of overstating both the extent of resale price maintenance and the probable amount of price-cutting that would follow its abandonment. There have been some manufacturers who have been made unhappy by "loss-leader" selling, and their experiences are faithfully cited; and it is true that the general level of retail prices may be little affected by price maintenance. But the proposition that some of the prices of 21 (or 23, or 25) per cent of consumers' expenditure could be lower if they were not maintained is not shown to be "just a great illusion": the case for maintenance

must thus be made on its offsetting benefits to retailers, manufacturers or the general public.

Messrs Andrews and Friday attempt to do this by giving a "general analysis of retail trade in which the broad function of rpm can be understood." They conclude that retail trade including rpm is already very competitive (which is irrelevant even if true) and that "to the extent to which a general ban on rpm weakens the thrust [sic] from manufacturers' brands, the whole competitiveness of retail trade will in the long run be weakened; such a ban, in short, must itself reduce an important influence keeping prices in general down." They follow this up by advocating that even if a general ban on price maintenance is enacted, "a very considerable sector of the economy" should be exempted.

Those who are not convinced that resale price maintenance is a good thing may still not feel, as Mr Yamey does, that any attempts to enforce it should be prohibited by law; American experience suggests that the policing of such legislation may be more trouble than it is worth. But certainly manufacturers should not be allowed to use the courts to enforce resale prices, as they can do at present.

### New Model White House?

The Presidency: Crisis and Regeneration  
By Herman Finer.

Chicago University Press. London: Cambridge University Press. 387 pages. 40s.

PROFESSOR FINER has lived long enough in the United States (and it seems that he has become an American citizen since he moved to Chicago sixteen years ago) to know what happens to foreigners, particularly Englishmen, who want to tamper with the Constitution. So it must be presumed that his indignation got the better of his judgment, as it got the better of his book.

The stated object of the book is to discuss the impossibility of the Presidency, as an office, in the modern world and to suggest means of relieving that single elected official of some of its burdens. But it is difficult to avoid the feeling that Dr Finer's plan for redesigning the American electoral system has a quite different purpose: to prevent a repetition of the Eisenhower regime. This reviewer yields to no man in thankfulness that the last eight years of American history are over—or rather he thought he yielded to no man until he met Dr Finer's massive contempt for everything and everyone connected with the last administration.

But when it comes to his positive proposals for avoiding a repetition of 1952 Professor Finer is not persuasive. He advocates the abolition of the presidential primary as "at best irrelevant and at worst injurious to the democratic system"; one election every four years at which the entire Senate and House of Representatives as well as the President and his Cabinet are elected; and the raising of the "influence,

dignity and attractiveness" of the House at the expense of the Senate, which would become a House of Lords (model circa 1920). So far, if it were remotely possible to imagine one hundred senators, who believe themselves for some strange reason to be the greatest deliberating body in the world, voting for their own political emasculation, so good.

But it is with his idea of electing, every four years, not only the President but also eleven vice-presidents, who will become the Cabinet, some having departmental duties and some without portfolio, that Dr Finer moves from the merely unthinkable to the positively dangerous. "To be eligible," he says, "for membership of the Cabinet as President or as one of the Vice Presidents, the candidate must be presently a member of the House of Representatives or the Senate, or must have served at least four years in either house." But they will not remain members of Congress once elected to the Cabinet, though they will sit in the House of Representatives and participate in congressional business.

These twelve candidates for the Cabinet would, however, have to be chosen somehow and Dr Finer can think of no other way than having them chosen, as the President is today, by the party conventions. One can easily imagine the "well-balanced ticket" that would emerge—so many Catholics, so many Jews, the solitary Negro, so many from west of the Mississippi and so many from south of the Mason-Dixon line—but how many prospective Secretaries of State or Defence, how many Stimsones, Achesons, Lovetts or Forrestals?

All these ideas suggest that Dr Finer, although legally an American, remains mentally an Englishman—or at least a European, as there are touches of the constitution of the West German Federal Republic in his proposals. His solution to the problem that he rightly considers the most serious one facing the American people and its system of government today depends on the establishment of a responsible party system. He obviously thinks that, once the Cabinet system is forced on the country, responsible parties will follow. It seems more likely that the parties would have to come first and that Cabinet government must evolve from them.

An attractive book and a brave try—but it will not do.

### Riding Through Africa High Street Africa

By Anthony Smith.

Allen & Unwin. 212 pages. 21s.

IN Capetown with full pockets and plenty of time in which to get back to England, Anthony Smith decided to buy a motor-bicycle and ride it home. The road called the Great North Road, which leaves Capetown docks and heads for Paarl, had become an obsession with him: ordinary though it looked, he could not escape the magnet knowledge that it went on for 7,000 miles,

through the whole length of a Continent, until it came to the Mediterranean.

Nothing particularly dramatic happened during his journey. Mr Smith was cold, or he was hot; he was tired, or he enjoyed a good bed; he was thirsty, or he learnt the full splendour of cold beer. Often he met interesting people, whom he describes well, or more often he met no one. It was a remarkably uneventful journey considering its length and how light he was travelling, but undramatic though the events were, the inherent drama of riding up Africa never failed, and Mr Smith never fails to communicate it.

At one time he began to wonder what he sounded like, a raucous bee buzzing through the endless silence of Tanganyika. He propped his motorbicycle in the road with the engine running and walked away into that silence to listen to himself. Although there are moments when his writing skids into facetiousness, his touch when he describes something like this is extraordinarily sure, so that the reader constantly finds himself sharing an experience most vividly.

No one will learn much about African politics or geography from this book (although when Mr Smith touches on questions of race he does so with insight and humanity), but many people will enjoy it. When asked in Capetown why he was going to make his journey in that way, Mr Smith answered "for fun," and that is his secret.

### OTHER BOOKS

BELFAST AND ITS CHARITABLE SOCIETY. By R. W. M. Strain. Oxford University Press. 349 pages. 45s.

The sub-title of this book is "A Story of Urban Social Development"; from the Belfast Charitable Society's minutes (written over two hundred years almost without a break) and other original documents, Mr Strain has compiled a social history of Belfast from 1752, when the society was inaugurated, to the introduction of the new poor law in the 1830s. Then the society was able to restrict its activities—in particular, it no longer had to supply the growing town with water—and today, as more and more of its earlier functions have been taken over by the state, its sole responsibility is the care of the elderly. In its original building it cares, until death, for 144 aged men and women. Mr Strain has written a fascinating story of how a small charity expanded until it was responsible for most of the services now considered proper to a welfare state and then, after the services had been taken over by the state, found it still had a small but important part to play—the humane and homely care of the elderly.

MANAGEMENT TRAINING: Aims and Methods. By R. J. Hacon. English Universities Press. 253 pages. 17s. 6d.

Mr Hacon is the Education and Executive Development Officer of Joseph Lucas (Electrical) Ltd., a company which has pioneered in training at all levels. Companies wishing to start training schemes will learn much from this clear, but not superficial book. Social research workers will be gratified at the frequent references to their work, even though they will be surprised that anyone who makes them could still write "As long as training can be shown to have been indispensable, that is all that matters." It seems that few training officers will admit how far we are from being able to show that training at the supervisory and management levels has been "indispensable."

### Commonwealth Trade 1959-1960

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## THE WORLD OVERSEAS

### Removing Pinpricks in Southern Rhodesia

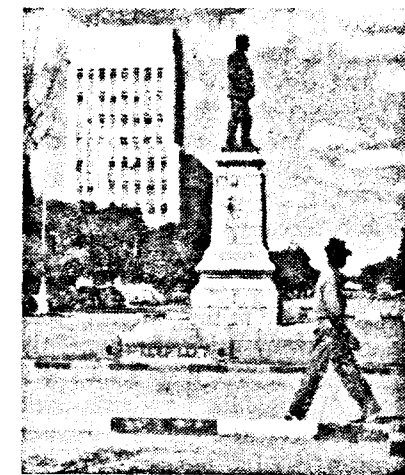
FROM OUR SPECIAL CORRESPONDENT LATELY IN SALISBURY

**H**ALF-FINISHED, Salisbury will one day stand as a monument to what the white man nearly did in central Africa—just as the mysterious Zimbabwe ruins represent what the black man may have done. The city is a curious mixture of one-horse saloons, Victorian double-storey blocks, and next year's skyscrapers—these are dotted about like overblown plastic transistor radios stood on end. Some are beautiful; others complete in ostentation like the Detroit cars parked outside the foam-rubbered houses in the suburbs. On one tall roof a sputnik-sized pearl is held aloft in the concrete arms of a Martian sculpture. Another structure, blue and lovely, has self-opening doors, ponds in the foyer, and a spiral driveway to take certain people's cars to the top. Mosaics and outdoor tiles rise above the dusty little shops in which Africans buy pots and pans and jazz records. Cement lattice-work is as common as wall-paper: it is even doled out, in tiny segments, as decoration for some of the matchbox-houses in the African quarter.

It is the same with Southern Rhodesia's politics. The Africans are getting a little bit of what the white man fancies. Life is a great improvement on two years ago, but black eyes are fixed on the future. There are no more passes—only one document, the *sinupa* (registration certificate) need now be carried. There are African pubs, with light wines and beer on sale, and hard liquor can be bought in ordinary hotels, clubs and restaurants if the licensees decide to go multi-racial. One hotel has. Africans are served first in shops if they get there first, although one or two suburban shopkeepers steadfastly maintain the old system of serving non-whites through a hole in the back wall. Africans can go to some cinemas, although censorship recently forced one multi-racial house to advertise a film as "Not for children under 18" and "Not for Africans."

The Land Apportionment Act is still under review: until large parts of the "European Area" (much of which is unused) are occupied by African farmers the land problem will not have been solved. More than half of Southern Rhodesia is still reserved for its 200,000 whites; 2.4 million indigenous Africans share the rest. But in urban areas Africans are no longer forced to leave their houses when they lose their jobs. All races can now join the civil service. Since January 1960 multi-racial trade unions have been compulsory, but only one African-led union has been registered. The radical African trade unionists see the complex new Industrial Conciliation Act as a device to divide and weaken their growing unofficial movement, and they have fought shy. Black men go where they like in post offices. Well-dressed black men sometimes go where they like in some banks. Africans have appeared in discussion programmes on television (but viewers protested at seeing "natives" when a minstrel show was put on their screens).

Perhaps most significant of all are the words of an African waiter, who said that black men no longer walk in the streets in fear, for they know that, if a white man abuses them, it is possible to hit him and win the case in the courts. The "courtesy campaign" is working, and, if they are still spoken of as "boys" and "kaffirs"



in private, they are often, in the cities at least, "men" and "Africans" in public.

But what some professional Africans are beginning to call the "basic infrastructure of society" has not been changed. Salisbury is still a white man's city: the apartheid is soft and has icing, but it has not disappeared. There is no African representation in local government in Southern Rhodesia and it is necessary to get a permit from the Salisbury council's native affairs department to

visit Harare African township. For a visiting European it is nearly impossible to get a permit for week-ends or nights: the council maintains that it is not safe. Nevertheless, many a correspondent (including this one) has emerged unscathed from a quiet social evening in Harare and neighbouring Highfield—and on a Saturday night, at that. (The council was spared the pain of knowing about this.)

Africans are still governed through a separate ministry—the department of native affairs. Although the future of the department is under review, its continued existence is perhaps the greatest administrative barrier to the formation of a single nation in Southern Rhodesia. "Native education" has a department to itself. Even the terminology is an irritant—the chief information officer says in his 1959 report that the name "Native affairs" (which is enshrined in the constitution) is one of his main obstacles as "many of the more intelligent Africans feel the name is retained expressly to make them feel inferior."

Expenditure on "native education" has increased from £1.6 million in 1955-56 to nearly £4 million in 1960-61, but, as elsewhere in Africa, the money has not been wisely spent. In 1959 the school population of Africans in Southern Rhodesia was 467,567. Only 3,300 of these children were at secondary school; of those 2,669 were in the first two forms. There were 17 children in form V and 18 in form VI; all but three of these were boys. In primary schools there is the same low pyramid structure. Nearly half the children left school after two years of sub-standard "A" and "B" education; fewer than 50,000 (out of 450,000 in primary schools) got past standard three. In effect, a standard three education is as much as most African children can expect to get: this amounts to learning to read and write in the vernacular; learning simple English reading and writing; elementary arithmetic; nature study; and "local history and geography" (in the words of the department's report). Reducing the numbers in schools but increasing the standard of education would be a less popular, but more sensible policy.

The new approach to the "native question" in Southern Rhodesia adds up to what may one day be seen as the last, and the quaintest, of African fallacies. South Africa tried apartheid; the Belgians tried building up a black middle class (but stifling politics); Southern Rhodesia is trying both, and adding "the removal of pinpricks." This, in South Africa today, would be radical; if applied in Southern Rhodesia some years ago it might



have come in time to smooth over the bitterness of the inevitable transition to African rule. In Rhodesia, in 1961, it is tragically out of date.

In their hearts, many thinking white Southern Rhodesians realise this, and it is this that makes them so angry and so despairing. The colony's settlers have been forced into what they consider to be extreme liberalism by the combined pressure of Britain's withdrawal from Africa and local African politicians. In terms of the thinking of the fifties, white Southern Rhodesians have lately made some advances towards the partnership promised at the time of federation. But Africa is far ahead of them. They are often righteous, and often indignant, and somewhat understandably so, feeling that they have done so much and got no thanks for it. With fury at the outside world, they ask, "How far do they expect us to go? Must we marry them?"

The real struggle is yet to come. Africans are determined that they shall rule; Europeans determined that power shall remain in "civilised" hands. The prime minister, Sir Edgar Whitehead, can only allow himself to be forced forward at the pace his voters will stand: the right-wing Dominion party, with about half the voters on its side, is waiting in the wings. Sir Roy Welensky is unwilling to lead opinion (he more than any other Rhodesian could do it), and he fears the diehards in his own party. The referendum on the proposed new constitution is only a few months away, and its outcome is highly uncertain. Whites view the proposed bill of rights plus 15 black MP's in a previously all-white Parliament as a final concession; blacks call the deal by which the constitution was drawn up a "sell-out." In the rest of British Africa, Britain has broken the settler power and gradually handed it over to the Africans. In Southern Rhodesia Britain could do the same thing only if it were prepared to nullify Southern Rhodesia's constitution: a practical impossibility. Both sides must rely on their own resources in the struggle for power; therein lies the danger.

IF there is danger ahead, it has been made worse by the state of Southern Rhodesia's economy. The official estimate is that 80,000 urban Africans are unemployed. The figure is growing daily. Many offices are empty, and business morale has never been lower. Plans for the biggest new skyscraper of them all—it would have cost £1½ million and been 30 storeys high—were shelved "indefinitely" at the beginning of April, and Salisbury's architects and builders called it the "final blow." With nothing to do but attend political meetings, the young men in the townships are in a troublesome mood.

Political leaders in Southern Rhodesia are not all of a high calibre. The best men from the European community go into business or the professions; parliamentarians and administrators must be chosen from the rest. The best Africans are in professions, although most of them have one foot in politics too. But the leaders of the National Democratic party, the African nationalist party, are not drawn from the cream of the black intelligentsia. This is not to say that there are not able men in the NDP. But the party's organisation is not as efficient as the organisation of its counterparts in Nyasaland and Northern Rhodesia (where Colonial Office control has meant more freedom to organise) and the main weapon of African nationalism—the threat of bringing the country to a standstill—is not as securely in NDP hands as it is in others. The leadership is divided, and only a sense of the seriousness of the situation has prevented a split.

But the fact cannot be escaped that the situation has not seemed so serious to the colony's black doctors and legal men and journalists that they have felt a call to full-time participation in politics. These men, who have cars, houses, high level conversation and an eye on the future, place their professions first. Yet they are not selfish men: the pull of conflicting opportunities is the result of the "removal of pinpricks" policy.

Two misconceptions need to be explained. One is that the rural Africans (who are in the majority) are not interested in "politics"; the other is that Southern Rhodesian Africans want federation because they believe they will be helped to advance to independence by being associated with two black states (Nyasaland and Northern Rhodesia) to the North. One National Democratic party leader, the Rev. Ndabaningi Sithole (a leading theorist of black nationalism) answers these misconceptions by telling the tale of the tribesmen and the snake.

In the rural areas of Southern Rhodesia—where there has been some unrest during the past few months—tribesmen object to the policies of cattle culling and land husbandry introduced by white agricultural officers. This has nothing to do with African nationalism, but the tribal elders, who have some years experience of white administration, will say that it is the tail of the snake that is "killing" them; the head of the snake is in Salisbury. That is when they lead their people to meetings of the nationalists—which are banned in the reserves but are held on the borders. That, says the Rev. Sithole, is where urban politics and rural grievances merge.

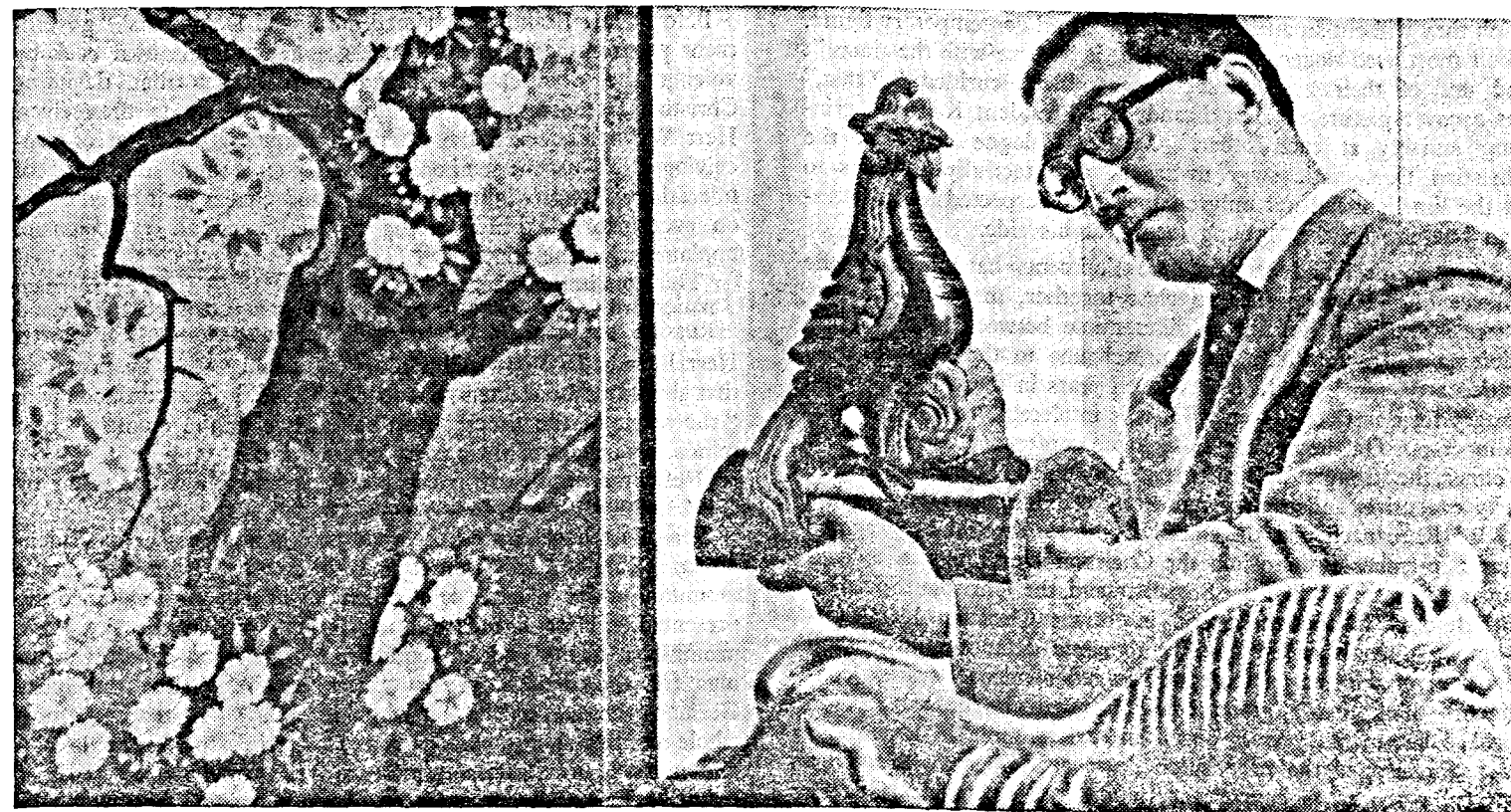
The nationalists will also explain their case against federation: that, even in Southern Rhodesia, it strengthens the hand of the white politicians, who have two governments—federal and Southern Rhodesian—to use against the black man. Southern Rhodesian nationalists call themselves "Zimbabweans," after the ruins. Unless the direction of Rhodesian politics changes unexpectedly, the feeling in Southern Rhodesia is that the Zimbabwe ruins, like Salisbury's skyscrapers, will be out of the federation before long.

## German Parties Prepare

FROM OUR BONN CORRESPONDENT

WEST GERMANY'S two major political parties, the Christian Democrats and the Social Democrats, have opened their campaigns for the September elections to the fourth Bundestag. In Cologne two weeks ago, at the end of a four-day extraordinary party conference, Dr Adenauer read out the Christian Democrats' 450-word election manifesto. ("A silly word, manifesto," he remarked waywardly at a press conference afterwards, to the vexation of the publicity men.) And in Bonn next morning, at a party ceremony that lasted only three hours, Burgomaster Brandt, the Social Democrats' candidate for the chancellorship, announced his party's "government programme." Save that it runs to some 8,000 words, it is not strikingly different from the Christian Democrats' declaration. Indeed, the competing catalogues of future bounty contain many identical items, ranging from the stability of the world in general and of domestic prices in particular, to more homes and playing fields, speed and safety on the roads, cleaner rivers, and an urban air fit for humans to breathe.

Dr Adenauer has since withdrawn to Cadenabbia for a fortnight's rest before coping with President de Gaulle in Bonn on May 19th. He does not intend to do any more serious electioneering himself before July 16th, when he is to address a big rally at Dortmund, for him the first of some forty speaking engagements between then and polling day on September 17th. In the meantime the lesser luminaries of both parties will be keeping their causes in the public eye. They have especially in mind the three million or so persons between the ages of 21 and 25 who will be voting for the first time, and who, they believe, may appreciably influence the outcome. With their 47-year-old alternative to the 85-year-old chancellor, the Social Democrats like to



Tokyo 10.00 p.m.

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think they will cut an attractively dashing and contemporary figure. Their most used slogan at the moment is "Move with the times"; and one of their first illustrated pamphlets, entitled "Trust," has a cover picture of Herr Brandt and President Kennedy grinning amiably at each other. At the Cologne congress, the Christian Democratic stage managers were tactfully at pains to let the limelight fall not only on the world-respected elder statesman but also on the "young team" at his side.

Since political and economic developments have brought the policies of the two parties so close together, many of the new voters may find it difficult to differentiate between them. Their dilemma will not be altogether unwelcome to the Social Democratic party, which is sick of its eleven years in the wilderness and hungry for a taste of power. But it is intolerable to the Christian Democrats. On the eve of the Cologne conference, Herr Herbert Wehner, the strongest political personality on the Social Democratic party executive, and the most restless, had intimated in a speech at Bad Kreuznach that the Social Democrats would be prepared after September 17th to join the Christian Democrats in a coalition government—"like the Socialists and the Christian Socialists in Belgium." Although several important Christian Democrats—among them Herr Strauss, the dynamic defence minister and chairman of the party's more or less independent Bavarian contingent—think that a grand coalition might be desirable, even perhaps before the year is out if there is trouble in Berlin, Dr Adenauer slapped the proposition down at Cologne with such a scornful gusto as to convey that it was too preposterous to be conceivable, at any rate in his lifetime.

DR ADENAUER is never more himself than when he is taunting the Social Democrats with their failure to win federal elections. He conspicuously enjoyed answering Herr Wehner, who he pretended he did not know how to describe except as "the leader of the Social Democrats," thus mischievously belittling both his particular antagonist, Herr Brandt, and the titular party chairman, Herr Ollenhauer. The chancellor claimed that the warmth of his recent reception in the United States was really a tribute to the German people for having had the good sense to support his efforts to identify the Federal Republic unreservedly with the emerging Atlantic community. Recapitulating the stages by which sovereignty had been restored and then secured by fostering economic and military integration with the West, Dr Adenauer pointed out that the Social Democrats had opposed these processes at every stage. Since it had taken them eleven years to discover they had been wrong and to admit it, they had obviously disqualified themselves from having a say in running the country now. The chancellor's lofty confidence—he ignored the possibility of having to govern with the help of the Free Democrats—set the tone of the whole conference.

The specialists of his "team"—notably Dr von Brentano, Herr Strauss, and Professor Erhard—reaffirmed their policies with a like air of the rectitude that is engendered by success; and although more time was given than at past conferences to common delegates to contribute to the discussion, no grievances were aired in public, nor awkward questions asked. The misgivings that some party members expressed in private about the chancellor's apparent complacency at successes that are confined to west Germany's western relations, or about his enduring silence on the subject of his own retirement, were obliterated for the moment by the prevailing collective optimism. In projecting the rather deceptive dual image of Adenauer and Erhard, and repeating the simple shibboleth "No experiments," the Christian Democrats apparently see the surest way of persuading the electorate to return them to power for another four years. They are probably right.

Before Herr Brandt proclaimed the Social Democrats' "government programme," Herr Wehner got a bit of his own back by voicing the doubts concerning Dr Adenauer that deviating Christian Democrats had thought it best to keep to themselves. Herr Wehner accused the Christian Democratic Union of conceiving itself as the embodiment of people and state, and of tolerating in its proximity only such small parties as it could count on eventually absorbing. And he detonated an explosion of applause when he added:

This totalitarian claim is fateful for our nation. The German nation will disintegrate if on one side of the divided Fatherland Russian state concepts are practised, and on the other Portuguese. Herr Brandt, too, was at his most convincing when he promised that should he be elected chancellor he would, in accordance with "the spirit of the times," turn for advice to the country's best minds, regardless of their party sympathies:

Nobody on this earth is capable of governing a nation solely by the method of solitary decisions.

This must have nettled the venerable holiday-maker at Cadenabbia. But he will assuredly take comfort from the ample ammunition for debate with which he has been simultaneously presented. Herr Brandt did not promise pie in the sky. He promised it in the Federal Republic in 1962—and generous helpings for the undeveloped countries, as well. For the lucky Germans there would be longer paid holidays (the minimum of a whole month by 1965), higher pensions, television sets for the old, and more of this kind. A price council would peg the cost of living. The unpopular taxes on coffee, tea and sugar would be swept away. Dr Adenauer must be getting ready to ask some dry questions.

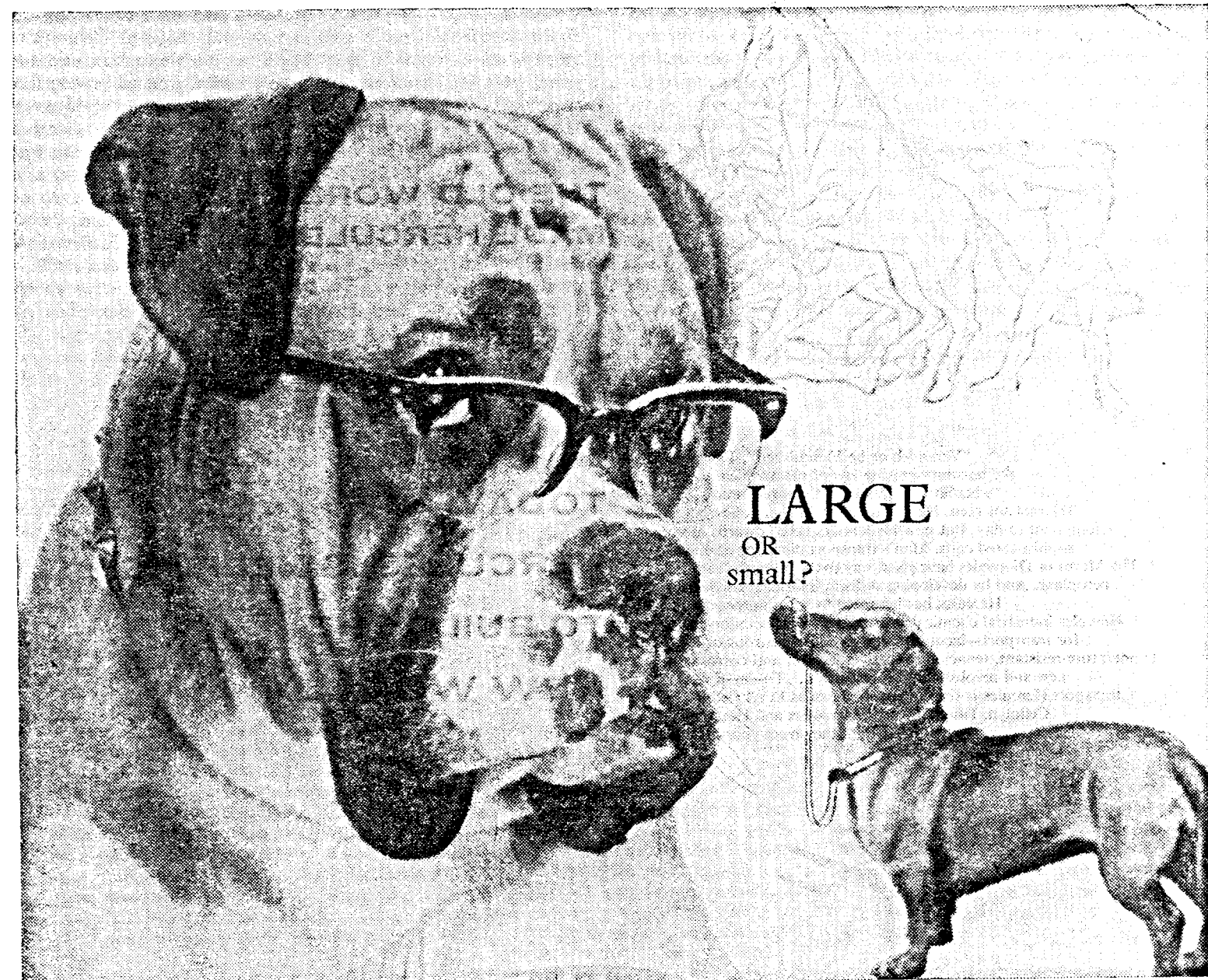
## French Anticlimax

FROM OUR PARIS CORRESPONDENT

"THIS man finds himself only in the hour of crisis." The comment by a liberal Frenchman is symptomatic of the mood of anticlimax that has followed General de Gaulle's broadcast to the nation on Monday. The disappointment was greatest among those who, swayed by the drama of recent events, sincerely believed that the general's triumph would be followed in quick succession by the solution of the problem of the French army, the settlement of the Algerian war and a rapid revival of political life in France. They expected bold plans and clear directives. They heard scarcely anything new.

The one relative novelty in the speech was brought in at the end, when President de Gaulle referred to the need for turning the "plan of national development" into a "crucial institution." Here the trouble is that the ambiguity of gaullist political language reaches its greatest heights when any matter of economic terminology is involved. France has had a *Commissariat Général du Plan* ever since 1946. As if to emphasise the planners' subservience to orthodox financing, this body was recently removed from the control of the prime minister to that of the ministry of finance. General de Gaulle's new emphasis on planning could mean a change of policy, the rejection of the orthodox line followed by M. Pinay and more recently by M. Baumgartner, and a conversion to more active government intervention in economic matters. It could, but nothing in General de Gaulle's actual words warrants the assertion that it will.

Another possibility is that General de Gaulle will try to kill several birds with one stone. The Senate, which cannot be dissolved as the lower house can, has tried to put up some show of opposition to the government. The transformation of the Senate into a body including representatives of science, economics employers' associations and trade unions could both remove the



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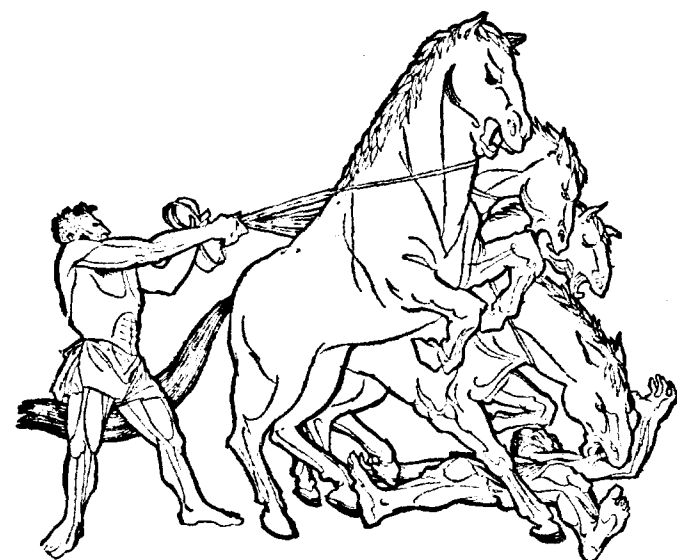
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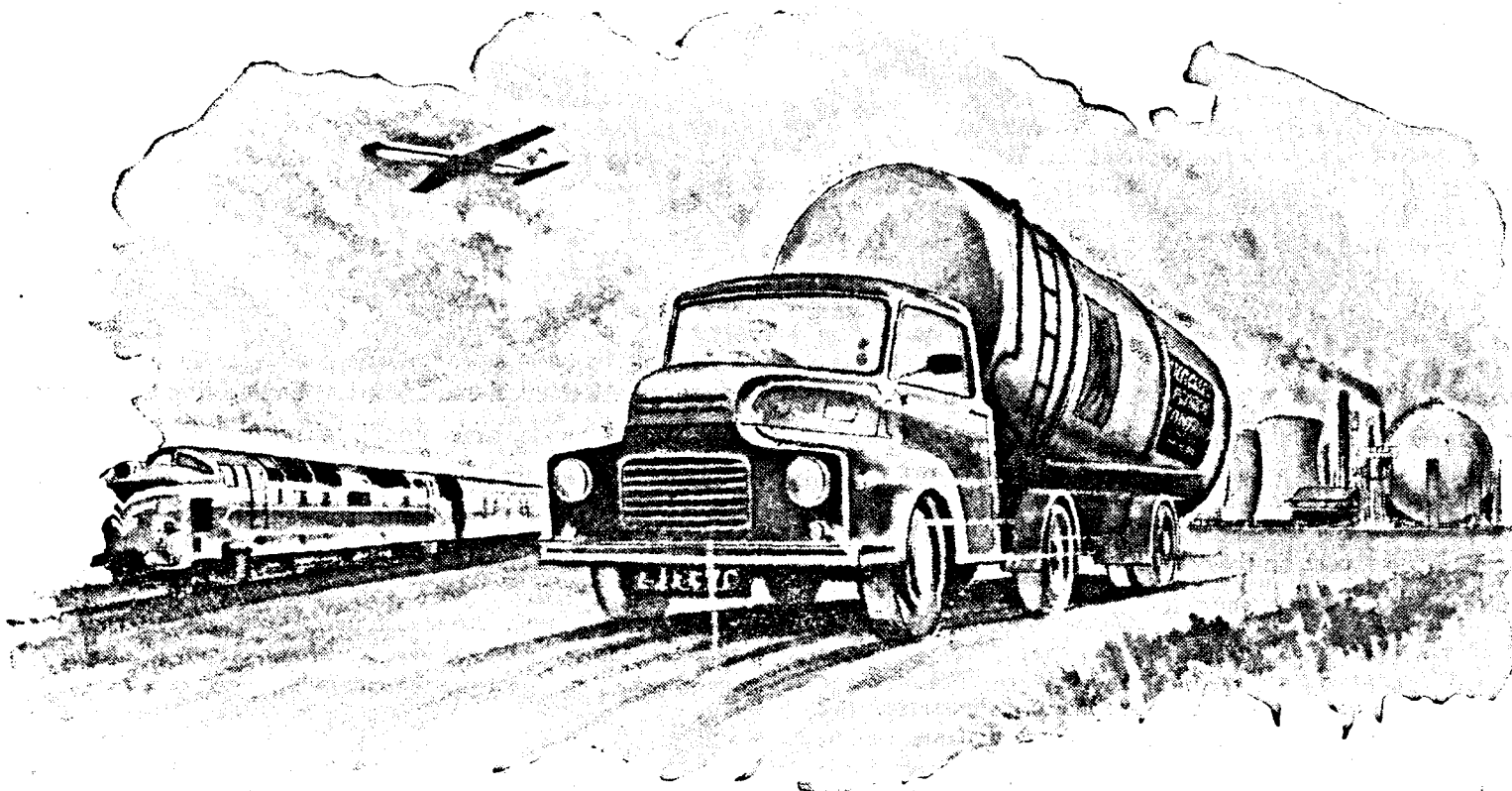
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small political obstacle and give flesh to the old corporative ideas of the Gaullist Rally (the RPF).

President de Gaulle gave no indication of any intention to change the constitution. He did not reveal what he wants to do with the full powers he now holds, or how long he intends to keep them. Even his assessment of the crisis of April 22nd was somewhat enigmatic. At one point he mentioned it as an "incident" which was overcome thanks to the loyalty "of the whole" of the army and the administration. In another passage, he stressed the need to re-establish the authority of the state over both its "secular arm" and its civil service. The logic falls short of being Aristotelian.

What was most awaited in the speech, however, was the President's analysis of the prospects of bringing the Algerian war to an end; and here, contrary to expectation, General de Gaulle

offered nothing new. He repeated his willingness to discuss the future with the Moslem rebels—but with all shades of Algerian opinion as well. He stated once more the menacing alternatives of association with France and partition of the country. He warned the Algerian government-in-exile that if it does not agree to the terms of association at the forthcoming conference at Evian, the new Algerian state will be erected without it. Thus the familiar, by now rather shop-soiled, argument of an Algerian third force has been revived for the occasion.

If the insurgents had been looking for a pretext to avoid negotiations, they could have found it without difficulty in the tone and contents of the speech. But the prevailing view is that Monday's speech was simply for public consumption. On Wednesday it was in fact announced in both Paris and Tunis that talks would begin in Evian on May 20th. The key question now is what France's

## Italia '61

FROM OUR SPECIAL CORRESPONDENT

THE International Labour Exhibition in Turin (which will be open until November) celebrates Italy's centenary of national union and presents the theme of a hundred years of technological and social progress. It is an architectural marvel and—in parts at least—a didactic *tour de force*. But it is no *kermesse*; it calls for an elevated frame of mind and an uncomfortable degree of concentration.

The Hall of Labour, Pier Luigi Nervi's gigantic temple of concrete, steel and glass, is best seen at night when artificial light picks out the ribbing which sustains the roof. Sixteen colossal columns, marching four by four, uphold a roof of huge square slabs resting on, or rather contained within, steel ribs radiating from the summit of each column. Light penetrates between these squares, since every column and its "capital" is a self-contained unit. The effect, suggestive of an Egyptian temple, is majestic.

The temporary interior structure, by another famous architect, Gio Ponti, maintains the Egyptian theme in the angle of the 36-foot wall, which encloses the central pavilions in an irregular geometrical design. It is plated with aluminium covered with an abstract design symbolising man's tools. Although this internal structure interrupts the march of Nervi's columns it has a beauty of its own, while above and between its sections a diagonal of the wonderful pillars is visible from every point of the building.

The content of this extraordinary temple is frankly didactic. A number of countries, and international organisations such as the United Nations, the European Community and the International Labour Office, have each been invited to illustrate a particular subject: communications, sources of energy, automation, and the like. The idea is to illustrate development in the last hundred years, as well as to take a look at the future. Naturally, some contributors have used more imagination

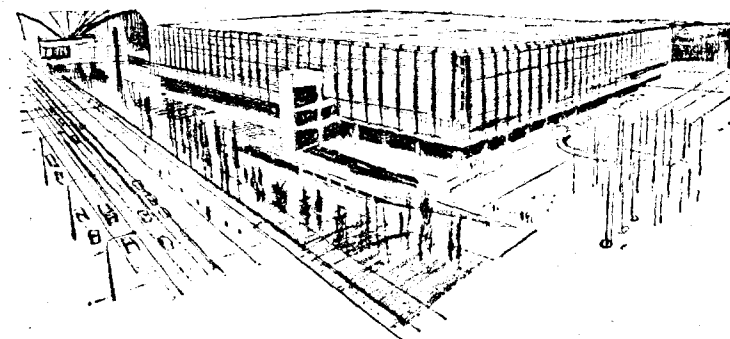
or taken more pains than others. One of the best pavilions is the British, which deals with scientific research. The United States section explains by graphs and diagrams, with the help of light and sound, how man proceeded from the exploration of his own brain to the construction of the electronic computer. The Americans are masters of this sort of painless pedagogy, and it was nobody's fault that, on the day your correspondent visited it, some valves were not working in the apparatus, as well as in your correspondent's own, far from electronic, brain.

In the Russian section one sees how automation has reduced the work of an iron foundry to a press-button operation performed by a nattily dressed gentleman in a screened cabin. A Russian film demonstrates how the space suit prevents an astronaut's blood from boiling in the stratosphere. When it comes to taking a look at the future, there is an evident reluctance of the exhibitors to give away the secrets of their intentions. Future prospects tend to be dealt with on the pseudo-scientific adventure story level, a genre the Italians call *fanta-scienza*.

Another inhibition is perceptible. The organisers of the exhibition set out to show how social improvement follows technological progress. But the omissions suggest that labour organisation is still a sensitive subject; with the ILO stand as a conspicuous exception, the exhibitors, particularly in the central Italian section, tend to suggest that social benefits have fallen like the gentle rain from heaven. The ILO sec-

tion, tucked away in the interior recesses of the central bastion, corrects this impression with a touching display of early labour documents and pictures of some historic strikes. The inhibition affects even the otherwise admirable separate pavilion of the Italian ministry of labour. This illustrates the story of labour legislation in Italy and the present very complex system of health and accident insurance. At the entry to the pavilion stand the impressive and still moving words of the *Rerum Novarum*, Leo XIII's encyclical on the just remuneration and treatment of workers. There follow some clauses of the Italian constitution concerning labour, but not the two celebrated clauses, 39 and 40, which establish the freedom and rights of trade unions—though Italy, as the central panel reminds us, is a "republic founded upon labour."

Outside the hall of labour, but within the exhibition grounds, Italian unity is celebrated in a series of enchanting pavilions near the river. These illustrate the characteristics and particular problems of Italy's nineteen regions. One can also make a lightning tour of the Italian peninsula by means of a nine-panel circular film, produced by Disney and presented by Fiat. This device rushes you by road, plane and helicopter on a breathless voyage to the beauty spots and the centres of industrial progress. If the regional pavilions suggest that economic unity is still lacking, Circarama offers the assurance that unity by communications, at least, is on the way.



terms for association are going to be. General de Gaulle's broadcast suggests, if anything, that the terms may have stiffened in the last three weeks. This could be a bad omen for Evian.

## Dr Salazar and the Barons

FROM A CORRESPONDENT LATELY IN LISBON

THE ease with which Dr Salazar disposed of last month's attempted coup against him suggests that his foot is still firmly on Portugal's neck. But the Angolan crisis may possibly be supplying, at last, the extra factor that has always been necessary if the opposition is to have a real chance of removing him. The story of the plot (which has still not been reported in Portugal) throws some light on this.

It was, in one sense, a ludicrous affair. The minister of national defence, General Julio Moniz, the minister of the army, and other leaders of the armed services, presented the prime minister with a forty-eight-hour ultimatum to hand over power to a junta headed by General Moniz. Dr Salazar, who had had wind of the generals' move, in return gave them all 24 hours to resign. This the plotters dutifully did, making no attempt to resist or to call out their troops. Dr Salazar took over the defence ministry himself and sacked several senior commanders and staff officers; he also took the opportunity to replace the minister of overseas territories who was in poor health. The changes were not inconvenient for Dr Salazar, since they provided him with scapegoats for the sudden worsening of the Angolan situation; he claimed, quite correctly, that the people responsible for Angola's security had been taken completely by surprise by the scale and ferocity of the terrorism (described in *The Economist* of May 6th, page 549).

In fact the "plotters" were anything but liberals, and their chief motive was dissatisfaction with Dr Salazar's own handling of the Angola crisis. They knew that there had been virtually no attempt to shore up the Portuguese position in Angola after the first major attacks on February 5th, and Dr Salazar still seemed to be a victim of his own contention that the whole trouble was due to Congolese infiltrators, and not to the dissidence of the entire Bakongo tribe in Northern Angola. It was not until the attempted coup that the prime minister started to send out reinforcements that were remotely adequate. The campaign against the rebels is now likely to become terrifyingly harsh when the tropical rainy season has ended. Dr Salazar has thus annexed the policy of his scapegoats, and recreated the image of himself as a strong man.

It has long been held that the army was the one power capable of overthrowing Dr Salazar in Portugal. But the laughable ease with which its plot was squashed seems to belie this. The army is only about 30,000 strong; its officer corps is of low grade and largely without political conviction of any sort. Its members seem more concerned to preserve their privileges, such as they are, than to act as arbiters of the country's destiny. Any serious opposition among its senior leaders is therefore isolated; in any case, senior service positions are political appointments within Dr Salazar's own gift.

Possible centres of opposition or resistance have therefore to be sought elsewhere. But while there is wide popular discontent it is without a focus. No public opposition party is allowed. All members of the National Assembly support the government; the press is so severely censored that it reads like a parody of government handouts; and PIDE, the secret police, eradicates all public expression of opposition, with or without the co-operation of the public prosecutor. With no access to any unbiased source of information, and no experience of political parties, it is small wonder that the Portuguese peasants and manual labourers are unsophisticated about politics. Dr Salazar's sympathisers argue

that the public understanding of political issues is so low that the only alternative to the dictator would be a saviour-figure on the Castro model.

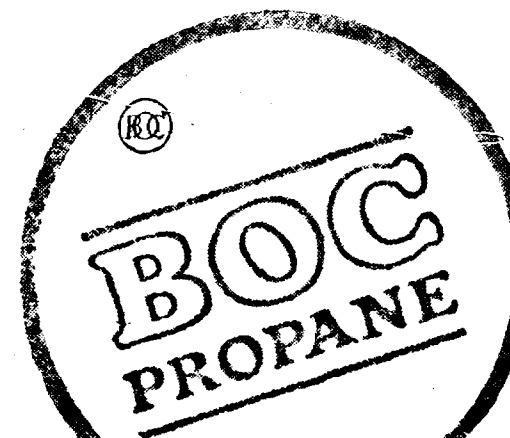
But since Dr Salazar claims credit for everything that is done in Portugal, he also gets much of the blame for what goes wrong. Those who have not done well out of the regime were highly responsive to General Delgado's campaign in the 1958 election, for all that he is generally thought to be a paper tiger and palpably incompetent to run Portugal. In the ludicrously short time that he was allowed, he campaigned almost entirely on a personal basis against Dr Salazar. According to the government figures he gained 23 per cent of the votes, but in private it is admitted that he won at least a third. The opposition, and even some government supporters in their cups, say that the votes split 70-30 in favour of General Delgado.

But the liberal or democratic socialist opposition has very few means of tapping the grassroots discontent that these figures suggest. The Church does not have the overriding position that it has in Spain, and although some of its leaders, like the Bishop of Oporto—who had to leave the country as a result—have expressed public criticism, the greater part of the Church fears a return to the pre-1926 persecutions. Until about five years ago, therefore, only the anti-clericals and the communists provided active opposition. The latter are probably still the strongest organisation. But there have recently been successful attempts to bring together the liberal Catholic and socialist oppositions. These do not hope to overthrow Dr Salazar themselves, but they do hope to profit by any take-over of power that may occur. Their programme, if they ever gain power, is not likely to be over-radical.

Thus, in default of a Portuguese Castro, the chief threat to Dr Salazar at present comes from the small and immensely wealthy group of monopolists who have so far been the chief gainers from, and supporters of, the regime. But any change of this kind would be in the nature of a palace revolution; it would not involve the masses, or the tiny middle class, and would not at first lead to any change of policy. (The name most frequently mentioned as a replacement is that of Dr Marcelo Caetano, the former minister of the Presidency, who now runs Lisbon University.) The removal of Dr Salazar, however, would produce an irremediable crack in the whole system. And if it becomes evident that the present policy in Angola is going to be disastrous—and there is no sign that it will not be—this could stimulate the business men into supporting the removal of Dr Salazar.

IF this happened, the big business men would not only be the main sufferers from the international isolation that an all-out colonial war could lead to, but they would have to pay for a war that Portugal simply cannot finance out of ordinary revenues. Thus, while the large companies may at the moment support Dr Salazar's determination to fight for the *status quo* in Africa, the first sign that this is a hopeless task might be the signal for a move against him. It will be interesting to see whether the Krupp concern, which is planning to invest heavily in the iron-ore deposits of southern Angola, will be dissuaded, together with other foreign investors, from taking the risk without a change of Portuguese policy.

When assessing Angola's potentialities as an Achilles heel it must be remembered that most of the Portuguese immigrants into Angola in the past ten years—who have more than doubled the European population—have been poor whites. Removed from the strict hand of the regime in metropolitan Portugal, the settlers have been ripe for opposition themselves. It was no accident that Senhor Galvão chose Angola as his destination in the Santa Maria. For the moment the settlers' mood is chastened by the wave of black African violence. But if Lisbon's present policy fails a separatist movement will be a possibility.



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## AMERICAN SURVEY

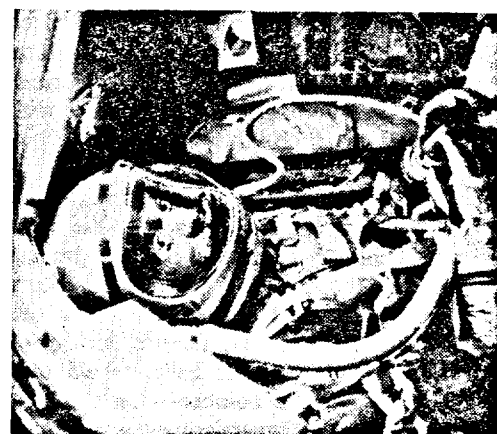
AMERICAN SURVEY is prepared partly in the United States, partly in London. Those items which are written in the United States carry an indication to that effect; all others are the work of the editorial staff in London.

### Our Man in Space

TOGETHER the massive publicity given to Commander Shepard's parabola in space and the modesty and intelligence of the astronaut himself made a propaganda triumph out of a short flight which came a poor second, in scientific achievement as well as in time, to the Russian Major Gagarin's orbit of the earth. With every television set and every newspaper following the flight in detail all Americans felt that they had a proud part in Commander Shepard's success. With every detail being given of the astronaut's hard and intellectual training, of his space capsule, of the flight itself and of the safety precautions, the sympathies and admiration of people all over the world—or at least, over that part of it which was allowed to hear the story—were captured as the Russian secrecy prevented them from being by Major Gagarin's more impressive accomplishment. The gamble of allowing full press coverage of what was obviously a risky undertaking has thus paid off impressively, with the help of the restraint of the official reception in Washington where enthusiasm was not drowned in ballyhoo. In that enthusiasm there was a large measure of relief that, after all the frustrations of the last few weeks, the United States had had a genuine success—and in a typically American way.

Commander Shepard was not a mere passenger into space, as the Russian seems to have been, but a pilot performing tasks which were not essential on this occasion but which will be on later, longer, space trips. To find out how a man would react in space was indeed the chief purpose of this particular flight; it was made when the scientists were ready to obtain this information, not when the propagandists needed the flight for purposes of prestige. In fact, the National Aeronautics and Space Administration has been criticised for refusing to hurry its orderly scientific research or to change its plans in the interests of America's reputation abroad. To emphasise the routine nature of last week's flight, Commander Shepard and his fellow astronauts are already back at work, preparing for the next space trip, probably in June, with an orbital flight coming perhaps before the end of the year. President Kennedy himself showed less interest in speeding up space projects after he took office than he had during the election campaign. But even before last week's success he had evidently decided that more money could be spent usefully on such projects: so had many members of Congress. Mr Kennedy is now expected to cash in on the new assurance by asking for an increase of some \$600 million, about 25 per cent, in next year's budget for space.

Like everyone else, the President is said to be looking for ideas



which would put the United States ahead of the Russians in space, not just in research—communications and meteorological satellites—as it is already, but in spectacular ways that catch the world's imagination. The obvious opportunity is that of landing a man on the moon, but there the difficulty, quite apart from the expense estimated at something approaching \$40 billion, is America's lack of the powerful booster rockets with which the Russians have excelled. Big new liquid-fuelled rockets are coming, but not for years. The question now is whether solid-fuelled or nuclear-propelled rockets with the necessary thrust could be ready sooner, if more effort and money were concentrated on them; many experts think that they could.

### New Brooms in the Pentagon

WASHINGTON, DC

THOSE who fear that the forthcoming talks between President Kennedy and President de Gaulle may not go very smoothly might notice that there is at any rate one subject on which they have much in common: this, oddly enough, is the disciplining of generals. Both favour the firm hand, although so far President Kennedy has not actually provoked a *coup d'état* from the opposite shore of the Potomac River. There stands the vast bulk of the Pentagon building which houses the Department of Defence, and which is now sizzling with the resentment of muzzled generals. It may be too soon to say that they will never assert themselves again, for they have powerful allies; but the days when they could pontificate on American foreign policy in press interviews seem to be over. The burning question now is how far they will be allowed to go in laying down strategy or even in deciding what weapons they need.

There are two strands in the struggle between the White House and the Pentagon over civilian control of defence policy which need to be disentangled if this intriguing situation is to be understood. The first, and uppermost, of these is the simple question of security, which became a public issue after the Cuban fiasco was blamed partly on the way in which the press blew the gaff; this provided the President with a useful red herring for heading off recriminations. But calculated breakdowns in security, clearly designed to sabotage the Administration's changes in military emphasis, had caused the wires between the White House and the Pentagon to run hot long before this occurred. This second strand in the struggle gave the Secretary of Defence an opportunity to show that he was boss.

With the President's backing, Mr McNamara clamped down mercilessly, even wielding his disciplinary powers over senior officers, a few of whom have been posted to undesirable places. The military reacted with an old tactic—overzealousness in carrying out orders. For months now even the most respected defence correspondents have found it extremely hard to get any information beyond hand-outs; in addition, the many universities and special organisations that work on defence problems have failed to get the clearance which is normally given for scientific and other papers after all secret material has been excised. This, as the generals planned, produced keen discontent which would probably

have boiled over, with the press needling Congress into intervening, had not the mismanagement of the Cuban affair confused the security issue.

The real reason behind the new toughness toward the press is professional anxiety over a more serious issue than loose-mouthed admirals. It is the determination of Mr McNamara, and the team of civilian experts which he has installed in the Pentagon, completely to overhaul strategy, weapons and military organisation to the extent, some generals feel, of taking these out of professional hands almost entirely. President Kennedy's revisions to his predecessor's defence budget hinted at this. The revisions were set out as a programme (or, to use the new phrase, as a "programme-package") with cogent reasons being supplied why some projects should be expanded and others (notably the B-70 and atomic bombers) discontinued. The emphasis was placed not on the first cost of any programme, but on its total cost over five years, to point up the vast and growing expense of modern systems of weapons. This emphasised the necessity of choosing early and decisively between possible systems, on the basis of their total cost, possible overlapping and ultimate military purposes.

One of the advocates of this hard-headed, cost-aware, task-conscious approach to the problems of military choice is Mr Charles Hitch, who is now comptroller of the defence budget, a little-known but key position in the Pentagon; his recent book,\* which is a manual for Chiefs of Staff, sets out the necessity of choosing between alternatives according to economic and military criteria that he lays down. Mr Hitch points out that, if the slap-happy starting of new defence projects to serve a single purpose without regard to the ultimate side-effects goes on, the defence budget might go up from \$40 billion in 1960 to \$65 billion or even \$75 billion in 1965. This rigorous logic is not wholly alien to the generals or to Congress, but nevertheless their tendency has been to order—or approve—weapons on a basis of need, even if for only one purpose, of availability, and of estimates of first-year costs; the result has been a wasteful process of cutting back later at the comptroller's desk.

Mr McNamara has set up over a hundred military committees to answer promptly and precisely specific questionnaires from his civilian executives on weaponry, organisation and operations. Several of the replies have been sent back twice and thrice as irrelevant, illogical and unthought through, with an explosive effect on military blood pressure. Dilatory and evasive replies to amateurish questions from civilians has been the technique by which the Pentagon has kept decisions in military hands; hence it was said that a new Secretary of Defence took ten months merely to learn his job. But Mr McNamara, Mr Hitch and a score of others are not amateurs and have won several arguments already, making allies as well as enemies in the Pentagon in the process.

WHAT makes the situation so piquant is that these new brooms may also sweep away from the Pentagon's door the theory that a huge and invincible "industrial-military complex" is over-influencing national policy. On his last day in office President Eisenhower warned the country of this sinister ascendancy, exerted through lobbying in the Pentagon and in Congress by the hundred-odd big defence contractors and the network of sub-contractors which touches almost every part of the economy. There is circumstantial evidence for this theory; President Eisenhower was frustrated by his inability to keep defence costs down. But the real reasons for this lay in faulty procedures at the Pentagon. The defence budget is too complicated and uncommunicative either for congressional committees to criticise and control it or for them to perceive its economic consequences over a period of time. Thus they, and everyone else, surrendered

\* The Economics of Defence in the Nuclear Age. By Charles J. Hitch and Roland N. McKinn. Harvard University Press. London: Oxford University Press. 422 pages. 45s.

to the plea that modern weapons could not be evaluated in the former way; and some spleen was directed against the various independent civilian research organisations which were employed by the defence departments to wrestle with these problems, but whose recommendations, it was alleged, were responsible in part for the unending rise in military complexities and costs.

But in the event it is precisely "operational analysts" from these organisations, serving Mr Kennedy on "as-long-as-wanted" contracts, who may come to the rescue; eminent among them is Mr Hitch himself. They gave Mr Kennedy his insight into strategic and military issues during the election campaign; in his expanded missile and anti-missile programmes they have their reward. They believe that they will bring order and logic into military programming and harmonise it with budgetary planning, the absence of which has led to waste, lack of control and military elephantiasis. But in so doing, many brass-hats complain, these civilian experts under-rate professional experience disastrously.

The next round, moreover, may lie with the generals. Congressional hearings on the defence budget have begun. The generals are required to speak up, and they will; the discontented press is prompting Congressmen to ask the questions which the generals want asked. So far the Armed Services Committees of both Houses of Congress have upheld the decision to cut back the B-70 supersonic bomber—that this should be recommended was one of Mr McNamara's successes—though the committees want more B-52 and B-58 bombers than he does. But the military complex is strong and its professional prestige—as distinct perhaps from that of the actual Chiefs of Staff—rose after the Cuban fiasco. The new brooms will not have it all their own way.

## Nixon out of the West

SIX months after his narrow defeat in last November's presidential election Mr Nixon came back from California last week to celebrate the end of his rival's first hundred days in office with a series of political speeches. He concentrated on the Middle West, the heartland of the Republican party, where many politicians argue that his defeat last year was his own fault, that he could have won with a tougher campaign, the region which sends to Washington the congressional leaders who are working so hard to implant a reactionary image of the Republican party on the minds of the voters. For this tour was the beginning of Mr Nixon's bid to take over in practice what is his in theory, the leadership of the party, never an easy thing for a defeated candidate to do, especially when he has no political base—a State Governorship, a Senate seat—from which to work. For the present the conservatives are his most active rivals and he is convinced that, if they are allowed to dominate the party, then all hope is gone that the Republicans may regain the Presidency or even win next year's congressional elections, their immediate objective.

It is too soon to judge how successful Mr Nixon was in bearding the conservatives in their own dens but he was received with old-time enthusiasm by the party's rank and file. With the end of the new President's honeymoon allowance he felt free to criticise Mr Kennedy; but so far Mr Kennedy's failures have been in foreign affairs, where bipartisanship is now a tradition of responsible statesmanship, and particularly in Cuba, where the Eisenhower Administration had begun what turned out to be a disastrous expedition. Then the successful space flight not only pushed up the President's already booming popularity but also stole Mr Nixon's headlines. However, spicing his usual cleverness with sarcasm, he found what seemed to be an effective way out, suggesting that the Cuban failure was evidence of the immaturity and lack of judgment which he had noticed in Mr Kennedy during the election campaign. His main line of attack was that the new Administration was falling



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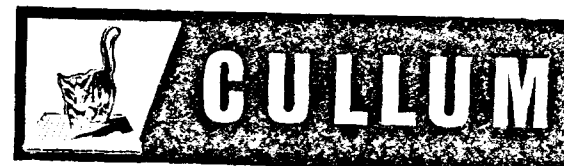
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far behind in implementing its promises as well as proposing to spend on "soothing" social welfare programmes at home huge sums of money which should be spent on national security and foreign aid—a courageous challenge in an area where unemployment is heavy and isolationism strong.

## *Ethical Jungle*

THE President's message on conflicts of interest, which he sent to Congress at the end of April, is the first comprehensive attack any President has ever made on the problem of ensuring integrity in government service. It is much overdue, as the scandals during the Truman and Eisenhower Administrations showed. The existing laws in this field are an over-grown jungle of out-dated statutes and special exemptions. In important respects they fail to protect the government but at the same time—because they treat experts brought in temporarily from outside as career civil servants—they make it difficult and sometimes impossible for the government to obtain special talents which it needs. Five of the seven conflict-of-interest laws were enacted before 1873; they were drawn up without regard to each other and fail to take account of new problems and complexities.

The clearest example of this is the fact that, while it is illegal for a government employee to use his official position to advance against the government a claim in which he has an interest when this involves property or money, the whole sensitive area of applications for television licences, air routes, sites for electric power plants—which are tremendously valuable—is ignored completely. Yet neither a part-time consultant to the government nor his partner nor his firm may handle any claim against the government; for two years after he leaves the government service his freedom to practice his own profession is limited. This makes it almost impossible to recruit lawyers or accountants, whose firms usually have tax cases in hand. Mr Kennedy wants to repeal these restrictions and substitute a permanent ban on government employees "switching sides" on any issue which they dealt with while they were employed in Washington. The Administration also hopes to introduce uniform standards—and more humane ones—for temporary civil servants with rights to private pensions, and share bonuses and with holdings of shares in companies which do business with the government.

One of the thorniest problems concerns the independent agencies. It is how to preserve their right to acquire information about the industries which they regulate without leaving them open to influence when they are acting in a judicial capacity. Mr Kennedy would forbid any private contacts with members on issues which are supposed to be settled solely on the basis of a formal hearing. But for this the agreement of Congress, which prizes its right to advance the interests of constituents, is necessary. Mr Kennedy did not make the mistake of suggesting that many government servants are venal and he noted, with a pointed reference to the conspiracy to fix prices of the electrical equipment industry, that it is hard for the government to require perfect rectitude when businessmen are flouting the law and tax-payers are fiddling expenses.

## *Reuther on Trial*

FROM A CORRESPONDENT IN DETROIT

MR WALTER REUTHER, the president of the United Automobile Workers' union, is facing a testing time. What happens in the next few months may either make him the most important trade union leader in the country or limit the influence which he has today. It is no secret that Mr Reuther is thoroughly dis-

enchanted with the merger of the Congress of Industrial Organizations, of which he was the head, with the American Federation of Labour to form the AFL-CIO, which is led by Mr Meany, formerly of the AFL. Mr Reuther thinks that the new group has not come to grips with the jurisdictional quarrels between the craft unions of the old AFL and the industry-wide unions of the CIO. He also thinks that the AFL-CIO has been dilatory in bringing unorganised workers into unions and in fighting racial discrimination, particularly strong in craft unions.

Mr Reuther now heads the Industrial Union Department of the AFL-CIO, which is composed principally of former CIO unions. His irritation with the construction, or building trades, units of the old AFL boils down to one simple issue: jobs. When a big factory makes changes to accommodate new machinery or turn out new products, who is to do the work—the industrial union which has the plant under contract or outside craft unions of carpenters, riggers and electricians? Leaders of the industrial unions feel so strongly about this question that there are gloomy predictions that the federation of the AFL-CIO cannot last.

But Mr Reuther must win his own battle in Detroit before he can challenge Mr Meany's leadership of the federation. The contract that Mr Reuther negotiated with the motor-car companies in 1958 expires at the end of August. Negotiations will begin late in June or early July and Mr Reuther's prestige is at stake. If he does not get what appears to be a good deal for the 1,250,000 members of his own union, how can he speak loudly in the inner councils of the labour movement?

THE negotiations between the UAW and the Ford Motor Company, the General Motors Corporation and the Chrysler Corporation (which will be going on separately but simultaneously if previous practices are followed), and with the two smaller motor firms will be the most important of any trade union bargaining in the United States this year. One reason for this, apart from the key position of the industry, is the size of Mr Reuther's union and the other important industries beside motor cars whose workers it represents. Another is that the forceful and dynamic Mr Reuther admits freely that he has no interest in being the kind of trade union leader who is concerned only with such things as wages and hours. He wants his union to be an engine of social, political and economic reform.

In the past—assisted for reasons of their own by General Motors and Ford—he has accomplished a great deal. In 1948 he won a wage agreement which provided that the automobile workers' hourly rate of pay would rise with the cost-of-living index and which gave them automatic increases in wages each year as their share in the return from rising productivity. In 1949-50 Mr Reuther won pensions for workers. In 1955 he persuaded the employers to supplement the unemployment benefits paid by the state. But Mr Reuther stubbed his toe in 1958. The country was undergoing a severe economic recession and sales of cars were the lowest in ten years. Moreover, he had no major social or political goal that could capture imaginations and the "Big Three"—GM, Ford and Chrysler—joined forces for the first time. In reciting the gains of the union under his stewardship Mr Reuther does not mention 1958.

This year, as he approaches the negotiations, he must feel very much as he did three years ago. True, the country is pulling out of the latest economic recession, but sales of cars are not going to be exciting; they will probably be the lowest in the past decade, with the exception of 1952 and 1958. And, once again, Mr Reuther has no new, dramatic platform. There is really only one goal for him this year: more jobs. While it is usual to speak of 1,250,000 members of the UAW, in actual fact several hundred thousand of these men are retired, so that the working members of the UAW at any one time are likely to be less than 1 million,

and at present several hundred thousand of these are unemployed.

For years a militant group of UAW members has been preaching that the only answer to automation and structural unemployment is a shorter work week. Just before the union's convention last month that doctrine crystallised into the attractive slogan of "30-40-60": 30 hours of work a week for 40 hours pay, and retirement on full pension at 60 years of age (under present agreements a worker sacrifices part of his pension if he retires at 60 instead of 65). The UAW is a democratic organisation, but Mr Reuther is a master tactician. He managed to avoid being saddled with a demand for what amounts to an increase of 33½ per cent in wages and one which would be ridiculed by the employers. Instead Mr Reuther got what he wanted out of his special convention: a flexible bargaining programme, including a shorter work week without any reduction in pay, but no number of hours of work specified; longer holidays; early retirement; a ban on contracting for outsiders to do repair and reconstruction work inside the plants (aimed, of course, at the building trades unions); control on overtime (without which, obviously a short work week would not increase employment at all); fully-paid health benefits; and annual salaries for production workers, instead of hourly wages—an idea which was supposed to excite Mr Reuther's followers inside and outside the union but which was greeted, rather surprisingly, with boredom.



No Captive Audience

If these seem to be routine trade union requests, lacking the drama and fire of the Reuther programmes of old, it is because Mr Reuther's thoughts are really directed at Washington. He is more and more convinced that he has about come to the end of the social gains which can be extracted from the companies alone. He would like a national law setting the work week at 40 hours only when full employment prevails. When unemployment rises, the work week would drop until full employment returned. The workers would still be paid for 40 hours—from a fund financed by a new tax. He would also like such things as a programme to retrain and educate unemployed unskilled workers; a national health scheme for the aged; some restrictions on where new plants may be built; and government help to establish international "fair labour standards" so that there would be penalties on imported goods made under what the UAW feels are sub-standard conditions.

What are his chances? Practically none at this session of Congress and his prospects of winning a new labour contract embracing all of his "flexible programme" are not much better. With the present contracts expiring at the end of the current model year the car companies will be under little pressure to reach a settlement in order to avoid a strike. Yet to keep his prestige intact Mr Reuther needs new contracts that can at least be made to look good. Last month, outside the hall where the UAW delegates were meeting, a picket carrying a sign walked slowly

back and forth. This was not unusual, as the union has many strong-minded members. But this man's sign was worth a second glance and a second thought, for it read: "Wake up, Reuther. The job you save may be your own."

## Udall the Second

LAST week Mr Morris Udall won the right to represent Arizona's Second District in Congress, a right which his brother, Mr Stewart Udall, had to resign when he became Secretary of the Interior. The family's reputation as the state's greatest political clan is thus maintained. The grandfather of the two came into Arizona in a covered wagon before it became a state in 1912; their father was its Chief Justice, and other members of the tribe have been prominent in public life. But Mr Morris Udall had to fight for his inheritance and came close to losing it, in spite of his name; he won only 51 per cent of the light vote, partly because his brother in Washington had just ruled, in a most unbrotherly way, that squatters must move off federal land along the Colorado River in the Second District.

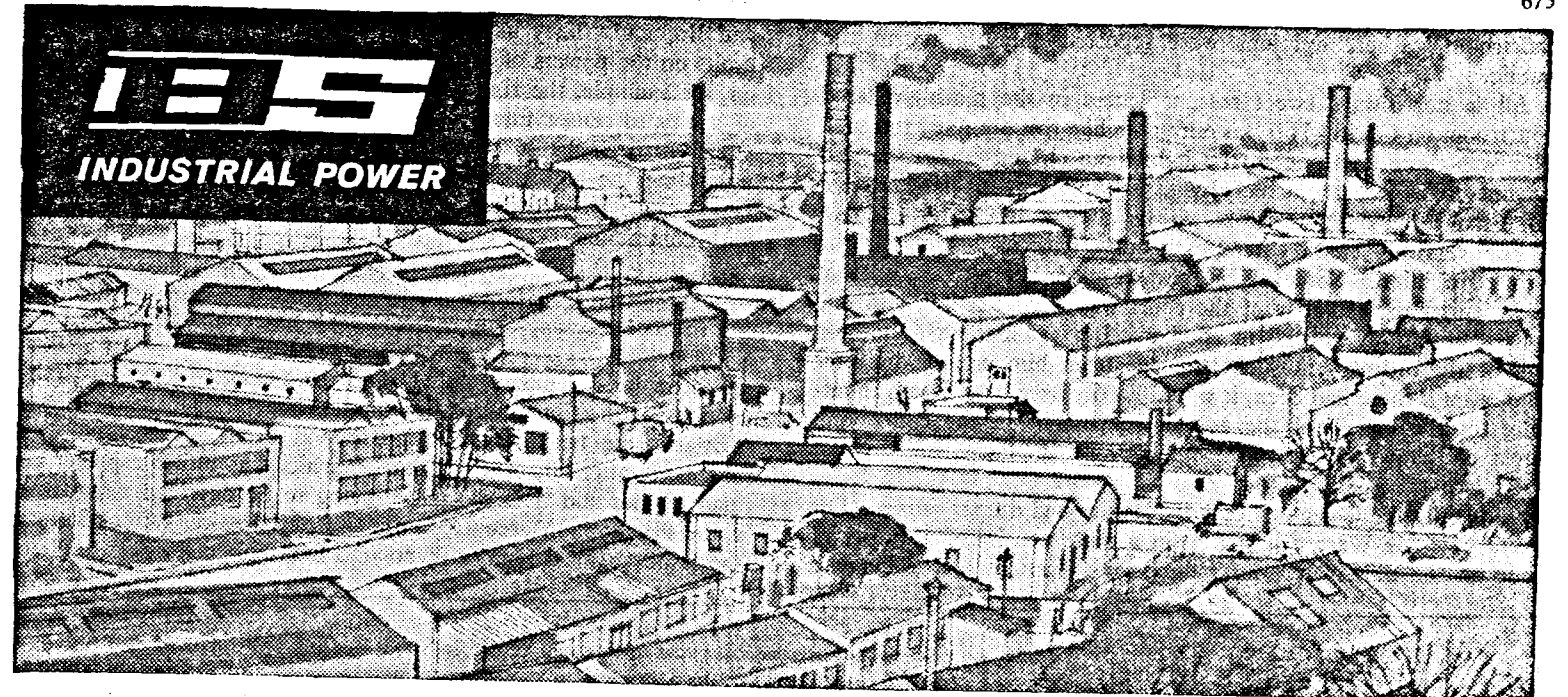
Nonetheless, Democrats are relieved that a fairly liberal Democrat has been able to beard Senator Goldwater, the Republican prophet of the new conservatism, in his own lair. Traditionally Arizona is supposed to be a Democratic state, but there is a conservative wind blowing in the West and Arizona, which attracts so many wealthy northerners in search of sun and space, is particularly susceptible to this. Many residents of Arizona are "Goldwater Democrats." The state voted Republican in the last three presidential elections and last year it elected a Republican Governor. During the campaign Mr Halleck, the Republican leader of the House of Representatives, struck a blow for his party's candidate, Mr Matheson, by promising him, if he won, a seat on the House Interior Committee; this deals with irrigation, public lands, mining, parks, Indians and other matters close to Arizona's heart.

Republicans must wish now that they had exerted a little more effort in a contest that turned into a straight battle over President Kennedy's new frontier. Mr Matheson dispensed the pure milk of Goldwater conservatism from his dusty station wagon: he deplored the inflationary irresponsible programme of the Democrats and demanded lower taxes. Mr Udall, flying over Arizona's vast empty spaces in a small aircraft (the Second District takes in the whole state except for Maricopa County, in which Phoenix is situated), defended medical care for the aged, a higher minimum wage, and aid to education—all on condition that the budget was balanced. Both candidates, incidentally, are Mormons.

## Clash in Court

FROM A CORRESPONDENT IN WASHINGTON

LIKE most appellate courts in the United States, the Supreme Court hands down its opinions in printed form. But, unlike most of them, it retains the custom of stating its opinions orally from the bench. Usually this is a routine affair; the Justice who has written the opinion of the Court summarises it aloud and the authors of any dissenting or concurring opinions then state their views briefly. But twice in recent weeks the routine has been broken sharply. The Chief Justice, Mr Warren, took violent exception each time to an oral dissent delivered by Mr Justice Frankfurter. He charged Mr Frankfurter with deviating from his written opinion and, in the more recent episode, arising out of the grant of a new trial to a man convicted of murder, Mr Warren criticised the tone of the dissent; it was, he said, "a closing argument by a prosecutor to the jury," and might have been "properly made, perhaps, in the conference room (of the Court) but not in the

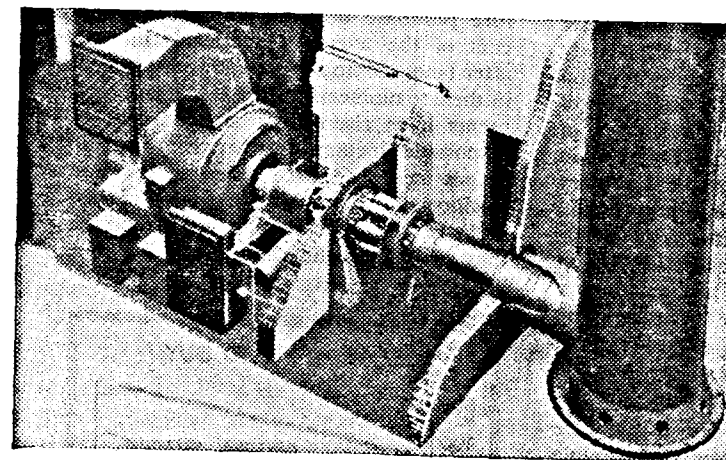


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*... your electricity can cost you much less!*

### YOUR PROBLEM IS INESCAPABLE...

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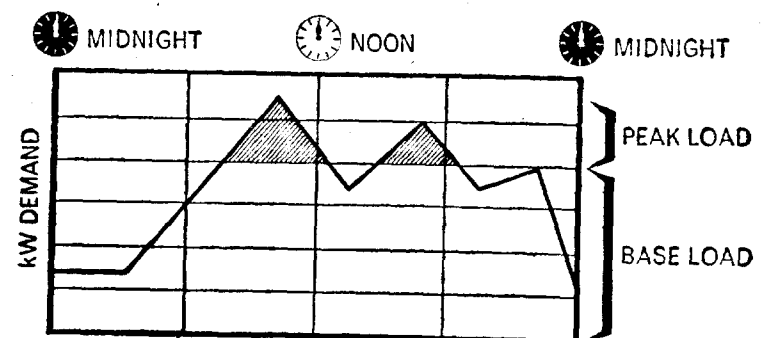
The Bristol Siddeley 3,000 kW turbo-generator is a reliable power source which radically reduces peak-load charges for a lower capital outlay than any other installation.

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courtroom," where opinions were reported only to inform the public.

All is not always sweet reasonableness in the marble-pillared courtroom on Capitol Hill but outbursts like this are most unusual. Nor was there anything in the immediate circumstances that led anyone to expect the Chief Justice's explosion. It is true that Mr Frankfurter did not read his written dissent, but he never does; he delivers his views extemporaneously without looking at the printed opinion. Some of his phrases were sharp; he said that the view of the majority of the court was "indefensible" in one case, "absolutely novel" in another. But again there is nothing out of the ordinary in such language from him or any dissenter and, even if there had been, it would hardly have been worth rebutting for the benefit of the 200 or so persons in the courtroom, most of them tourists. Oral opinions are unofficial and are not recorded.

Evidently the Chief Justice's displeasure had deeper causes. For years now Mr Warren has been in a quite consistent minority of four on the nine-man Court, along with Justices Black, Douglas

and Brennan. They have seen in the Constitution much stricter limits on the powers of government than have their five colleagues on, for example, the rights of Congress to question witnesses and of a city to censor films. In his dissent on the very day of the Chief Justice's latest explosion Justice Black called a decision, upholding the power of the states to bar a man from practising law because he would not answer questions about possible links with communism, just one

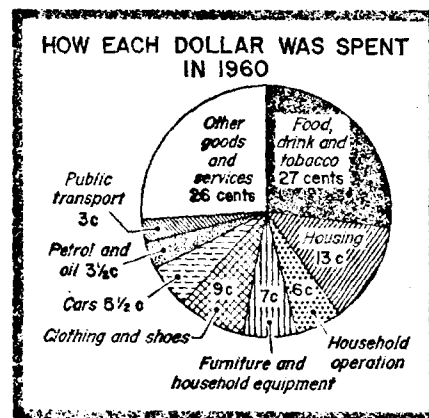
in an ever-lengthening line of cases in which individual liberty to think, speak, write, associate and petition is being abridged in a manner precisely contrary to the explicit commands of the First Amendment.

If a majority regularly fails to find these asserted "explicit commands" in the Constitution, it is understandable that the dissenters may become frustrated, passionate and even bitter. They are members, after all, of an institution which has ultimate power on many issues and it is the more trying to be outvoted when that is the situation. Moreover, Supreme Court Justices cannot discuss the issues before them with anyone but their colleagues and, to

## Consumers' Choice

SINCE the war the steadiness, not to say the voraciousness, of the buying habits of Americans—and the stability of their incomes—have done much to moderate the severity of recessions and now once more the consumer is being looked to for a sharp push toward higher levels of prosperity. He should have both cash and credit to spare for the job. In the first three months of this year incomes, after taxes had been paid, fell by \$1 billion at seasonally adjusted annual rates, but spending declined by \$1.8 billion; saving rose to 7.9 per cent of disposable income compared with 6.8 per cent a year earlier. The amount of instalment credit outstanding is still about \$250 million lower, after seasonal adjustment, than it was at the end of 1960.

If the past is any guide the steady upward march in living standards should be resumed soon. People generally spend

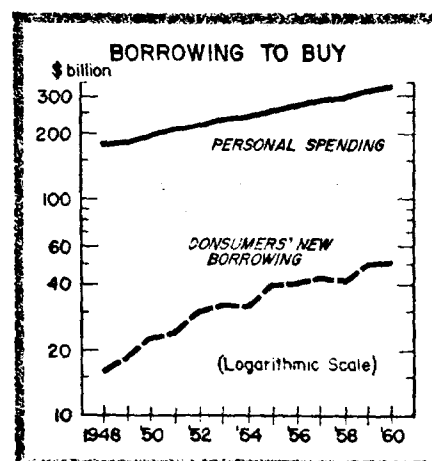
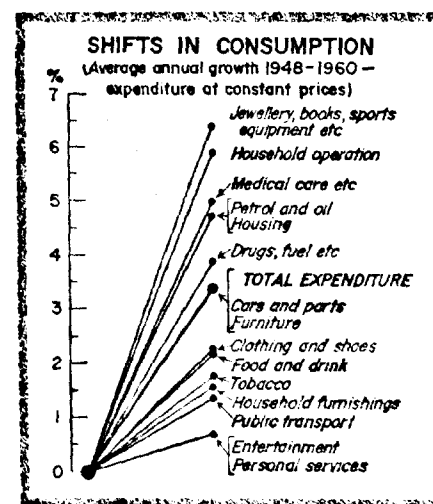


about 92 or 93 per cent of what they have left after paying their taxes; this disposable income has been rising consistently since 1948—the base year adopted for a study of the changing pattern of consumption published in the January, 1961, issue of the Department of Commerce's *Survey of Current Business*. (Other information in this article is drawn from the February and April issues of the same publication.) After adjustment for changes in prices the \$328 billion which Americans spent on themselves last year is 50 per cent higher than their expenditures in 1948; spending a head was 22 per cent greater. Such "real" expenditures have grown by 3.4 per cent a year on the average.

Compared with 1948, when people were still restocking after the war, non-durable goods now take only 47 per cent as against 55 per cent of the total; services 40 per cent as against 32 per cent; the proportion devoted to durable goods has remained at about 13 per cent. But if allowance is made for changes in prices the switch to services, which have become so costly, is less impressive; in real terms spending on them has increased only fractionally faster each year than spending on durable goods. For example Americans enjoy better housing and medical care than they

did in 1948, but the cost has gone up disproportionately because of the end of rent control and the rise in medical costs. Some services, moreover, are falling behind the average rate of growth—public transport (the victim of the private motor car); entertainment (spectator occupations are being shouldered aside by hobbies, television and such amusements as boating); and even personal services (though more is spent in the beauty shops, the arrival of drip-dry clothes has hurt the laundries and dry-cleaning establishments).

The other great change has come in methods of financing consumption. As the chart below shows, spending has not even doubled since 1948, but new consumer borrowing is over three times as great. The result is that the servicing of hire purchase debt now absorbs 13 per cent of the average American's income, after taxes, compared with 6 to 8 per cent in the late nineteen-forties. Mortgage payments have risen from 2.5 per cent of disposable income twelve years ago to 5 per cent. Unlike housebuyers and businessmen consumers have never had great trouble in obtaining credit, though they seldom benefit when money is cheap.



## PROFITS TAKE A BOW

Bowing is so deep-rooted a form of greeting in Japan that a businessman may find himself bowing during a telephone conversation.

An increasing stream of buyers is being greeted at Mitsubishi Shoji these days. This is because word is getting around of the high profits in trade with Japan. The quality products of this country's industry are finding wider and wider markets.

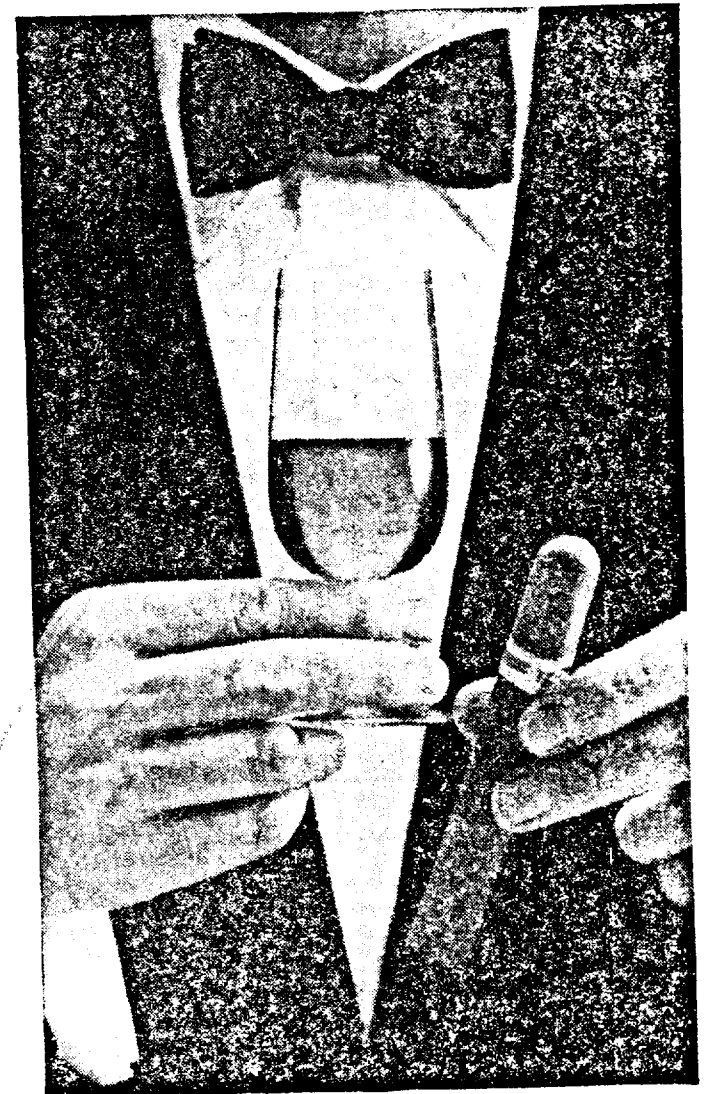
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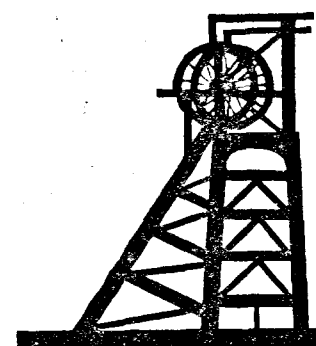
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# THE BUSINESS WORLD



## Coal without Protection?

*The Government are convinced that it was perfectly right to take the measures that they did take in the face of the particular fuel facts of the last few years. As the Committee knows, there was a ban on coal imports except from the sterling area; there were severe restrictions on oil from the Soviet bloc. . . .*—Mr Richard Wood, Minister of Power, House of Commons, 20th February, 1961.

*An application by the Steel Company of Wales to import American coking coal was refused last November. The company subsequently renewed its application and made further representations on the subject, which I am now considering. . . . I am considering the important issues involved in this case with my Rt Hon friend, the Minister of Power.*—Mr Reginald Maudling, President of the Board of Trade, House of Commons, 11th May, 1961.

A FEW weeks after the Government effectively increased the protection of British coal against the competition of one cheaper imported fuel—by a duty on fuel oil which Mr Wood has pretended is simply for revenue—it has had to decide whether to reduce coal's protection against another. The application for a licence to import American coal was first put in by the Steel Company of Wales last October, after an increase in the price of all coal that discriminated against the iron and steel industry in particular by charging it more than the gas industry for identical carbonisation coals, and against most industrial users generally by charging too little of the increase on to large coal and too much on to other grades. It was peculiarly embarrassing for the Government, then as now. Then it was embarrassing because it is believed to have been the Government that made the National Coal Board tip the balance of the increase off large coal, used in the home, and on to the railways, on to industry. Today it is again embarrassing because it is presumably the duty imposed in the budget on fuel oil, and indeed on all the oily mixtures burned in steel-making, whether they come from petroleum or coal originally, that has naturally provoked Sir Julian Pöde into renewing his test application for imports. Departmentally, there are embarrassments too. Mr

Maudling, who has been talking, very firmly, about making British industries competitive by reducing their protection, is formally at least responsible for the decision to licence or not to licence imports. Mr Wood, who ten weeks ago, in the debate cited above, was defending the policy that included this ban on imports on the grounds that

completely unfettered competition in the fuel field would endanger our energy supplies in the long run

heads the department responsible for coal—but also for steel. And if Mr Robens, from one wing, has been arguing that large and continued imports of American coal to Britain would soon push up transatlantic freights and make the cif price of American coking coal as high as the Board's own, has not the Iron and Steel Board, offering "advice of a confidential character," been urging upon the Minister the importance of the availability of fuel to British steelmakers "at prices that are competitive with those secured by other steelmakers abroad"? There should be no haste, however, to gloat over the ungainly postures of these ministers. Anyone who knows anything of the issues concerned must share their discomfort.

SIR JULIAN PÖDE has not disclosed how much coal he wants to import, or the fob price plus freight rate at which he could land it in South Wales. Those facts are his business, but in appealing for public support he would have been wiser to make them public. His company was first quoted as saying that it could get American coking coal for 16s. a ton cheaper than the most expensive British coking coal that it was buying; the next day Sir Julian doubled this margin, saying American imports would be 30s. a ton cheaper—which would surely imply that imports would be cheaper than all the coking coal he is getting? On the Baltic Exchange brokers have been inclined to guess that the first statement was based on the rate at which the company could have obtained tonnage on time charter, while Sir Julian, later, was quoting spot freight rates. Outside quotations suggest that one could today land American coking coal for, say, \$13.35 a ton, or £4 17s.—i.e. \$9.60 fob Hampton Roads, plus \$3.75 spot freight across the Atlantic. On a three-year contract, say, one might have to pay about \$15, or say £5 10s. a ton for it. And this is good coking coal, steady in quality, unlike the pretty odd, sulphurous mixtures that the Coal Board sometimes delivers to British steelworks nowadays.

There are certain fascinating technical economic and political ramifications of fuel for steel making upon which one could dwell. The oil duty, if not absorbed by the oil companies, make oil- and tar-based mixtures less competitive for firing open hearth steel furnaces than say coke-oven gas, but many steelworks are under contract to sell theirs to local gas boards. But as development goes on oxygen will in any case be in a fair way to blow most fuels of all kinds out of fresh capacity for hot-metal steelmaking: oxygen is made mainly out of electricity from the grid, which is made mainly out of coal, but in any case this would shift one of the steel industry's fuel problems on to Sir Christopher Hinton's plate. For large-scale cold-metal shops, electric melting will soon be coming in as a pretty economical direct competitor—usually from the grid, but conceivably generated by steelworks themselves. Fuel oil, even if it has to accept some retreat from the steel furnaces, was by way of edging into iron-making via blast furnace tuyères, though Mr Robens's men have been trying to match it there with techniques for injecting powdered coal—which Steel of Wales would no doubt be glad to use with American coal at Margam. In practice, imported liquid petroleum gases, at present conceivably the cheapest rich fuel in the world—ask the Coal Board—might soon be an even better bet than oil or powdered coal to enrich and to reduce coke requirements in the blast furnace.

As to the quantity concerned in this bid to import, it is not part of Margam's two million tons a year that is in question; it is a substantial proportion of the 23-24 million tons a year that the whole iron and steel industry is now buying from the Coal Board—to start with. For a majority of Britain's major steelworks are on the coast or near enough to the coast to import ore, and most of them, if the Steel of Wales application is granted, are ready with their applications too. It is not very easy to generalise about the competitiveness of American coal for other major consumers in the South. Because a larger proportion of American coal than British is of coking qualities, these do not command as large a premium there as here; so lower-grade coals here might generally compete better with American prices than carbonisation coals. Even so, railway freights put a large margin on to the pithead prices of British coals in many parts of Southern England—from London onwards.

There would be plenty of consumers outside the steel industry who would find it worth while getting quotations for imports, at least. Whether Sir Christopher Hinton would find it worthwhile in the South-West is an interesting question. His oil-firing power stations may have had their costs raised somewhat by the budget, though the Central Electricity Generating Board is probably in a bargaining position to get the oil companies to absorb most of the fuel oil duty. (For that matter, steelworks may be getting them to absorb a major part of it; some of the steel industry's arguments that this duty, along with other charges, has put £2 a ton on to steel costs need not be taken too seriously.)

The only economic questions that need to be asked about this proposal are matters of time. Is there any reason to suppose that American coal landed here will become much more expensive within, say, three years? Very substantial imports by Britain, certainly, would harden Transatlantic freights somewhat, but probably not enough to extinguish all of the American advantage in coals that are particularly expensive and transported a long way by rail here. One would

in any case expect a slow continued hardening in these rates. The American industry, again, has dreams of glory about some vast internal demand for power station coal in the seventies; but there is a lot of cheap capacity to spare, as well as time, between now and then. A change in American import restrictions on oil could alter the fuel picture there, but hardly to coal's advantage; the "national fuel policy" that coalowners there are trying to get adopted might do that, but it would be unlikely to hoist export prices much.

On balance, then, one would expect this imported coal to lose some of its freight advantage anyway, and a good deal more if there were a big demand for imports, of the order of, say, 10-15 million tons a year. What about the chances of bringing British coal costs down within three years, which some would say is the crucial point in the argument? These exist, too, even assuming that miners go on getting more pay. But on the industry's present policies, it would be a lot to expect it to be able to meet American prices in areas far remote from mines for its costlier or less plentiful grades of coal. Mr Robens sometimes says he wants this industry, first, out of the red in two years and, then, on to its competitive feet; and sometimes he talks about a guaranteed market for 200 million tons of coal. He may have the strength and ability, in more ways than one, to achieve both objectives; but they are not the same or necessarily even compatible. On the other hand, a complete dismantlement of protection for British coal now might remove any chance of reaching his first objective, which is the right one.

BRITISH steelmakers are certainly entitled to expect to get their fuel at medium-run competitive prices—to take the formula on which they themselves generally explain their own inflexibility in prices. They have never cut their prices significantly in the short recessions they have run into since the war; on the other hand, steel has come out of its recessions, and has not become much less competitive. They have also, however, enjoyed tariff protection and central planning themselves for years, and it has not made them very inefficient. At the least, the steelmakers could fairly argue that their suppliers should not enjoy more protection than they do themselves (Sir Julian is perhaps carrying the ball this time because the tariff on sheet steel, as it happens, is temporarily in suspense). Steel is a customer that the coal industry ought to be prepared to make big efforts not to lose; if it does, indeed, it raises questions not only about the viability of a coal industry in Britain but also of a steel industry here.

One possible expedient, if these are customers that Mr Robens believes in the medium run an efficient British coal industry ought to be able to keep, would be an immediate shift in prices that corrected some of the discrimination that was widened last September. If the board were to cut prices to some of the industrial customers that matter most to it (and which can no longer be treated as captive customers) and then balance this by increases to railways and the domestic consumer, upon which the Coal Board still probably lavishes too much cossetting concern, it would at least show willing (though the Government would have to show willing first). The board is already planning to get coking coal opencast in South Wales for the Newport steelworks; an extension of this cheaper method of coal getting, particularly for steel, would not be popular with the miners but it would be another

move to show the steel industry that British coal has some hope of becoming competitive again.

If one could trust any National Coal Board to act primarily as a central coal supply organisation rather than a promoter of indigenous coal production, there could be another expedient, less purely doctrinaire but with some rough justice to it. This would be to give the Coal Board a monopoly of imports for a specifically limited period, say three to five years, after which import licences would be granted freely; to alter its statutory obligations, putting the duty to supply the British consumer with coal at the most economical and competitive prices consistent with security of long-run supply ahead of any duty to keep an indigenous mining industry technically efficient at any given size: and to press Mr Robens to start coal

## Defending the Flock

The advance of synthetic fibres has alarmed those whose living depends on wool. Does wool get too little publicity? Do the industry's problems get too much?

WHETHER or not sheep fed and clothed Britain for centuries, wool is no longer the money spinner that it was for Britain, its older dominions, or blood relations. But wool is still the one major industry in which Britain still leads the world, albeit by a narrowing margin. Wool has sunk deep into the subconscious of the average Briton; only the sea has been a richer source of metaphor and tradition, but as wool promoters ruefully reflect, when it comes to a choice in the shops between wool and synthetics, the advertising appropriations of the synthetic manufacturers can sway a man's loyalty even from a product that is as English as the long-bow. The wool industry likes to exaggerate the scale and effectiveness of this advertising. To be fair, it costs a lot to launch any new product today. The manufacturers of synthetics have had to spend lavishly and use the gimmicks that have exposed them to rumbustious gying in wool circles in order to overcome the prejudice against substitutes and the centuries of goodwill behind natural fibres.

For an industry in a fairly steady state of expansion at most points, these worries appear near to neurosis. In fact, not all the members of the diverse wool industry are equally impressed with the urgency of the challenge, and there is precious little agreement either about what should be done or who should do it. Attitudes range from near despair to mild concern or plain indifference: "There is no longer a wool textile industry in Yorkshire," claims one cynic, "only a textile industry that uses wool." Wool-growers know where they stand, though they do not quite see eye to eye. Manufacturers who have stuck to wool are more resolute than those with mixed allegiance. But the major grievances of the British wool textile industry are unconnected with the outside threat to wool, though they have helped to swell the impression that wool is in some sort of dire distress.

The most immediate problem is the price of wool itself. Wool has mercifully recovered from its steep decline before a committee set up by Australia to examine marketing methods has completed its task. Its recommendation on the central issue at the enquiry—for or against the free marketing of wool—will be a momentous decision for the industry.

prices downward now. Adequate statutory formulae would probably not be beyond the wit of civil servants: they could look for example at the duties placed upon the Iron and Steel Board. Such a compromise might give Sir Julian Pode his coal cheaper than he has it now, at any rate, if not indeed cheaper than he had it before September. It might give Mr Robens a little more room for manoeuvre against competitors, consumers, and coal-miners: but also a chance to hold on to such output as he is convinced in the medium run can be made competitive through mechanisation. It would also mean that if British miners choose to strike against imports of coal won by much higher-paid miners who do a much better job, they would be striking against their employer—not against Sir Julian Pode and the Government, Robens intervening.



Arguments about supported prices are inextricably entangled with the problem of promotion. The British Wool Federation, for instance, has submitted its views to the committee in this vein: the present system has worked reasonably well for growers and users; an official pricing scheme could be positively injurious; a reserve price system could be more trouble than it is worth; wool is underrated and synthetics over-promoted. Its principal recommendation is therefore an intensified drive to sell wool with a rider in favour of more research and development.

THE core of the differences between wool growers lies in the small Australian farmers' inclination towards supported prices and their aversion from meddling in wool promotion. Larger producers want a stronger campaign to sell wool, and do not wish to get tied up in a price support scheme with less efficient growers, which might bring them a disproportionate share of the burden and perhaps even reductions in output. The International Wool Secretariat, now controlled by the Australian growers, is campaigning for a big increase in levies for advertising; the small growers were delaying their decision until the wool marketing commission made its recommendations, but they met the larger growers this week and agreed that the IWS programme should be backed. New Zealand and South Africa already operate a reserve price system at their auctions. If Australia joined them the ring would be virtually complete. It is now almost certain that a stronger selling campaign for wool will eventually be mounted, whoever foots the bill; the question is whether this alone will be enough to achieve the objects of its sponsors.

The right sort of institutional advertising has done wonders for some pretty dull commodities, but how urgent is the need for a campaign in support of wool? In America, where consumers have the widest experience of man-made fibres, consumption of these materials (after making allowance for the growth in population) is still rising fairly consistently. After the postwar boost, consumption of wool has sunk back to prewar levels. Cotton has suffered a decline in its share



of total consumption of the principal textile fibres from almost 88 per cent in 1920 to 65 per cent last year. According to the *Textile Organon*, wool's share fell from 11 to 8 per cent, and man-made fibres captured 27 per cent of the market. The longer life of synthetics adds to the difficulties of the fibres with which it competes, and wool, unlike cotton, also suffers from an inability to capitalise to the full its greatest asset, warmth, in a centrally-heated society. A shift towards light-weight clothing is already under way and still has far to go.

However, in most years, more wool is being used, not less, and methods of cheapening the finished product without appreciably lowering its efficiency should widen the market. Wool is gradually being invested with some of the qualities of synthetics, and science is reaching the point at which it can explain and supplement the skills of the trade. Even so, most growers judge the state of wool not by statistics of population growth and expanding markets, but by price. But, to extend Dr Johnson's observation on the price of eggs in Scotland, wool may seem cheap not because wool is plentiful, or pence are short, but because growers expect too much. The sheep-rearing Commonwealth countries already enjoy high living standards, and their production costs are rising.

UNLIKE many manufacturers, the British Wool Federation maintains that changing wool values are not a serious drawback. Because the industry is unintegrated and therefore prone to inventory cycles at many levels of processing, it is itself responsible for part of the violence of those fluctuations. The British wool industry has its tender spots; the shoddy and mungo trades, like pawnbrokers, tend to be neglected as prosperity increases, and the use of synthetics has raised nasty technical problems for these reclaimers of raw wool. But exports of wool tops have expanded threefold since 1938; this is one sector that has gained from the growth of manufacturing centres abroad.

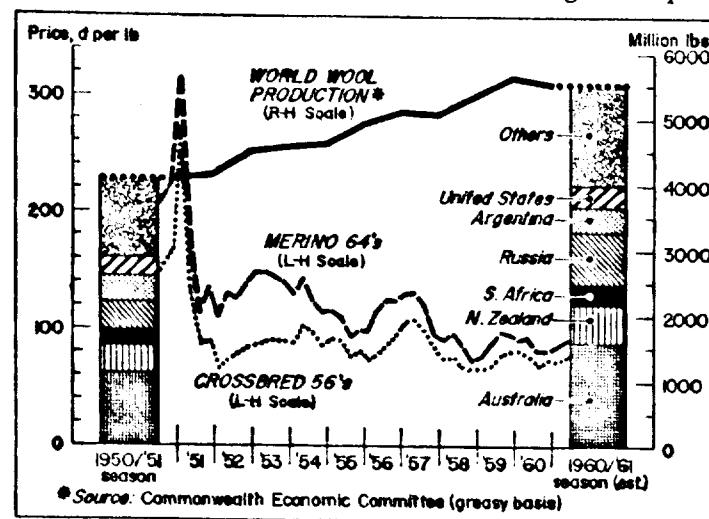
The strength of the Bradford topmakers is their very diversity. For blending yarns, worsted spinners use a great variety of tops of combed and prepared wool, and no one country is ever likely to want a complete Bradford itself. By weight, France's exports of wool yarns are leaving Britain far behind, and Italy has romped past in exports of wool cloth; but in exports of wool tops Britain is still tops and has held on to its share of an expanding market. Topmakers still have problems. Consumption of man-made fibres in topmaking doubled last year; manufacturers are ordering more plant

to handle these fibres and they are actually displacing wool. They account for about a seventh of total consumption in worsted manufacturing and in woollen manufactures more than a quarter. Those unequipped to handle the new business are justifiably anxious in this traditionally overcrowded sector of the industry.

TURNOVER of all fabrics was at a reasonably high level last year. Worsteds sold slightly better than woven woollens, but competition from synthetics held back wool consumption in the expanding hosiery industry. As a whole, the wool industry's exports have hardly grown at all in the past decade, and in the first quarter of 1961 they were under increasing pressure. They therefore account for a decreasing, though still important, proportion of total British exports, today about 6 per cent. Imports are not a source of discomfort: in worsteds, where Britain has a traditional pull (though Japan is a rival), imports are negligible, but imports of woollen fabrics, mostly from Italy, are quantitatively a quarter of British exports.

The burden of the industry's complaints is that, given equal opportunity, it could expand its exports, but when it comes to striking trade agreements, all it gets from government officials is an apologetic, "Sorry, chaps." Following the latest reduction in the internal tariffs of the European Economic Community's common market, Italy will have a 2½ per cent advantage in selling wool cloth to Germany. The industry claims that the averaging of the common external tariff without proper weighting will increase EEC duties on a wide range of exports. Reciprocal cuts offered by the United States as part of an all-round reduction in tariffs do not include wool textiles. Therefore, in the country where the industry has done extremely well and could have been expected to do better, it seems that tariffs will prevent it from achieving its potential. In the American market and elsewhere, the industry faces a sterner tussle with producers like Japan. There is a notion in this industry that a textile industry always degenerates once it is consolidated into large groups; but there is no doubt about the strength of the small number of large Japanese manufacturers in export markets. The British industry claims that the gap maintained between Japanese export and domestic prices amounts to dumping.

In the struggle for exports, Britain slipped back last year. Italy, Japan, France and Belgium each achieved an increase of between 7 and 15 per cent in exports of wool fabrics, while Britain's exports fell by 6 per cent. While total consumption expands, wool growers will not ponder on the loosening link between Commonwealth wool and the British industry. However, despite the overall increases last year, wool consumption in the principal manufacturing countries was in fact steadily declining. Because of the industry's longer pipeline, such statistics have little direct bearing on the prices paid for wool at auctions. Over a longer period, it is clear that increased wool production has depressed prices. That is a situation for which a reserve price system is ill-fitted, though it might effectively smooth out season-to-season fluctuations. If higher prices and expanding production are the aim, a vigorous promotion campaign is vital, and the big Australian pastoral companies are ready to back it. Without matching synthetic fibre groups penny for penny in advertising appropriations, wool sales should get a welcome shot in the arm.



## BUSINESS NOTES

### THE ECONOMY

#### Consumption Turns Up

THERE are several signs that spending is on the increase. First, retail turnover in March was at a record level; the final figures confirm that, seasonal factors apart, sales rose by nearly 3 per cent. Ordinary retail trade takes only about half of consumer spending but, at the same time, at the motor dealers, there was a rush for cars, sufficiently sharp to cause hire purchase debt to rise for the first time in eight months. The check that followed reimposition of official restrictions last spring has been brief.

The exceptionally fine weather in March undoubtedly helped retail business, particularly the clothing and food trades, and the early Easter boosted car sales that month. But the demand for cars still seems fairly firm. Moreover, the March figures suggest that there was a genuine recovery in sales of household goods shops. These sales, which would hardly be affected by Easter, were only 5 per cent lower than a year earlier, compared with decreases of 8 or 9 per cent in the previous two months. Although credit sales had some share in this improvement, it was not sufficient to prevent a further fall, of £3 million, in the debt owed to household goods shops; the rise in total debt came entirely from the transactions of the finance houses. Significantly, in the first quarter of this year, credit sales accounted for only 27 per cent of the total sales of household goods shops, compared with 33 per cent a year ago and 35 per cent two years ago.

The full figures of consumer spending for the final quarter of last year suggest that the tide had already turned then. Discounting seasonal factors, incomes remained virtually constant but consumers' expenditure rose by nearly one per cent; this contrasts with earlier quarters when incomes

had gone ahead of spending. At last, the cushion of personal savings was being used, rather than expanded further. This rise in spending did not reflect an increase in consumption because prices went up a little too. But even a level rate of spending in real terms may seem surprising in view of the slump in durable goods. A little less went on tobacco but more went on most other goods and services—2 per cent more on food and nearly 4 per cent more on drink.

### PAYROLL TAX

#### Backing Down?

WHETHER or not Mr Selwyn Lloyd intended his budget proposal for a payroll tax as a *ballon d'essai*, his Cabinet colleagues are losing no time in puncturing it. Shortly after the budget the Prime Minister consoled a party audience with the reminder that this modest but politically loaded tax on employment might never be imposed. Last weekend Mr Butler went further. Even if it is imposed, "it may not be exactly in the form at present suggested. Hence," he told his farming constituents, "there is a good chance that it will not have to be applied to agriculture this year."

Two days earlier, the Chancellor had himself admitted in the Commons debate on the second reading of the Finance Bill that his proposal suffered from not being able to discriminate between areas and industries. The sole advantage he claimed for it for this year is that no new administrative machine is needed for its collection. The immediate purpose is to have an additional regulator available to withdraw purchasing power if necessary. But since the surcharge on employers' contributions will not even do that—in the short term it will cut private saving, not spending—it is difficult to conceive circumstances in which the government would go through with it. It is now clear that the proposal was a bungled attempt to combine two different objects, regulation of consumer demand in the short term and economy of labour in the long term. Mr Lloyd admitted in last week's debate that if the tax were to be aimed solely at the latter objective, "it might have to be much larger in scale, and also it probably would have to be accompanied by changes in company taxation." It certainly would. One must now hope that the Treasury and the Government have not been frightened off that larger objective by the predictable political protests that have been raised against Mr Lloyd's false start.

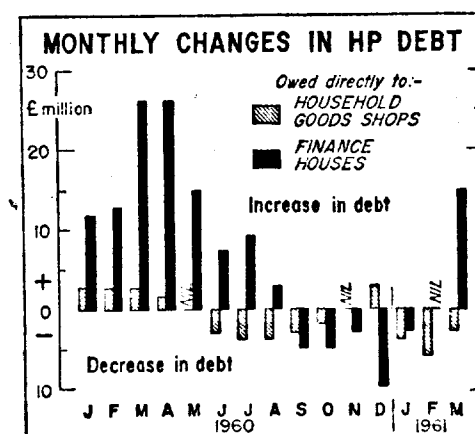
### WATER

#### A New Policy for Water

THE memorandum the Minister of Housing and Local Government has sent to water supply undertakings, river boards, and other bodies outlining his proposals for a reorganisation of this country's arrangements for getting water is, in its essence, commendably radical. By any measure there is enough water about at one time or another in Britain. The problem, which has been growing more rather than less critical, is basically an administrative and engineering one of collecting and distributing it on a sufficiently large scale. Demand for water has long outgrown the ability of the water industry in its present form, still numbering more than a thousand separate authorities, to cope properly. Moreover, innumerable firms, farmers and house-holders abstract water from their own boreholes, or from rivers and canals passing by their property, free of any kind of real co-ordination that considers how private helping yourself affects present and potential supplies for other users.

Mr Brooke proposes to super-impose upon this unco-ordinated patchwork of private and public enterprise a number of what he provisionally calls "water conservation authorities," based broadly upon one or a group of river basins. They will take overall charge of all water supply, both surface and underground, in their areas. Existing water undertakings will remain in being, but river boards will be swallowed up by the new structure. The functions of the new authorities will be very wide. They will be responsible for surveying water resources, estimating future demand, sponsoring or undertaking research, and preparing an overall plan. They will oversee all new development by existing supply undertakings, and themselves carry out any new works they consider necessary. They will control the use of water, both surface and underground, by means of licences (there are to be certain safeguards for those who already abstract water for their own use). They will be able to arrange for transfers of water between each other, control pollution, and will be charged with the land drainage and flood prevention duties. As conservation authorities the new bodies will be expected to be self-financing, by charging water users, and will not be aided by the Exchequer, though their land drainage activities will continue to qualify for Exchequer grants. To help in financing new works they will have power to levy a small precept (a maximum of a penny rate is suggested) on local authorities.

These financial powers are rather vaguely outlined in the memorandum and will need further consideration. Since one of the



most important tasks of the new bodies will be to build major conservation projects, adequate financial powers will be essential: lack of resources is one of the basic weaknesses of the present set-up. Relations between the new bodies and existing water supply undertakings are also not made very clear. In principle the new bodies will have overall executive authority, but in practice local interests can be exceedingly stubborn. Mr Brooke's decision not to create a new central water authority but to leave overall co-ordination and appellate (for the new licensing system) functions with the ministry may be the right one. In this respect his proposals could be criticised as not being radical enough. But while a few parts of the country, Essex and Suffolk for instance, suffer from a genuine dearth of water, in general the problem of tapping the natural supply of water is still one that can best be tackled regionally rather than nationally, given bodies sufficiently large and powerful to handle their own area's needs and to arrange for any necessary exchanges with other areas. Management of river basins, as the memorandum recognises, is the key, for it is from rivers that this country will get the major part of its increased water supply—and it is into these rivers, too, that it is discharging more and more effluent.

#### BAC'S JET

### Not too much . . . not too little

FOR better or worse, the British Aircraft Corporation has now committed itself to building a medium range jet aircraft; it has passed the point of no return. The company has taken nearly two years to reach this decision, during which time its salesmen have tried to interest airlines in big jets, small jets, intermediate jets, any jets, on the principle "you name it, we'll build it." They could have taken orders during those years, but none of them big enough to justify tooling for production. The big fish have nibbled but not taken the bait that BAC first offered, a 2,000-mile-range jet, the VC 11, and the little fish were so small that the company threw them back again into the water. Competition in this field has become hot, with Boeing capturing the big orders in America, and de Havilland the only sizeable order for this type of aircraft likely to come from this country. There is not room for another manufacturer and BAC has reluctantly conceded defeat.

The formula that it has now chosen is, quite simply, a jet replacement for the Viscount, operating up to ranges of 1,000 miles. But air transport has moved on since the first Viscounts appeared and it does not follow that every airline that has ever used Viscounts will now consider buying the new jet. Many of them are in fact finding that they can use their big

North Atlantic jets quite comfortably on what used to be considered Viscount routes. But BAC has a shrewd suspicion that it can count on enough orders from small buyers to get a reasonable production run. If by chance a few big customers come in as well, BAC might hit the jackpot again, as Vickers-Armstrongs did with the Viscount. Everything depends, as Sir George Edwards pointed out on Tuesday, on whether competition for the new aircraft develops in the United States, as at present BAC regards this design as the only one of its kind in the market—although the company should perhaps spare a backward glance for the Caravelle.

### Sins and Omissions

BAC's decision to put the new aircraft into production was held up until the company was quite sure that some at least of the cost would be underwritten by the Minister of Aviation. Enough has been lost on the Vanguard—including reputation—to make the company chary of shouldering any fresh responsibilities without government help. Even the risk involved in laying down an initial batch of 20 is not as large as it seems, as ten of these and possibly even 15 are being taken by British United Airways. The airline explained that ten small aircraft suited its operations better than five big ones and this may be one of BAC's main selling points. Three American internal airlines, none of them in the first league, are on the brink of placing orders for delivery in four years' time when passengers will have become so sophisticated that they will not accept anything but jet aircraft even over short distances.

But these airlines are going to want assurances that they will get better service than BAC has recently been giving its customers. Complaints about delivery of spares have been coming in from all parts of the world; in Canada, where eight out of ten Vanguards are grounded for one reason or another, and all Trans-Canada's schedules have been thrown into confusion, one complete Vanguard has had to be cannibalised to provide spare parts for the others. Nor has Rolls-Royce come out of the experience any too happily: customers are complaining that Tyne engines in Canada have been breaking down, burning out, shaking to pieces or merely going through an exercise known to engineers as "hunting," which passengers recognise by its uncomfortable ride.

Nor is BAC quite out of the wood at home. The company now has to explain to the Bristol-Siddeley engine company why the latter has been jilted almost at the church door. The new airliner is in most respects very like a small jet that BAC planned with Bristol-Siddeley with this one exception—it now has a Rolls-Royce engine that gives it twice the range the little Bristol-Siddeley engine would have had. Bristol-Siddeley has every reason to resent the change, since it tailored the engine to BAC's specification and could just as easily have made it larger. But it looks as if Mr

Thornycroft is not willing to back two aircraft, BAC, moreover, is in no mood after the Tyne to try another new engine; the Spey jet it has now chosen will be proved first in de Havilland's Trident. People in the industry are sceptical about BAC's hollow-sounding promises to press on with the baby jet too; its market must have been severely reduced, if not killed, by the aircraft announced this week. But at this time the general feeling must be one of relief that the civil side of BAC—in effect Vickers-Armstrongs—is at last back in the market that it knows best, and that some rational shape is beginning to appear in the plans and policies of the aircraft industry.

#### IN THE MARKETS

### Demand for New Stock

ANOTHER Thursday has gone by without a reduction in Bank rate. The foreign exchange market canvassed the possibility earlier in the week, and sterling weakened a shade as a result, but in its tactics in the money market the Bank of England had signalled caution. This contributed to the slight improvement in tone in the gilt-edged market, particularly among the short-dated stocks, in the middle of the week. The market has remained quiet and before the week-end its listlessness was reflected in the failure of the Glasgow loan to attract full subscription lists. This 6 per cent stock, 1973-75, was offered at 99; it opened at  $\frac{1}{2}$  discount, but on Wednesday the price hardened to  $\frac{3}{8}$  discount. There is still a good demand for new fixed interest stocks with a high coupon, as evidenced by the prompt closing of the lists on Thursday for the 6 $\frac{1}{2}$  per cent debenture, 1981-86, issued by BICC at 99 and for the 7 $\frac{1}{2}$  per cent  $\frac{1}{2}$  preference shares offered at par by Grand Hotels (Mayfair).

The issuing houses do not find it difficult to decide upon the price of a new fixed interest stock or to gauge the potential demand for it. But when it comes to equities their calculations can go badly astray. This is particularly true when the industrial market is booming. The boom in equities has been less noticeable this week than it was at the beginning of the month, but the volume of business has remained high. Prices have faltered, but only a little; and in the middle of the week, buying by pension funds and unit trusts was sufficient to counter profit-taking and to push prices up again. In this sort of market, where the new equity issue appears to be a bargain, the stags are hard to control. ICFC made a brave attempt with the W. D. Evans Golden Produce issue, saying it would clear all cheques received and would exclude multiple applications. This certainly helped, though apparently not all investors read the newspapers or the prospectuses for about 4 $\frac{1}{2}$  per cent of the applications were identified as multiple applications and 103 cheques were returned as unpaid. The

issue was still oversubscribed 48 times and the shares, issued at 11s., opened at 15s. and climbed to 16s. 7 $\frac{1}{2}$ d. before falling back to 15s.

This issue was at least slightly nearer the target than the Penguin one. That cannot be said of the placing of 550,000 of the 2s. shares of Gwent and West of England Enterprises. Mr Julian Hodge did not sell any of his family holdings and half the shares were placed with depositors of the Hodge group of companies. They were placed at 7s. 9d. each and, in a hubbub on the Cardiff exchange, the price at one moment shot up to 30s. It is now 25s. 3d., which is still three times the placing price.

#### BUILDING SOCIETIES

### The Tax Burden

IN the first quarter of this year, the net flow of new savings to the building society movement improved a little. From the figures published by the Building Societies Association, relating to 194 societies whose assets represent about 77 per cent of the movement, it would appear that, after making adjustments for interest credits, new savings of about £120 million in the first quarter were £15 million higher than in the last quarter of 1960. Withdrawals, however, rose by more than £6 million to £84 million. Advances at £95 million (including £10 million under the Government's house purchase scheme)

#### RANGING OVER INDUSTRIES

Surprisingly, a quarter of coal-miners working underground were earning less than £13 7s. a week last October; one out of ten got £10 to £11. But the range of industrial earnings generally, summarised in the table below from the Ministry of Labour's special inquiry, is bigger than might have been presumed.

Three-quarters of men (or women) in the industry concerned earned more than the amount shown in the first column, a quarter earned less. Half earned more, half earned less than the amount in the second column and the top quarter earned above the amount in the third column. The figures are not exact to the last shilling.

|                                | 25<br>per cent<br>less<br>than— | 50<br>per cent<br>earned<br>more<br>than— | 25<br>per cent<br>earned<br>more<br>than— |
|--------------------------------|---------------------------------|-------------------------------------------|-------------------------------------------|
| <b>MEN</b>                     |                                 |                                           |                                           |
| Deck workers .....             | £ 8.                            | £ 17.                                     | £ 21.                                     |
| Coal miners—underground .....  | 13 7                            | 17 5                                      | 19 16                                     |
| Printing of newspapers .....   | 14 14                           | 18 8                                      | 23 19                                     |
| Motor vehicles .....           | 14 13                           | 17 17                                     | 21 3                                      |
| Iron and steel .....           | 14 0                            | 16 11                                     | 19 11                                     |
| Aircraft manufacture .....     | 13 16                           | 16 10                                     | 19 16                                     |
| Shipbuilding .....             | 11 10                           | 14 0                                      | 17 8                                      |
| Electrical machinery .....     | 12 15                           | 15 3                                      | 17 19                                     |
| Chemicals .....                | 12 14                           | 15 0                                      | 17 17                                     |
| Brewing .....                  | 10 9                            | 12 3                                      | 14 7                                      |
| Cotton weaving .....           | 10 6                            | 12 9                                      | 15 6                                      |
| Construction .....             | 11 11                           | 13 7                                      | 15 19                                     |
| Road passenger transport ..... | 11 9                            | 13 5                                      | 15 11                                     |
| Electricity .....              | 11 14                           | 13 16                                     | 16 15                                     |
| <b>WOMEN</b>                   |                                 |                                           |                                           |
| Printing of newspapers .....   | 7 1                             | 8 10                                      | 10 18                                     |
| Motor vehicles .....           | 7 12                            | 9 5                                       | 10 19                                     |
| Radio, etc., apparatus .....   | 6 17                            | 7 13                                      | 8 12                                      |
| Hosiery .....                  | 6 5                             | 7 14                                      | 9 11                                      |
| Cocoa, chocolate .....         | 6 6                             | 7 8                                       | 8 13                                      |
| Tobacco .....                  | 8 4                             | 9 1                                       | 9 17                                      |
| Cotton weaving .....           | 6 11                            | 7 19                                      | 9 13                                      |
| Road passenger transport ..... | 9 15                            | 11 4                                      | 13 3                                      |

were the lowest since the second quarter of 1959. This reflects the drop in receipts at the end of last year and to meet their rationed commitments on new mortgages the societies had to draw upon their accumulated liquid balances; this reduced the average liquidity ratio in the three months to end-March from 15.3 to 14.6 per cent.

The societies, however, have some reason to be less worried about the flow of new savings now than they had in the last months of 1960. But they have another cause for worry: the latest increase in profits tax. This tightens the screw on margins another turn and makes the task of maintaining adequate reserve ratios just that more difficult. The association is greatly concerned and it says bluntly that if the burden of tax continues to increase the working margin will have to be expanded. This can be achieved only by raising mortgage rates. The inference of this statement seems to be that while the increase in profits tax alone will not lead the association to alter its recommended rate on mortgages from 6 per cent if it is followed by an appreciable increase in the composite rate of income tax (at the moment 5s. 4d. in the £ and due for adjustment next month) some increase is likely.

#### BEA AND BOAC

### A Tale of Two Airlines

THE Red Queen would have understood what has been going on inside BOAC; she knew how it was possible to have jam yesterday and jam tomorrow but never jam today. It is doubtful whether anyone else does. For the fourth year in succession, the corporation has made a loss; for 1960-61 it will probably amount to about £1.7 million. The corporation's own earnings are down; in a year of booming traffic it just managed to break even on its own operations. The losses of its subsidiaries are up. And the chairman says explicitly that "the taking of positive steps is made difficult by political and other considerations and it should not be thought that the necessary improvements in financial results can be effected quickly." This is not the way to run an airline. If Sir Matthew Slattery wishes to know how to deal with the "political and other considerations" that stand in the way of putting his airline on its feet, then he could take a leaf out of the book of his colleague Lord Douglas noisily rebuffing Government directives to to a deal with the independent airlines and save Mr Thornycroft a nasty scene before the Air Licensing Board.

The attitude of Lord Douglas is doubtless very obstinate and he is bound to be over-ridden in the end. But he is acting in what he considers the best interests of the airline for which he is responsible and this is precisely what the taxpayers have appointed him to do. British European Airways has

many faults, but it is one of the few nationalised industries to show a consistent profit, amounting in 1960-61 to £1 $\frac{1}{2}$  million. This is £750,000 less than the previous year and the fall seems to be due to a sharp increase in capacity that was not matched by an equally sharp increase in traffic. But the result is still a clear net profit, whereas BOAC, in spite of extensive reorganisation, remains in the red. For all its patently good intentions, BOAC seems unable to move with the speed needed to stamp out trouble before it has taken root. Its engineering reorganisation is yielding excellent results, but men grew old, waiting for them to come to fruition. Drastic steps were promised to deal with the losses of subsidiaries many years ago. What obstacles can Sir Matthew have met now that were not known then? He is running an airline planning for a supersonic future, but his own internal organisation moves at a pace more suited to laying down port wine.

#### SOUTH AFRICA

### Siege Economy

AT the end of last week South Africa raised its Bank rate from 4 $\frac{1}{2}$  per cent to 5 per cent and announced a major tightening of import controls. Imports classed as luxuries are virtually excluded and severe cuts are imposed on imports of cars and textile piece goods. The restrictions are designed to save £100 million a year, or around one-fifth of the import bill. They have been necessitated by a renewed fall in South Africa's reserves, to 163 million rands (£81 $\frac{1}{2}$  million). This constitutes a new low point since the Sharpeville disturbances, and indicates that the recent drawing of £13 $\frac{1}{2}$  million from the International Monetary Fund has already been used up. Application for a further drawing is expected in some circles, though this would not be available so freely as the first 25 per cent.

While the import restrictions were designed to offset the capital flight, and the increase in Bank rate and in market interest rates to check it, the outflow of capital in fact seems to have accelerated in the past week. Further heavy sales of South African shares have come from the Continent. There are some fears that while the South African authorities have so far confined restrictions on transfer of money to their own residents—these restrictions were also tightened last week—they might at a later stage feel forced to extend exchange control to non-residents. So foreign investors have been getting out when they can, even at depressed prices. Here is a crisis of confidence that will be very difficult to break out of. So South Africa moves towards a siege economy. As the Johannesburg *Financial Mail* dourly concluded on the eve of last week's measures: "Since that drift towards a siege economy flows from the government's own policies, the government will be wise if it accepts the consequences without delay."



## TRANSFERRING MONEY

## Jolt from the GPO

FOR two months now the public has had available a new means of transferring money through the banks. Instead of settling each bill with a separate cheque sent to the creditor, it has been possible to instruct a bank, on the credit transfer forms provided, to make the payment directly to the creditor's account, giving a single cheque or cash sum to the bank to cover the total. To take advantage of this economical system, however, it is necessary to know two things: first, where the creditor has his account, and secondly, that the system exists. Since few people know either, there has been no rush.

That has not been unduly disturbing to the banks. From the first, they decided to play it slow. They had no wish to see congestion at their counters suddenly increased; less understandably, they seemed undecided whether to induce existing customers to switch to the new system. So while booklets explaining the new facility were made available to customers who cared to take them, these were not backed by advertising as they have to be if the new system is to be put across. The banks may have felt they have done their part; they have provided, as their

## BUSINESS NOTES

critics urged, a comprehensive system for credit transfers. This week, however, the Postmaster-General has intimated that they will not have a clear run.

Speaking to that militant body, the National Federation of Sub-Postmasters, Mr Bevens gave the clearest intimation yet that the Post Office will after all introduce a giro system of its own, to provide a simple means of credit transfers between Post Office Savings accounts.

I feel strongly that it is a project upon which the Post Office should embark and I hope to have some news both for you and the country in the course of the next month or two.

Many bankers had thought that their own improvements had made a Post Office giro superfluous. Not everyone would agree. And it is not every day that a nationalised industry brings competition into the cosy preserve of private oligopoly.

## STOCK IN TRADE

## A Reconciliation of Opinion

THE valuation of stock in trade and work in progress has long been recognised as one of the most difficult of accounting problems. Circumstances vary

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so widely that no one basis of arriving at the amount to be shown for stock is suitable for all types of business. Differences of opinion have been frequent both in the commercial world and between those responsible for preparing business accounts on the one hand and the Inland Revenue on the other and these differences have led to much controversy between taxpayers and inspectors, both in private negotiations and in cases taken to the courts. Last November the Institute of Chartered Accountants, after careful examination of the principles involved, published its recommendation on stock. This recommendation, which was broadly in line with that of the Royal Commission on the Taxation of Profits and Income, provided that the basis adopted must be followed consistently, that it should throw up a true and fair view of the trading results and, as is obvious, that all stock should be included. Subject to this traders should be permitted to adopt any proper method which is suited to their business.

The taxation aspect of the matter has recently been discussed by representatives of the Institute and of the Inland Revenue and the text is now published of a letter from the Chairman of the Board of Inland Revenue in which he states that the Revenue find the recommendation largely acceptable for tax purposes. There are some reservations. The Revenue thinks that

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## A Measure of Petrochemicals

THE growth in the use of petroleum as a raw material for chemicals has been one of the most striking developments in the industry during the last ten years. Just how much so has been estimated by Mr H. P. Hodge, of Esso Petroleum, in a paper read to the Royal Institute of Chemistry and summarised in *Chemical Age*. He shows that whereas 9 per cent of organic chemicals were produced from petroleum in 1949, the proportion had risen to 47 per cent by 1959 and will, he predicts, reach 65 per cent by 1962.

The only old process that has declined in this period, however, is fermentation for the production of ethanol; production from petroleum, by way of ethylene, has been fast replacing fermentation in the last few years; in the early 1950's it was the other way round, with ethylene being produced from ethanol, not from petroleum. The other traditional raw materials for organic chemicals—coal tar, acetylene and coke oven gas—have all enjoyed an increase in output in the last decade, despite the rise in petroleum's share of the market. The amount of coal tar used doubled; most of this increase representing a switch in production from motor benzol to chemical grade benzene. Supplies of this should be adequate, Mr Hodge believes, in the

immediate future, though there are plans to produce some benzene from petroleum.

The rising demand for plastics, synthetic rubber, detergents and synthetic fibres accounts for the great increase in the production of organic chemicals: it rose by 10 per cent a year for the ten years 1949-1959, while that of chemicals from petroleum rose 37 per cent a year. Mr Hodge expects that the rate of increase will be even faster up to 1962. Outside observers may suspect that it would be safer to say that there will be an even greater increase in capacity—not all of which will necessarily be fully used immediately upon completion.

The production of inorganic chemicals from petroleum has grown even faster than that of organics, but it is smaller in total and a smaller proportion of all output of its group. Carbon black, ammonia and sulphur are the only chemicals concerned; output of the former has risen from about

15,000 tons in 1949 to 130,000 in 1960. Ammonia began to be produced from oil, via hydrogen, at the Shell plant at Shell-haven in 1959, and the new ICI and Fisons plants will make much more after 1962. Sulphur is a somewhat undesirable constituent of crude oil; its extraction was encouraged at the time of the Korean war and has gradually grown since. Output of all three, Mr Hodge estimates, was 295,000 tons in 1960.

Price and availability have both aided the growth of petrochemical production; almost any organics can be derived either from petroleum or from coal or other raw materials. In some cases, such as ethylene, both factors have worked together in favour of petroleum as the raw material; with benzene, by contrast, petroleum seems to have little if any advantage. The ambitious plans of the oil industry to increase its capacity for petrochemicals should ensure that the advantages that they have had in both these factors will be preserved in the immediate future.

|                              | PRODUCTION OF ORGANIC CHEMICALS, BY RAW MATERIALS USED |      |      |       |             |
|------------------------------|--------------------------------------------------------|------|------|-------|-------------|
|                              | 1949                                                   | 1953 | 1955 | 1959  | 1962 (est.) |
|                              | 1,000 metric tons                                      |      |      |       |             |
| Source:—                     |                                                        |      |      |       |             |
| Coal Tar .....               | 175                                                    | 230  | 275  | 365   | 540         |
| Acetylene from carbide ..... | 70                                                     | 80   | 110  | 135   | 150         |
| Coke oven gas .....          | 55                                                     | 70   | 80   | 95    | 90          |
| Fermentation .....           | 160                                                    | 170  | 140  | 80    | 30          |
| Petroleum .....              | 45                                                     | 195  | 290  | 595   | 1,400       |
| Total .....                  | 505                                                    | 745  | 895  | 1,270 | 2,210       |

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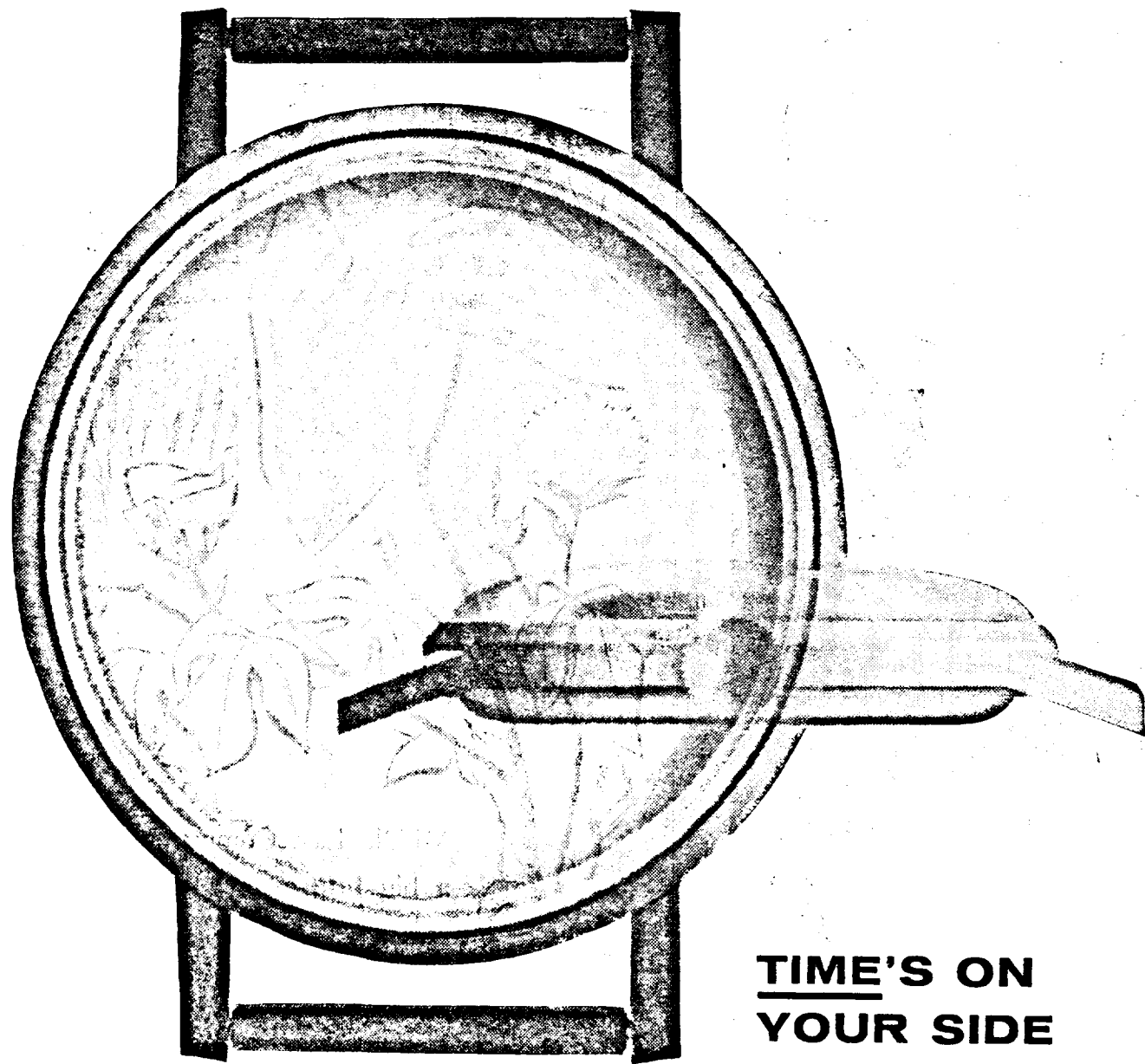
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the Duple case ought not to be taken to encourage the exclusion of overheads where there has been no relevant change in circumstances but it agrees that fixed overheads may need to be adjusted by reference to the normal level of activity. Replacement price, as an alternative to net realisable value, is not agreed as a matter of general principle but in practice is now accepted for stocks of raw material awaiting processing and in future will be accepted for industries where the raw material content forms a large proportion of the total value of stock in process of production and where the price of raw material is liable to considerable fluctuation.

These reservations by the Revenue in no way detract from the importance of the agreement which has been reached. Principles of stock valuation have now been settled which are backed by the authority of the chartered accountants and Somerset House; this should help greatly towards the establishment of sound practice and should remove many difficulties hitherto encountered in computing tax liabilities. This accord will give great encouragement to the research activities of the Institute and it shows that the rethinking about fundamental accounting problems which has been going on in recent years is well worth while.

#### AID TO INDIA

### Up to Europe

BRITAIN has agreed to a further loan to India, of £10 million, in addition to the £30 million development loan approved last autumn. Both loans are made under section 3 of the Export Guarantees Act and are tied to purchases from the United Kingdom, but not to specific products. They form part of Britain's contribution to India's third five-year plan, and drawings are to begin immediately. Britain has also agreed to provide assistance of up to £20 million to finance the extension of the Durgapur steelworks, although the form the assistance is to take has not yet been decided upon.

The adjournment of the Washington meeting of the "Aid India Club" has produced a spate of unconfirmed reports, coming mainly from New Delhi, on the state of negotiations. It is reported, but unconfirmed by the United States Treasury, that the United States has offered India \$1 billion to help meet its foreign exchange needs during the first two years of the five-year plan, on the condition that other members of the consortium—Britain, Canada, West Germany and Japan—are willing to match this sum. This projected total of \$1 billion a year is just about what India reckons it needs. In fact, the collective offers of the European countries fell short of the American figure by \$350 million and an adjournment was necessary while the delegates returned to consult their respec-

tive governments on the possibility of increasing their aid offers. The delegates will reassemble at the end of this month.

#### STEEL

### Stocks on the Turn?

THERE has been a quite sharp reduction in the amount of steel going into stock, but not to the point yet where in total stocks have begun to fall. With about half of the returns in from the March census of users' and merchants' stocks, the Iron and Steel Board puts the increase for the first quarter at about 60,000 tons, markedly less than the increase of 267,000 tons in the last three months of 1960 and the average quarterly gain of about 250,000 tons throughout last year. The motor manufacturers have been running down their stocks, but this has been more than offset by increases elsewhere—especially it seems in merchants' stocks.

#### INLAND STEEL CONSUMPTION ('000 tons)

|             | Actual | Seasonally<br>Corrected | Per cent<br>change over<br>previous year |
|-------------|--------|-------------------------|------------------------------------------|
| 1959 :—     |        |                         |                                          |
| 3rd quarter | 2,983  | 3,280                   | + 1.9                                    |
| 4th quarter | 3,462  | 3,370                   | + 12.3                                   |
| 1960 :—     |        |                         |                                          |
| 1st quarter | 3,799  | 3,660                   | + 21.6                                   |
| 2nd quarter | 3,878  | 3,770                   | + 14.9                                   |
| 3rd quarter | 3,435  | 3,780                   | + 15.2                                   |
| 4th quarter | 3,729  | 3,630                   | + 7.7                                    |
| 1961 :—     |        |                         |                                          |
| 1st quarter | 3,856  | 3,720                   | + 1.6                                    |

These provisional estimates of stocks suggest that the rate of steel consumption during the first quarter, on a seasonally corrected comparison, was hardly any higher than the average for 1960, though it was a little more than in the final three months when car output reached nadir. The levelling off of consumption and the vastly lower rate of stock building has now noticeably affected output. In both March and April steel production fell below last year, though last month's output—at the weekly rate of 471,700 tons—was just a shade higher than in March.

#### ECGD

### Record Surplus

THE record credit balance of £8 million on operations of the Export Credits Guarantee Department for the year to March 31st, following the surplus of £5 million in the previous year, should remove any suspicion that the recent cuts in premiums on medium-term business may not have been justified on strict commercial considerations. The cumulative credit balance is now up to £29 million. The Department's Secretary emphasises, however, that its liabilities increased sharply over the year from £542 million to £640

million, of which £42 million was on medium-term credits. The cumulative credit balance cannot be regarded as clear profit since a substantial part of it represents premiums already received on liabilities that may take some time to run off. Total new business insured by the department during the year was a record at £743 million, compared with £695 million in the previous year.

#### SAFETY

### Consumer Unprotected

A SAD little bill died at four o'clock last Friday afternoon, killed by what the joint under-secretary at the Home Office described, with commendable restraint, as "that small but valiant body" of Tory back-benchers. The origins of the bill, a private member's bill adopted by the Government, went back to the interim report on safety published fourteen months ago, and that report was itself inspired by the epidemic of spontaneous fires in oil heaters, many of which had tragic results, and all of which were frightening. Here was a minor emergency over which the Government was helpless to act. It has powers neither to ban the sale of oil fires until means had been found of making them safe, nor to force manufacturers to make safe designs when the fault had been discovered. It took a private member's bill to make the new standards compulsory. Suppose, the committee argued, history should repeat itself and another apparently harmless piece of household equipment should turn out to be a sleeping tiger, the government would be just as helpless as it was when the dangers of oil fires were first discovered. And no doubt the committee remembered that retailers were in no hurry to act either. From this the committee concluded that the Home Secretary should have powers to issue safety regulations whenever these were thought necessary and to ban the sale of goods not conforming to them. This is just what the murdered bill was intended to do.

It may not have been a very clever little bill, and it looked as if it might have given the Home Secretary dangerously wide powers over an infinite range of goods, but the hearts of its sponsors were in the right place. Its whole purpose was to get dangerous goods off the market quickly. Anyone who reads the reports of consumer organisations like *Which?* on such things as electric blankets, or looks at the statistics showing a startling rise in the number of electrical fires, will realise that there is room for tightening up. When a little girl is nearly strangled on a wringer of a washing machine, is it carelessness on her part, or should some guard be fitted onto the wringer? There is probably not a great deal of dangerous home equipment on sale in this country, but unless it arouses as much public feeling as the oil heaters did, there is not much chance that Parliament



would spare time to deal with it when it is discovered. The back-benchers who killed the bill because they disliked, so they said, delegated legislation, ought to ask themselves whether they would be ready to pass a separate bill to deal with every minor domestic hazard as it occurs.

## RUBBER

### Bought for the Bounce?

DESPITE a seemingly inactive Singapore market, dealers were surprised by the amount of rubber shipped from Malaya in March. Exports were officially stated to be 109,000 tons, 25,000 higher than in February and 20,000 tons higher than in January, when interest in rubber was at its nadir. The immediate supposition that one or two large purchases had gone unnoticed proved wrong; in fact, the increase was well distributed. Exports dropped back to 89,000 tons last month, but disappoint-

## BUSINESS NOTES

ment was shortlived. Rumours of large purchases by Russia were a stronger influence than even Goodyear's forecast that it will produce a near substitute for rubber at 25 cents a lb. Exports in May might well include significant shipments carried over from last month, but in themselves the figures for the first three months of 1961 show signs of recovery.

In the precipitous fall in the price of rubber since the peak of a year ago, the commercial pipeline was probably partially emptied, and the improvement in exports, if it has any significance at all, may as yet be caused by nothing more substantial than the topping up of the pipeline ready for a return to a higher level of manufacturing. What is known about consumption suggests that the recovery has not yet gone far. Political troubles and the constant teasing of the American public with projections of an imminent economic revival have probably induced people who have gone short of rubber to fill in the gaps. Some Americans are said to have returned to the market as speculators, and with spot

## THE ECONOMIST MAY 13, 1961

rubber at 24d. a lb for the premier grade, they were possibly persuaded that the floor was near. Spot rubber has fluctuated between 24d. and 27d. a lb since the beginning of the year and is currently near the upper limit. But the market has little on which to base a stronger rally in prices.

## CUNARD

### Before the Subsidy

FOR the fourth successive year the profits of Cunard have fallen and for the third time the ordinary dividend has been cut. Last year, the operating surplus fell from £5,040,000 to £4,542,000; the net profit came down from £901,000 to £668,000; and the dividend has been reduced from 8 to 6 per cent. In referring to the fall of £498,000 in the operating surplus, the directors say that strikes in 1960 cost the company about £900,000. Without the

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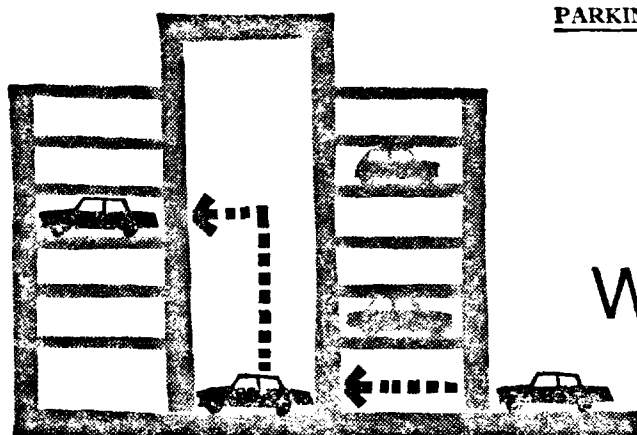
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## PARKING

### Eyes on Woolwich



THE parking scheme that Woolwich Borough Council is introducing on Monday will be closely watched by other local authorities for a number of good reasons. First of all it is the most comprehensive yet to be seen in Britain. Space has been provided, at kerbside meters or in parks off the street, for all the cars that the council has counted as parked inside the area. There are two off-street parks for 60 cars at 5s. a week solely for residents; places for another 360 at meters, at 6d. an hour for up to two hours, to cater for shoppers and visitors; and room off the street for 650 longer parkers at rates of up to 2s. 6d. a day. Secondly, the scheme is on a very small scale, covering at the most an area only a mile across. Since free kerbside parking will still be possible such a short distance away, it has been doubted whether all the parking space provided will in fact be used. But if the scheme is a success then other authorities will be encouraged to follow suit.

The third point of interest is that it incorporates Britain's first completely automatic garage, the "Autostacker," which has been developed by a British company. The present minor wave of garage building (one can hardly yet call it a boom) consists mostly of ramp type garages, and Woolwich would also have built one if it had known at the outset that an adjacent piece of War Office land was going to come on to the market. Mechanical car parks are costlier and their reliability is still doubted, perhaps rather unfairly. But they can cram more car spaces into a given site, fewer staff are needed to run them, and the risk of damaging cars is lower.

The "Autostacker" can be operated by one man. The one at Woolwich will take 256 cars and has eight entrances, so that at rush hour one car can be parked or removed every 10 to 15 seconds. Basically, the "Autostacker" consists of a series of car bays either side of a central gallery containing the lifting and transporting gear. A car is parked, braked, on a con-

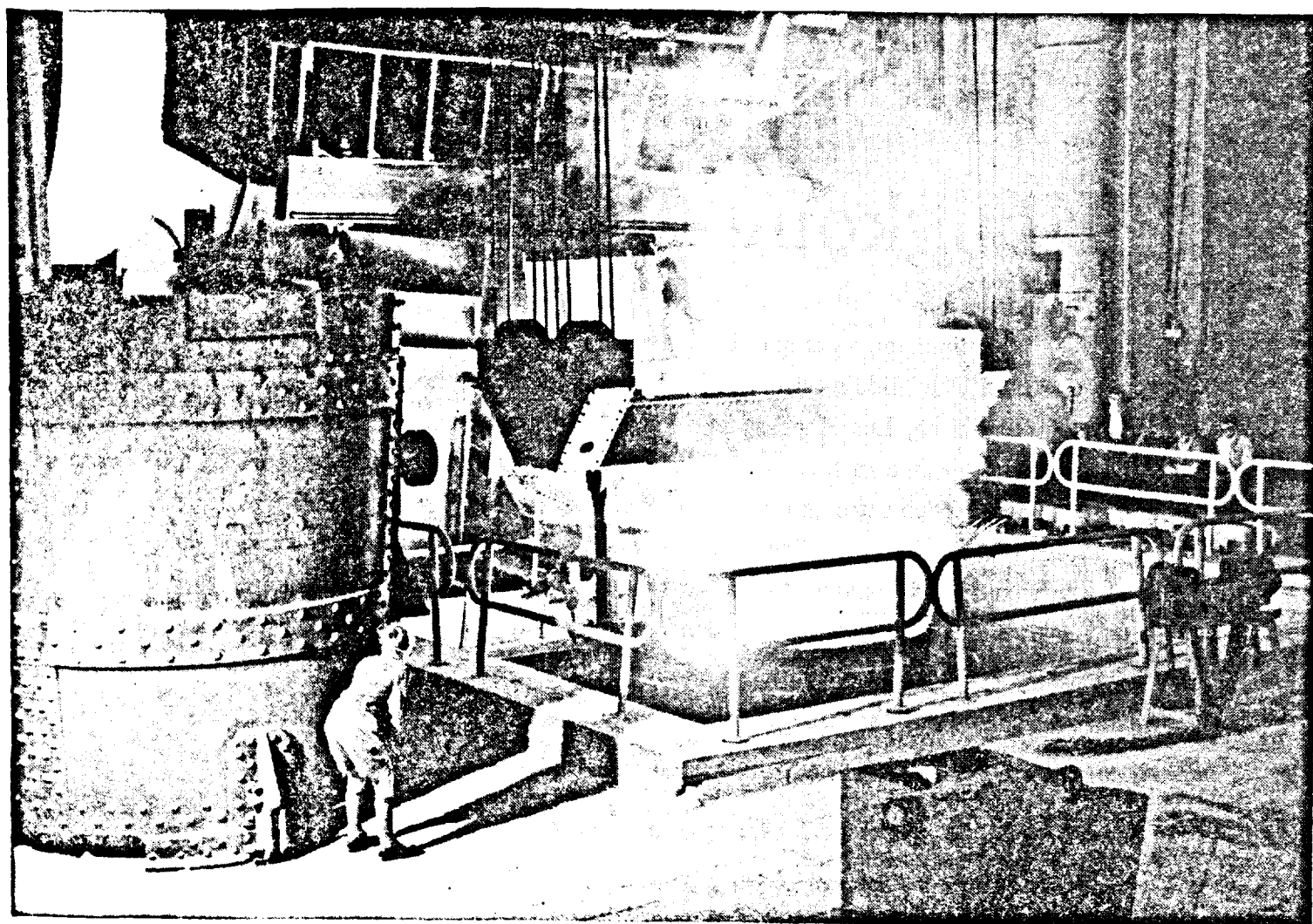
veyor at one of the entrances and the driver collects a key from the control kiosk. This key determines in which space the car is to be stacked and removing it from the control panel starts up the process of parking. First the conveyor in the entrance bay moves the car forward on to a "transporter" resting on one of the lifts, then the lift rises to the pre-selected floor, the transporter moves along to the chosen parking bay, into which, finally, further conveyors carry the car.

The Woolwich "Autostacker" cost about £107,000 (nearly £420 per car space) to build, and the site was bought, rather cheaply, two years ago for £50,000. The economic charge for all day parking would be about 5s. But the rental from Shell-Mex and BP for the petrol forecourt and from Dagenham Motors for the car show-rooms on the ground floor, plus a subsidy from the council out of its net revenue from the street meters, has brought the price motorists will actually pay down to 1s. 6d. for four hours and 2s. 6d. all day.

All the most particular kinds of steel for razor blades and nuclear reactors are made by Samuel Fox which is one of US that's United Steel and they have these big electric arc furnaces which are so noisy you can't think when they switch on but all right when they're being tapped into ladles so long as you don't stand too near which I wasn't but just imagine that white hot stuff was

## boy into fox

80 tons of scrap mixed with nickel and chromium seven hours ago and very soon it will be shining stainless steel thanks to Fox on its way to be made into sinks and spoons and forks and coffee pots so modern they call them contemporary.



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strikes, it seems, there would have been some slight recovery in earnings but, as the directors point out, the latest increase in sea-going wages only took effect for four months last year. It will be felt, they add gloomily, for the full twelve this year. This, it needs no emphasising, is the company which will get a big subsidy from the Government to build another "Queen", and its recent profit record must cause as much despondency in Whitehall as it does in Throgmorton Street.

### COTTON GOODS

#### Cool Hongkong

TWO officials from Hongkong have flown into London this week to discuss cotton exports but not, as might have been expected from the recent furore, to discuss the future of voluntary limitations on exports to this country. For Hongkong has now a far larger fish to fry. If one view on the motive behind the American initiative in calling for an international conference of important importers and exporters of textiles is right, Hongkong's largest export market might soon be restricted by quotas. The American government is under persistent pressure to limit imports, and Japan has already accepted a degree of voluntary limitation. At a meeting of the colony's financial secretary and director of commerce and industry with American officials on their way to a Gatt conference, the future scale of imports from Hongkong will be discussed. Hongkong's exports to the United States were high last year, possibly because of the threat of an imposition of restrictions, but they fell sharply in the first three months of this year, causing under-employment in the Hongkong industry.

The officials from Hongkong will not discuss imports into the United Kingdom except where they are affected by the discussions with American representatives. The Government, as Mr Erroll said on Tuesday, is unaware of any direct communication between the industry in Hongkong and the Cotton Board on this particular topic, for the simple reason that there has been none. Lord Rochdale's recent visit to the colony to discuss the problem of duty-free imports with the industry's leaders was not a direct communication because the chairman of the Cotton Board went in a private capacity.

Official contact must be made soon because talks would have to begin in earnest by September to allow reasonable time for a new pact to be concluded by, say, November. The Cotton Board was thought to be ready at least to go through the motions, even if the Hongkong industry remained adamant in its refusal to discuss the renewal of export restrictions before the current agreement expires at the end of January next. The American problem has now injected more uncertainty into the future of these imports. If America restricts imports from Hong-

kong, does that weaken or strengthen the case for less restriction on imports into the United Kingdom? Most cotton textile industries in developed countries are complaining of competition from cheap Asian imports, and Lancashire would be the last to admit that its plight was less serious than anyone else's.

### CONSTRUCTION

#### Bricks without Straw?

THERE is a whiff of Galbraith in the latest annual report of the Federation of Civil Engineering Contractors. The bigger road programme is dutifully welcomed but "there is much more to be done in the public development of the country. For instance, schemes of water supply, sewerage, and flood prevention are long overdue" and the Government and local authorities are "urged to recognise and act upon the necessity of keeping such works abreast of other forms of capital investment." This is not the usual criticism made of the amount of public investment in this country—in contrast to the United States, the main target of Professor Galbraith's pen—although certain kinds of public works do seem to be stuck rather far back in the queue here. But this is the federation's way of embellishing its claim that the contracting industry could cope with more

work. It could perhaps have quoted in evidence the prices that some contractors are still tendering for road projects. Competition for these jobs does not seem to be quite as intense as, say, a year ago, mainly it seems because more firms are now choosing not to bid so frequently.

But in general the building and civil engineering industry is far from running into imminent recession. Output rose, in volume, by about eight per cent last year and a further increase of about six per cent is reckoned for this year. The supply of labour and certain materials is, moreover, still generally tight. Craft labour is particularly difficult to recruit, and most of the extra output the industry is counting on will have to come from increased productivity. Supplies of steel reinforcing rods, which became very short last year, are now rather easier and imports, plus a five per cent increase in production, should ease any tightness of cement supplies. The principal shortage now is of bricks, in spite of the slowing down of the rate of house building. But this is mainly a local problem: some brickworks in Scotland, for instance, are producing straight into stock, while delivery periods of well over six months are the rule for certain of the more popular types of brick in the south of the country. Brick production is expected to increase by about four per cent this year, from about 7,300 million to about 7,600 million, but this is not expected to cut very far into delivery times.

### SHORTER NOTES

There has been a further swift succession of bids for Hector Whaling; for the second time its directors have recommended acceptance of the offers from Clan Line. These have been raised by the addition of bonuses for acceptances by this Friday (May 12th) to 10s. 6d. for the ordinary shares and 26s. for the preferred shares. The latter bid (not for the first time in this struggle) matches a similar offer from the original bidder, South Georgia Company, which already holds one fifth of the total votes. Its offer for the ordinary shares remains unchanged at 10s.

For the year to March 24, 1961, the total revenue of the Stock Exchange rose from £1.2 million to £1.5 million largely as a result of increases in members' subscriptions, which were raised last year, and in quotation fees. The transfer to the special fund for redemption of debentures and towards the rebuilding of the Stock Exchange was raised by £200,000 to £327,000. No claims were made on the compensation fund but some are likely to be considered in the current year and the provision to this fund was increased by £75,000.

Horlicks has offered four of its 5s. ordinary shares plus 60s. in cash for every £3 of ordinary stock in Burt Boulton and Haywood, the timber importers and tar and paint manufacturers. Horlicks already holds about 11 per cent of total equity of £1,319,000. The directors of Burt Boulton are opposing the bid on the grounds that there is no advantage to the company in becoming a subsidiary of Horlicks.

Following the sale of its commercial vehicle interest to Associated Commercial Vehicles for £150,000 ordinary ACV stock and £950,000 cash, Thornycroft is to reduce its capital. The directors propose to repay the preference capital and repay 8s. on each £1 ordinary share and subdivide the remaining 12s. shares into shares of 4s. each.

### COMPANY MEETINGS

This week, start on

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# COMPANY AFFAIRS

## Marks and Spencer

ONCE again the results from Marks and Spencer seem to justify the extremely low yield on the shares. They exceeded expectations on every count—except perhaps on the rate of the proposed scrip issue, which is to be on a one-for-ten basis. The ordinary dividend has been raised by 7½ points to 47½ points and absorbs most of the additional available profit.

As in past years the rise in profits has more than kept up with the increase in sales, and profit margins have widened. Not surprisingly total sales for the year did not maintain the 17 per cent rise recorded in the six months to the end of September but the increase of 12½ per cent

|                                    | 1960<br>(£'000s) | 1961<br>(£'000s) |
|------------------------------------|------------------|------------------|
| Sales .....                        | 148,000          | 166,500          |
| Trading profit .....               | 20,116           | 23,101           |
| Depreciation and repairs .....     | 2,310            | 2,606            |
| Tax .....                          | 8,725            | 10,200           |
| Net profit .....                   | 9,081            | 10,295           |
| Ordinary dividend .....            | 5,319            | 6,317            |
| Ordinary dividend (per cent) ..... | 40               | 47½              |
| Trading profit/sales .....         | 13.6             | 13.9             |
| Net profit/sales .....             | 6.1              | 6.2              |

in the full year was well above that recorded by the multiple stores. Clearly Marks and Spencer is still adding to its share of the market, as the numerous extensions to stores are completed. Last June Sir Simon Marks said that 22 projects had been completed in 1959/60, that 24 substantial schemes were already under way and that a further 12 would follow immediately.

This very big programme is the key to Marks and Spencer's growth; the programme is the biggest ever carried out by the company in a two-year period and it should make a sizeable contribution to profits. Clearly the least that shareholders will expect in the current year is that the latest dividend rate will be maintained on the enlarged capital. Even so, with the "A" shares at 115s. 3d., the indicated yield is only 2½ per cent.

## Boots Pure Drug

LIKE Marks and Spencer the shares of Boots Pure Drug yield about 2 per cent and thus the results have to be very good indeed to please the market. Marks and Spencer managed to achieve this and the 5s. shares of Boots were pushed higher in anticipation of equally good results. In fact the group's profits before tax but after a higher depreciation charge of £1.8 million, against £1.6 million, rose from £7.6 million to £8.8 million in the year to March 31st last. The ordinary dividend is 12 per cent, against the equivalent of 10½ per cent and the market's minimum expectation of 12½ per cent. The cover for this bigger payment has been reduced from 2.3 to 2.2 times.

On these results the shares fell back by 2s. to 32s. 4½d. Boots is now in its second year of a five year programme of rebuilding and modernisation, costing about £15 million, and clearly it will be some time before the full fruits of this programme will be seen. But in 1959-60 20 branches were modernised and six new branches were opened and these must have made their contribution to the latest increase. This did not match the 50 per cent rise in profits in 1959-60 and bears out the chairman's earlier forecast that the company was budgeting for increased profits "on a much more modest scale." Boots' prospects both in the medium and long term remain as good as ever but investors must not expect miracles.

## Guest Keen and Nettlefolds

AGAINST the recent trend in equity prices, which were generally lower at the end of a very active account as a result of a good deal of profit taking, Guest Keen and Nettlefolds' £1 shares rose to a fresh peak of 107s. following the profits and dividend announcement. Both were above the forecasts made last November at the time of the one for six rights issue. Gross profits at £30.8 million were £5 million above those for 1959 and compared with a forecast of £29 million. The final dividend on the bigger capital is 11 per cent (against a forecast of 10 per cent) and it raises the total payment from 15 to 16 per cent.

The need for GKN to plough back substantial sums in addition to the £22.6 million raised by the rights issue is reflected in the cover of 3.4 times on this dividend. The company's cash flow last year

|                             | 1959    | 1960    |
|-----------------------------|---------|---------|
| Turnover .....              | 220,807 | 252,473 |
| Trading profit .....        | 33,849  | 39,950  |
| Depreciation .....          | 8,017   | 8,956   |
| Profit before tax .....     | 25,788  | 30,839  |
| Tax .....                   | 12,776  | 15,644  |
| Net profit .....            | 13,012  | 15,195  |
| Ordinary dividend .....     | 3,628   | 4,314   |
| Non-recurring payment ..... | ...     | 987     |
| Retained profits .....      | 9,159   | 10,650  |

|                            |      |      |
|----------------------------|------|------|
| Trading profit/sales ..... | 15.3 | 15.8 |
| Net profit/sales .....     | 5.9  | 6.0  |

amounted to £19.6 million. Earnings are in a sense understated for scarcely any benefit from the injection of new money would be reflected in the 1960 accounts. Another encouraging sign for the future is the improvement in profit margins. The big programme to enlarge and to modernise capacity both in engineering and in the steel making section should lead to a further improvement in margins, but in assessing short-term prospects shareholders should bear in mind the directors' warning in November that the "exceptionally high rate of activity" in 1960 might not be maintained.

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With the £1 shares now yielding a bare 3 per cent this warning has clearly been shrugged off in the market. The directors' view may be proved to be over cautious but even so the current price discounts a good deal of growth.

## Bowater Paper

LAST year Bowater achieved new records both in profits—up from £20 million to £23½ million—and sales—up from £117 million to £142 million. This more than bears out the directors' earlier forecast of more favourable prospects. But excess capacity still exists in the paper making industry and as the table shows the further advance in profits and sales has not been accompanied by any improvement in profit margins. There was in fact a further narrowing of margins in most sections of the group's operations but the fall in the return on capital employed is partly explained by the fact that some part of the

|                      | 1957  | 1958  | 1959  | 1960  |
|----------------------|-------|-------|-------|-------|
| Paper .....          | 1,270 | 1,203 | 1,299 | 1,523 |
| Pulp .....           | 317   | 267   | 319   | 450   |
| Packaging, etc. .... | 107   | 196   | 211   | 256   |

|                            | 1957    | 1958    | 1959    | 1960    |
|----------------------------|---------|---------|---------|---------|
| Sales .....                | 102,542 | 107,183 | 117,028 | 142,090 |
| Gross trading profit ..... | 17,152  | 18,145  | 20,070  | 23,494  |
| Gross profit .....         | 9,984   | 9,930   | 10,553  | 12,343  |
| Net equity earnings .....  | 4,616   | 4,859   | 5,181   | 5,395   |
| Ordinary dividend .....    | 1,402   | 1,460   | 2,324   | 3,271   |
| Retained profit .....      | 3,214   | 3,399   | 2,857   | 2,124   |
| Net fixed assets .....     | 117,977 | 136,080 | 143,488 | 154,974 |
| Net current assets .....   | 25,704  | 22,514  | 24,362  | 32,845  |
| Net equity assets .....    | 57,509  | 62,719  | 74,669  | 96,862  |
| Ordinary capital .....     | 19,500  | 19,500  | 23,115  | 40,637  |
| Reserves .....             | 38,009  | 43,219  | 51,554  | 56,225  |

|                                             | 1957 | 1958 | 1959 | 1960  |
|---------------------------------------------|------|------|------|-------|
| Earnings .....                              | 34.2 | 34.6 | 27.9 | 22.7  |
| Ordinary dividend .....                     | 10.4 | 10.4 | 12.5 | 13.75 |
| Gross profit/sales .....                    | 9.7  | 9.3  | 9.0  | 8.7   |
| Net equity earnings/sales .....             | 4.5  | 4.5  | 4.4  | 3.8   |
| Net equity earnings/net equity assets ..... | 8.0  | 7.7  | 6.9  | 5.6   |

new capital raised last year has not yet made its full contribution to earnings.

Bowater's policy of diversification and expansion was carried several important steps forward last year—primarily in North America, where Sir Eric Bowater has said that at the moment the growth potential is greatest. The new hardwood mill in South Carolina was opened last August and in line with the trend for the closer integration of both pulp and paper production a paper mill costing £13 million is now being built next to the new sulphate pulp mill at Catawba in South Carolina.

The advent of EFTA has made the highly competitive conditions faced by the Bowater group in this country even more fierce. Bowater's answer is to press ahead with capital developments and to widen its interests. One of the Kemsley Mill newsprint machines has been converted to the production of a new grade of packaging material; the pitch fibre pipe plant has been completed; and production has now begun at the new flexible packaging plant at Gillingham in Kent. The group has also added to its stake in the common market; two French pulp and paper mills were

Company Affairs continued on page 699.  
London and New York Stocks on next two pages.

THE ECONOMIST MAY 13, 1961



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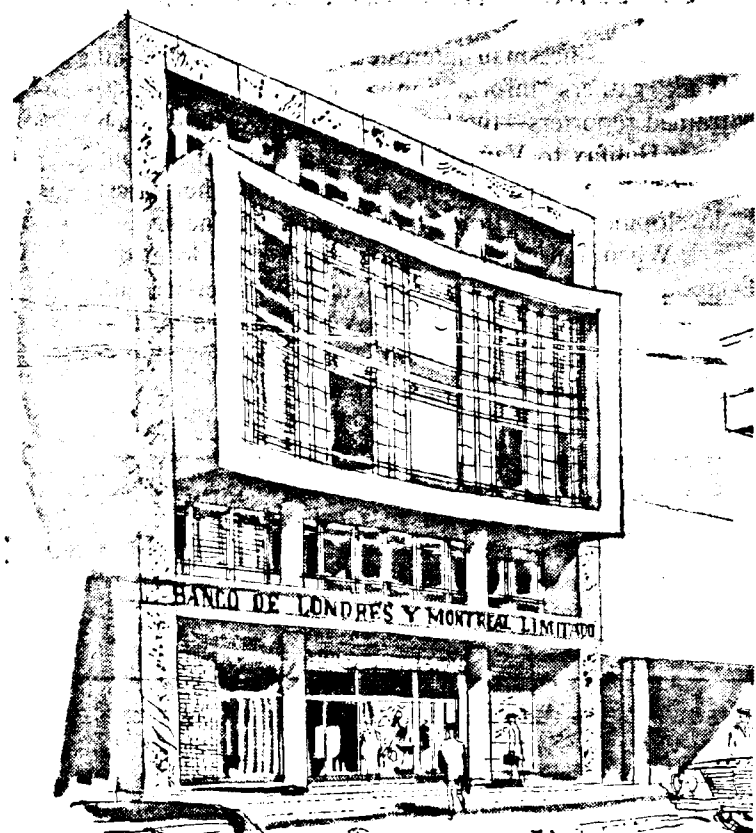


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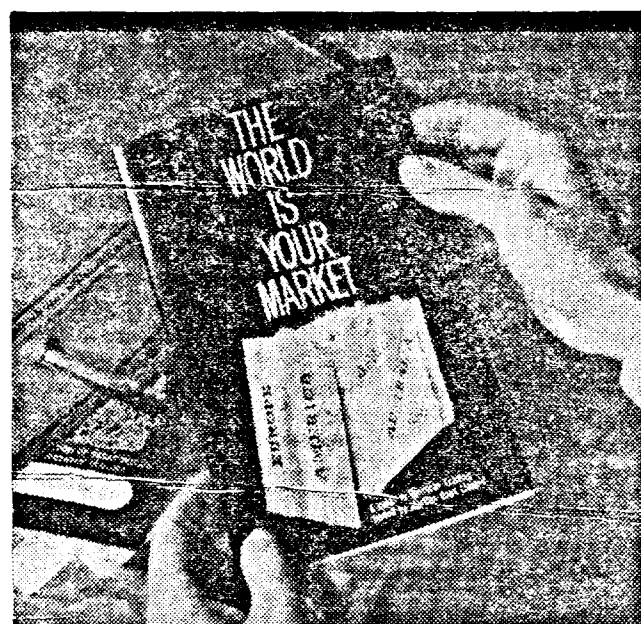
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acquired last June and an agreement has been made with N. V. Philips for joint operations at the new plant now being built at Ghent for the production of various forms of packaging materials. Bowater's stake in this market now amounts to over £10 million and its directors describe the extension of its interests in this market as "perhaps the most significant event of the year."

Standing now at their peak for the year at 65s. 3d. the £1 shares yield 4½ per cent on the dividend as raised from the equivalent of 12½ to 13½ per cent. The earnings cover on the present capital is only 1.6 times and in view of the directors warning that "there is a continuing measure of uncertainty in trading and economic conditions in the principal countries in which we operate" shareholders would be unwise to be excessively optimistic about increases in the dividend.

### Wiggins Teape

THE growing profusion of packaged goods in the shops is one sign of an affluent society and the profits of leading paper producers in recent years show that they, as well as the housewife, are benefiting from higher living standards. Wiggins Teape is among the leaders in the industry and it may have done better than some of its competitors by not having any substantial interest in newsprint. Its preliminary statement shows that consolidated trading profits rose last year by 34 per cent, from £4,475,000 to £6,008,000; this compares with an earlier forecast of £5.9 million. After higher charges for tax and depreciation but a fall in payments to minority shareholders net profits rose 37½ per cent from £2,141,000 to £2,940,000. Last year's profits include £565,000 in respect of six converting companies recently acquired; in 1959 only £232,000 had been consolidated in respect of three of these companies.

The ordinary dividend has been raised from the equivalent of 12½ to 14 per cent; its cover has improved from 1.8 to 2.1 times. Last year the biggest improvement in profits came in the first six months though the last half of the year was better than the directors had originally expected. Sales for the first three months of the current year show an increase and profits are running at about the same level as in the same period last year. The £1 ordinary shares now stand at their peak for the year of 68s. 9d. to yield 4.1 per cent.

### E. S. and A. Robinson

THE Bristol papermaking group of E. S. and A. Robinson (Holdings) has also done well. In the year to February 28th its trading profits rose by over 19 per cent from £6,027,000 to £7,187,000 but after heavier tax and depreciation charges the rise in net profits is only 11 per cent. The improvement is welcome after the setback that occurred in 1959-60 when the printing strike was partly responsible for a 2½ per cent

drop in trading profits. The ordinary capital was increased last October by a one-for-eight scrip issue but earnings on the increased capital are virtually unchanged at 35½ per cent.

At the time of the scrip issue the directors forecast that the second interim dividend in lieu of a final dividend would be raised from 10½ to 11 per cent, thus raising the total from 16 to 17 per cent. In the event they have raised it to 11½ per cent to make a total of 17½ per cent. Initially the £1 ordinary shares fell back on the results but then recovered sharply to 97s. 6d. which, as with other paper shares, is a new peak. They now yield 3.6 per cent.

### BICC

THE chairman of British Insulated Cables, Sir William McFadzean, says in his statement with the full accounts that the rise in group sales last year from £128 million to £143 million was largely the result of higher production, though acquisitions have swelled the total a little. BICC, along with other cable producers, was hit by the fierce competition which followed the breaking-up of the price ring. Sir William says that low voltage power cables and wiring and general cables continue to be unremunerative but elsewhere margins have improved recently. This improvement seems to be reflected in the rise in the gross profit margin from 6 per cent in the first half of last year to 6.6 per cent in the second half.

The growth of business is reflected in the balance sheet. Stocks and debtors rose from £58 million to £65 million as more stock was held to speed up delivery and further credit extended to overseas customers. The most important consequence is the decision to make an issue of ordinary and debenture stock. This is expected to yield about £15 million after expenses have been paid. The debenture issue is effectively a funding operation as overdrafts had mounted to £9 million last year; it takes the form of £10 million of a 6½ per cent stock 1981-86, and it should yield £9,630,000 at the issue price of 99. At the same time, ordinary shareholders are offered 2,692,378 of £1 shares at 40s. each on a one-for-seven basis. At the present price of 56s. 6d. ex all the ordinary shares yield 4½ per cent covered 2.1 times.

The group is also making a bid for the 39.7 per cent minority interest in the equity of the Lancashire copper concern Thomas Bolton. The offer is a share for share exchange, but though the cum rights price on BICC of 61s. 10½d. compares favourably with Bolton's pre-bid price of 53s. 9d. some account has to be taken of the forecast improvement in Bolton's earnings. Sir William says that results for the year so far are encouraging and that the group's reorganisation should ensure that it holds on to its share of the market while it should at the same time improve its margins. He concludes that given no major dislocation of trade the group should have a successful year.

### Rugby Portland Cement

WHEN the one for seven scrip issue was made a year ago it seemed probable that the Rugby Portland Cement directors would maintain the 25 per cent dividend on the bigger capital. It was then calculated that this would raise the yield on the 10s. ordinary shares to just over 3 per cent. The dividend has in fact been maintained, representing an effective increase of 3½ points, but the yield now is below 2 per cent for over the last twelve months the shares have risen from around 43s. to 65s. 9d.

In a period of low yields the return on Rugby Portland is one of the most slender but it would be a brave man who argues that investors buying at this level are investing unwisely. For fifteen successive years this company has added to its profits; they have risen by as much as 50 per cent in the last three years. There seems little doubt that this enviable record of progress will be maintained in the immediate future. Home deliveries in the first four months of 1961 were 38 per cent above last year's and compare with a rise of about 14 per cent for the cement industry as a whole. This exceptional increase reflects in part an earlier than normal run down of stocks due to the mild weather but it will be a surprise if over the whole year Rugby Portland does not achieve something well above the 10 per cent increase in deliveries forecast for the industry as a whole.

Despite higher sales, profit margins so far in 1961 have been somewhat less than those for the whole of the previous year but this has now been put right by the recent increase in the price of cement. Looking further ahead the Government's programme for further expenditure on roads shows that there is likely to be little let up in demand for cement and Rugby Portland's growing stake in the market should be further enhanced when a new kiln, which will add about 10 per cent to the group's capacity, comes into operation in October. The company is well placed to finance any further expansion for its liquid assets at the end of the year amounted to £3.4 million; in addition its investments, to which substantial additions have been made in the last two years, were then worth £2.1 million. Existing capital commitments of £950,000 are unlikely to make much inroad into liquid resources as they should be comfortably covered by the group's cash flow, which amounted to £1.2 million in 1960. In 1962, however, Rugby Portland will have to repay £1.5 million of unsecured loan stock.

Clearly shareholders can look for a further increase in dividends this year as the latest payment is covered more than three times by earnings. But at their present levels the shares seem to be discounting the future very fully.

### Schweppes

IN the next few years the rate of growth in Schweppes' profits may be slower than it has been in the last few, but it would



## De Beers Consolidated

BEFORE Russia learnt the full extent of its diamond deposits and America succeeded in making synthetic boart on a commercial scale, Africa had almost complete dominance of the diamond trade. Through its own production and agreements with all other major producers, about nine-tenths of the world's total sales were channelled through the De Beers group. In terms of this market hold, these two events seemed momentous, but with its selling agreements with other producers now renewed practically *en bloc* for a further five years, De Beers has consolidated its control over the distribution of diamonds. The pact with Russia to sell all the diamonds it wishes to dispose of to the West has also been renewed for a second year. Last year the flow of Russian stones, presumably mainly of gem qualities, is said by Mr Harry Oppenheimer in his annual review to have been partly responsible for a substantial increase in stocks held by the Diamond Corporation. In fact, sales of gems rose by £418,000 last year, though sales of industrial diamonds dropped by £1,854,000; Russian diamonds are therefore no negligible factor. Total sales in the first three months of 1961 rose to a record £24,302,000. Although Mr Oppenheimer does not expect this rate to be maintained throughout the year, he believes that 1961 will be a good year.

One sign of the challenge to the Central Selling Organisation's supremacy in the distribution of diamonds is the omission of separate figures for industrial diamonds in the latest quarterly statement of diamond

interest" with De Beers in the new company, Ultra High Pressure Units, formed to handle synthetic production. Deliveries of Congo boart have been restored to normal after a disruption lasting only a few months, so that the new synthetic factory will probably operate below capacity.

In Sierra Leone, the official diamond office managed by De Beers has channelled a far larger proportion of that country's output through the Central Selling Organisation. But in Guinea and Ghana, government legislation has severed the connection with De Beers. Ghana's production contains a substantial proportion of diamonds used in drilling. This particular market leans heavily on stockpiling by the American government, and its prospects are uncertain. Even so, to ensure supplies for established

### PROFITS AND ASSETS

|                                    | 1958   | 1959   | 1960   |
|------------------------------------|--------|--------|--------|
| Diamond account .....              | 26,885 | 32,726 | 32,631 |
| Investment income .....            | 7,909  | 9,622  | 11,706 |
| Group profit before tax            | 26,210 | 32,983 | 31,338 |
| Tax .....                          | 6,079  | 8,801  | 8,808  |
| Minority interests .....           | 1,777  | 2,114  | 1,642  |
| Net profit .....                   | 17,739 | 21,403 | 20,209 |
| Deferred dividend .....            | 8,168  | 10,647 | 10,647 |
| Deferred dividend (per cent) ..... | 200    | 250    | 250    |
| Net current assets .....           | 35,901 | 43,521 | 42,878 |
| Investments quoted .....           | 27,483 | 31,180 | 51,025 |
| Investments market value .....     | 39,668 | 55,221 | 63,258 |
| Investments unquoted .....         | 15,076 | 16,688 | 17,396 |

customers, De Beers will spend about £2½ million in erecting additional recovery plant capable of treating old tailings from the Premier Mine in the Transvaal.

Despite extensive exploration in many parts of Africa, no significant new deposits have been found, but prospecting is being intensified, particularly by the Williamson Company in Tanganyika, by an associate in Basutoland and in the group's own areas in Namaqualand. In the meantime the old De Beers mine, last worked in 1908, will be brought back to full production by 1966 at a cost of about £1.4 million.

As part of its policy of diversifying its interests outside the diamond industry, De Beers joined a consortium of large companies in the expansion of Rand Selection Corporation into the biggest investment company in South Africa, and controls half this company's capital. Investment income rose by £2,084,000 to £11,706,000 last year, while the group's income from diamonds was virtually unchanged at £32,631,000. A heavy charge for prospecting and exploration, and an increase of £2,273,000 to £2,726,000 in amounts written off investments, less the surplus on realised investments, reduced the net profit from £24,182,000 to £22,530,000. The deferred ordinary dividend was maintained at 12s. 6d. a share, so that the 5s. shares at 118s. yield 11 per cent. Mr Oppenheimer does not underrate the political dangers that this yield underlines, but he is confident that the South African economy is sound and justifies De Beers' additional investment in its development.

be unfair to dismiss the coming years as a period of consolidation. Some further growth seems to be assured, though probably more overseas than at home and more in jams and preserves than in soft drinks. At home Schweppes is the predominant company in the "mixer" trade and about three-quarters of its soft drink sales are made to the breweries. With the breweries merging, their bargaining power with the soft drink manufacturers is enhanced and, if they are big enough, they can threaten to manufacture soft drinks themselves. Schweppes, on the other hand, has built up a solid reputation and trade and by offering substantial discounts on quantity sales it can reasonably expect to hold on to its share of the market. It plans, indeed, to spend less on advertising in proportion to the volume of its sales in this country.

Outside the soft drink industry, Schweppes has acquired Chivers, W. P. Hartley and Moorhouse and Sons and has thus become a powerful force in the preserves industry. This, as the managers of Schweppes were quick to realise, was an old-fashioned and backward industry. They seem to be satisfied with the prices they paid for entry into it, not because of its currently low profit margins but because the industry presents an opportunity for wide-ranging economies, not least in distribution. Once the reconstruction is carried through, margins are certain to improve and the Schweppes directors look forward to a trebling of jam profits to the £1 million mark in the next few years.

Overseas steady progress is being made and profits from foreign sales are forming an increasing proportion of the total. In particular, the losses made in establishing a market in the United States have been recouped and last year a clear profit emerged. The directors appear to be intent on exploiting this market still further, and though further big sums will have to be spent on promotion this is likely to be a profitable extension.

Schweppes' trade, however, will to some extent always be at the mercy of the weather. Last year, the wet summer brought down profits on soft drinks (particularly on squashes) and it was only because more profits from jam were consolidated into the profit and loss account last year than in 1959 that total trading profit rose from £4,803,000 to £5,038,000. A further improvement in earnings this year depends in part on the weather, but the directors have demonstrated how quietly confident they are by raising the dividend from 23 to 24 per cent, so that at 37s. 1½d. the 5s. shares yield 3.2 per cent.

### Gallagher

IN a highly competitive market the "Nelson" tipped brand introduced by Gallagher in March, 1960, has proved an outstanding success. The share of the market of its other leading brands con-

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tinued to increase, so that last year total sales rose from £278 million to £320 million. Some part of this increase reflects higher prices resulting from the increase in tobacco duty in the 1960 budget.

Largely as a result of increased sales, stocks jumped from £57½ million to £65½ million and debtors from £27 million to £32 million. Factory extensions and new plant and machinery absorbed £2½ million so that the £10½ million raised by the one-for-six rights issue in June has made little impact on the group's overdraft now at £6½ million.

In 1960 gross profits rose by 23½ per cent from £9½ million to £11½ million; what can shareholders look for in 1961? Clearly as Gallaher's share of the market grows so the competition gets that much fiercer and the new chairman, Mr C. W. Mason, tells shareholders that the introduction of further new brands is always under consideration. This points to heavy advertising and other costs are rising too. There are constant increases in tobacco leaf prices; a shorter working week has been introduced and basic wage rates have also been increased. Sales still continue to rise and those for the first three months of the current year show a satisfactory increase, but Mr Mason says that consumption is tending to level out.

The latest budget proposals giving the Chancellor of the Exchequer powers to impose a surcharge of up to 10 per cent on the present tobacco duty brings another element of uncertainty into the calculation. But the market seems convinced that Gallaher will continue to add to its trade at the expense of its competitors and at 47s. Gallaher shares yield 4.3 per cent.

### Richard Costain

ON the maintained dividend of 16 per cent the 5s. shares of Richard Costain at 26s. 9d. yield 2.9 per cent. These shares, like others in this field, have been bid up in price because investors quite rightly sense a bigger demand for the services of the building contractors in the next few years. This is certainly true at home, but even here shareholders should note that in a carefully worded statement the chairman, Sir Richard Costain, refers to extremely keen competition and low tender prices. Abroad, he says, it would not be difficult to expand turnover if proper regard were not made to profitability; in fact, the construction companies do not like to enter into large-scale commitments in the developing countries unless they see a reasonable chance of economic and political stability.

The caution is no doubt justified but it has the corollary that the rate of growth in turnover and profits is slowed down. Investing cash in property as opposed to contracts does not provide the full answer; the company's income from properties has risen but Sir Richard points out that the difficulties of securing sites and planning

approvals mean that the creation of new property investments will take longer than the directors had originally expected and that it will be a few years before the company deploys in full the funds that the directors believe should be allocated in this direction. In all, perhaps, investors have exaggerated the factors making for growth in the construction industries and they may now have to adjust their ideas to a less spectacular rate of progress. This certainly Richard Costain achieved last year when its gross profits rose from £631,000 to £729,000. Ignoring pre-acquisition profits, this reflected an increase of about 10 per cent in earnings and, with the dividend covered over 2½ times, Sir Richard's cautious appraisal that it should be possible to maintain the total dividend at 16 per cent on the capital as increased by the rights issue should not be difficult to achieve.

### Pressed Steel

LAST year Pressed Steel pushed ahead with its expansion programme and this is clearly reflected in the full accounts. Much of the £10.7 million raised by the rights issue has been absorbed in extensions to the factories at Swindon and Linwood and additions to plant and equipment, reflected in the rise in fixed assets from £12.4 million to £18.5 million. Stocks and work in progress also rose sharply, from £10.7 million to £15 million. This seems to reflect changing trading conditions. Production of motor car bodies ran at a high level in the first half of last year but then fell away sharply so that short time working had to be introduced. The railway carriage division worked below capacity throughout the year and refrigerator production was affected by credit restrictions, a poor summer and growing quantities of imported models. Trading profits were thus reduced by 26½ per cent, from £6,807,000 to £5,003,000.

The chairman Mr Alex Abel Smith, says that the beginning of the current year was not propitious. The car body division is now back on full time working at Cowley and Swindon but though Mr Abel Smith hopes that business will improve over the rest of the year he does not expect it to reach the high levels of early last year. The outlook for the railway carriage division offers little room for optimism as no large orders seem likely in the foreseeable future, but refrigerator sales may rise this year as the lack of after-sales service is expected to affect the demand for imported products.

The expansion of car body production will require further expenditure. Capital commitments now stand at about £12 million. Last year the cash flow amounted to only £2½ million, but Mr Abel Smith says expansion will be financed by the proceeds of the rights issue, together with bank overdrafts, retained profits and government assistance.

### London Stock Exchange

|                 |          |        |         |
|-----------------|----------|--------|---------|
| FIRST DEALINGS: | April 24 | May 8  | May 29  |
| LAST DEALINGS:  | May 5    | May 26 | June 9  |
| ACCOUNT DAY:    | May 16   | June 6 | June 20 |

THE close of the account last week saw a good deal of profit taking on the stock market, including the realisation of some option profits, but new time buying for the three week Whitsun account countered this and falls in prices were small. On Tuesday and Wednesday there was more profit taking but it was again offset, with pension funds and unit trusts adding to the amount of investment buying. But the rate at which equity prices rose slackened off as *The Economist* indicator gained only 0.8 points to 327.2. The cut in the West German bank rate and the fall in the Treasury Bill rate here on Friday resulted in small increases in the price of short dated gilt-edged stocks. Over the week to Wednesday Conversion 4½ per cent 1964 gained ¼ to 98½ but 3½ per cent War Loan lost a similar amount to 56½ xd and 2½ per cent Consols lost ½ to 42½. After the poor response to the new Glasgow issue, when 77 per cent of the stock was left with the underwriters, the stock opened at ¼ discount but improved to ⅛ discount.

Profit taking and the continuing flow of results and chairmen's statements set no clear trend in equity prices. There was a continued firm demand for property shares and in spite of profit taking on Wednesday Union Property gained 9s. 6d. to 68s. 6d. Bank shares improved further, Barclays gaining 3s. 6d. to a new peak of 94s. 6d. Insurance shares also gained after the week-end: Pearl rose from 12 to a new peak of 13½. Among brewery shares Vaux were once again in demand and rose even more sharply than last week, closing 16s. 3d. higher at a new "high" of 181s. 3d. Gains in store share prices were limited by some late profit taking but Marks and Spencer "A" rose by 1s. 3d. to 114s. 9d. on the latest results. Among building shares Richard Costain advanced after the results and Rugby Portland Cement gained 5s. 6d. to 65s. 6d. following the chairman's statement. Associated British Foods gained 5s. 6d. although they closed below their highest after the bid for Hemmings.

Motor shares showed small falls but press comment helped ACV to gain 6s. 7½d. to a new high of 85s. 7½d. Among engineering shares Guest Keen gained 6s. 7½d. to 106s. 1½d. xd, but Babcock and Wilcox lost 1s. to 32s. 9d. on the full report. There was some improvement in cotton textile shares and Lancashire Cotton rose by 1s. 7½d. to 62s. 1½d. There was a sharp rise in tin shares as a rise in the metal price led to buying in London and Singapore. Tronoh gained 3s. to 60s. 3d. after profit taking had brought the price down from 63s. 6d. Gold shares fell back as continental selling, apparently from Switzerland, depressed the market; Western Holdings lost 7s. 6d. to 105s.



Traditionally, Drambuie was first made from a recipe given to a Mackinnon of Skye in 1745 by Bonnie Prince Charlie. Since that time this distinguished liqueur has been acclaimed in all parts of the world. The pleasant custom of drinking a liqueur becomes, with Drambuie, part of a tradition that has its origin in the colourful days of the eighteenth century.



LONDON AND NEW

| Prices, 1961 |          | BRITISH FUNDS<br>AND<br>GUARANTEED STOCKS |                 | Price,<br>May 3,<br>1961 | Price,<br>May 10,<br>1961 | Net Yield,<br>May 10,<br>1961 | Gross<br>Yield,<br>May 10,<br>1961 | Prices, 1961 |           | Last Two<br>Dividends<br>(a) (b) (c) |            |            | ORDINARY<br>STOCKS |                             | Price,<br>May 3,<br>1961 | Price,<br>May 10,<br>1961 | Yield,<br>May 10,<br>1961 | Cover        |
|--------------|----------|-------------------------------------------|-----------------|--------------------------|---------------------------|-------------------------------|------------------------------------|--------------|-----------|--------------------------------------|------------|------------|--------------------|-----------------------------|--------------------------|---------------------------|---------------------------|--------------|
| High         | Low      |                                           |                 |                          |                           | £ s. d.                       | £ s. d.                            | High         | Low       |                                      |            |            |                    |                             |                          |                           |                           |              |
| 92 1/2       | 89 1/16  | Savings Bonds 3% .....                    | 1955-65         | 92 1/4                   | 92 1/2                    | 3 13 9                        | 4 19 6                             | 94/6         | 65/9      | %                                    | %          | %          | %                  | BANKS, DISCOUNT & HP        |                          |                           |                           |              |
| 100 3/32     | 99 1/8   | Conversion 4 1/2% .....                   | 1962            | 92 1/4                   | 92 1/2                    | 3 13 9                        | 4 19 6                             | 94/6         | 70/3      | 7                                    | 7          | 7          | 7                  | Barclays .....              | £1                       | 91/-                      | 94/6                      | 2-75         |
| 96 3/32      | 95 3/8   | Exchequer 4 1/2% .....                    | 1962-63         | 92 1/4                   | 92 1/2                    | 3 13 9                        | 4 19 6                             | 94/6         | 92/9      | 6                                    | 6          | 6          | 6                  | District .....              | £1                       | 89/-                      | 92/9                      | 3-45         |
| 101 1/16     | 100 1/32 | Treasury 5 1/2% .....                     | 1962-63         | 92 1/4                   | 92 1/2                    | 3 13 9                        | 4 19 6                             | 94/6         | 58 7/12   | 7                                    | 7          | 7          | 7                  | Lloyds .....                | £1                       | 86/-                      | 90/-                      | 2-72**       |
| 937 3/32     | 921 1/8  | Exchequer 5 1/2% .....                    | 1963-64         | 92 1/4                   | 92 1/2                    | 3 13 9                        | 4 19 6                             | 94/6         | 18 7/12   | 7                                    | 7          | 7          | 7                  | Martins .....               | £1                       | 84/-                      | 88/-                      | 3-25**       |
| 99 1/32      | 98 1/32  | Conversion 4 1/2% .....                   | 1963            | 92 1/4                   | 92 1/2                    | 3 13 9                        | 4 19 6                             | 94/6         | 92/-      | 8 1/2                                | 8 1/2      | 8 1/2      | 8 1/2              | Midland .....               | £1                       | 93/-                      | 97/3                      | 2-88         |
| 98 1/4       | 96 3/32  | Conversion 4 1/2% .....                   | 1964            | 98                       | 98 1/4                    | 3 7 5                         | 5 2 7                              | 93/3         | 73/7      | 7                                    | 7          | 7          | 7                  | Nat. Provincial .....       | £1                       | 93/-                      | 97/3                      | 2-88         |
| 101 1/16     | 98 3/4   | Exchequer 5 1/2% .....                    | 1966            | 99 3/32                  | 99 3/32                   | 3 6 2                         | 5 10 3                             | 93/3         | 58/9      | 5 1/2                                | 5 1/2      | 5 1/2      | 5 1/2              | Westminster 'B' .....       | £1                       | 85/-                      | 93/3                      | 2-86         |
| 83 1/8       | 81 1/8   | Funding 3% .....                          | 1959-69         | 817 1/4                  | 811 1/16                  | 4 12 1                        | 5 18 5                             | 43/6         | 37/3      | 4                                    | 4          | 4          | 4                  | Australia & N.Z. £1 p.p.    | £2/3                     | 43/6                      | 5-52                      |              |
| 89 3/4       | 87 1/8   | Funding 4% .....                          | 1960-90         | 873 1/4                  | 873 1/4                   | 3 12 3                        | 5 11 1                             | 48/9         | 48/9      | 4                                    | 4          | 4          | 4                  | Bk. Lond. & S. Amer. £1     | 42/3                     | 52/9                      | 3-79                      |              |
| 72 1/8       | 77 1/16  | Savings Bonds 3% .....                    | 1960-70         | 793 1/4                  | 791 1/2                   | 4 12 4                        | 5 19 8                             | £213/6       | £1 85c    | \$2.05c                              | \$2.05c    | \$2.05c    | \$2.05c            | Bank of Montreal .....      | \$10                     | £24 1/2                   | £24 1/2                   | 3-00         |
| 72 1/8       | 82 3/4   | Savings Bonds 2 1/2% .....                | 1964-67         | 84 3/4                   | 84 1/4                    | 4 11 5                        | 5 12 10                            | 30/9         | 271 1/4   | 9                                    | 9          | 9          | 9                  | Bank of New S. Wales £20    | £28 1/2                  | 28 1/2                    | 5-05                      |              |
| 72 1/8       | 70       | Savings Bonds 3% .....                    | 1965-75         | 72 3/4                   | 72 1/4                    | 4 10 4                        | 5 19 1                             | 33 5/4       | 33 5/4    | 4                                    | 4          | 4          | 4                  | Barclays D.C.O. .....       | £1                       | 64/6                      | 69/9                      | 4-81**       |
| 83 3/4       | 81 3/4   | Funding 3% .....                          | 1966-68         | 83 3/4                   | 83 1/16                   | 4 12 0                        | 5 19 1                             | 64/9         | 48/-      | 8                                    | 8          | 8          | 8                  | Chartered .....             | £1                       | 42 1/2                    | 46/3                      | 4-92         |
| 97 3/16      | 93 1/4   | Victory 4% .....                          | 1920-76         | 96 3/4                   | 97 3/16                   | 2 18 6                        | 5 11 2                             | £145         | 5/-       | 10/-                                 | 10/-       | 10/-       | 10/-               | Hong'k' & Shang. £25        | £1                       | 64/3                      | 62/3                      | 4-81**       |
| 85 3/8       | 83 3/4   | Conversion 5 1/2% .....                   | 1969            | 85 1/8                   | 85 1/4                    | 4 9 6                         | 5 19 10                            | £295 1/2     | £2 32 1/2 | \$2 37 1/2                           | \$2 37 1/2 | \$2 37 1/2 | \$2 37 1/2         | Nat. Com. Bk. Scot. 10/-    | £1                       | 65/3                      | 61/9                      | 3-80         |
| 93 1/8       | 90 3/8   | Conversion 5 1/2% .....                   | 1971            | 93 1/8                   | 92 9/16                   | 4 9 6                         | 5 19 10                            | 118/6        | 96/3      | 8 1/2                                | 8 1/2      | 8 1/2      | 8 1/2              | Royal Bk. Canada .....      | \$10                     | £28 1/2                   | £28 1/2                   | 2-37         |
| 95 1/16      | 92       | Conversion 5 1/2% .....                   | 1974            | 95 1/16                  | 93 7/8                    | 3 16 7                        | 5 18 6                             | 40/3         | 35/-      | 5                                    | 5          | 5          | 5                  | Royal Bk. of Scotland ..... | £1                       | 115/9                     | 118/6                     | 3-12         |
| 73 1/8       | 70 1/16  | Treasury 3 1/2% .....                     | 1977-80         | 73 1/8                   | 71 3/4                    | 4 6 7                         | 5 19 8                             | 165/-        | 95/-      | 22 1/2                               | 22 1/2     | 22 1/2     | 22 1/2             | Stand. Bk. S. Africa .....  | £1                       | 36/6                      | 36/9                      | 7-62         |
| 72           | 69 3/8   | Treasury 3 1/2% .....                     | 1979-81         | 72 1/8                   | 71 1/16                   | 4 6 1                         | 6 0 5                              | 89/6         | 59/6      | 5 1/2                                | 5 1/2      | 5 1/2      | 5 1/2              | Hambros .....               | £1 t.p.                  | 145/-                     | 165/-                     | 2-73         |
| 97 1/4       | 94 1/4   | Funding 5 1/2% .....                      | 1982-84         | 97 1/4                   | 96 1/2                    | 3 12 5                        | 5 17                               | 60/-         | 50/3      | 6 1/4                                | 6 1/4      | 6 1/4      | 6 1/4              | Schroders .....             | £1                       | 76/-                      | 89/6                      | 1-68         |
| 59 1/2       | 57 1/4   | Redemption 3% .....                       | 1986-96         | 57 1/2                   | 57 1/2                    | 4 2 10                        | 5 17                               | 81/-         | 50/3      | 6 1/4                                | 6 1/4      | 6 1/4      | 6 1/4              | Union Discount .....        | £1                       | 57/3                      | 60/-                      | 4-17         |
| 88 1/4       | 85 1/2   | Treasury 5% .....                         | 1986-89         | 85 1/2                   | 85 1/2                    | 3 17 1                        | 6 0 3                              | 22 1/2       | 18 10 1/2 | 5                                    | 5          | 5          | 5                  | Bowmaker .....              | £5/-                     | 26/3                      | 26/3                      | 3-34 1/4     |
| 63 1/16      | 61 3/16  | Funding 3 1/2% .....                      | 1999-2004       | 63 1/16                  | 62 1/16                   | 3 19 8                        | 5 19 7                             | 21/9         | 15/-      | 9 1/2                                | 9 1/2      | 9 1/2      | 9 1/2              | Lombard Banking .....       | £5/-                     | 23/3                      | 23/3                      | 4-09 1       |
| 94 3/8       | 90 3/8   | Treasury 5 1/2% .....                     | 2008-12         | 91 1/8                   | 91 3/16                   | 3 15 8                        | 6 2 6                              | 202/6        | 155/-     | 22 1/2                               | 22 1/2     | 22 1/2     | 22 1/2             | Mercantile Credit .....     | £5/-                     | 21/6                      | 21/3                      | 2-94 1/4     |
| 65 3/8       | 63 1/4   | Consols 4% .....                          | after Feb. 1957 | 64 3/8                   | 64                        | 3 17 4                        | 6 7 2                              | 202/6        | 155/-     | 22 1/2                               | 22 1/2     | 22 1/2     | 22 1/2             | United Domin. Trst. .....   | £1                       | 200/-                     | 202/6                     | 2-62 2 1/2   |
| 59 1/4       | 56 1/16  | War Loan 3 1/2% .....                     | after 1952      | 56 1/8                   | 56 1/8                    | 3 16 1                        | 6 4 0                              | 202/6        | 155/-     | 22 1/2                               | 22 1/2     | 22 1/2     | 22 1/2             |                             |                          |                           |                           |              |
| 59           | 55 1/2   | Conv. 3 1/2% .....                        | after Apr. 1961 | 56 1/8                   | 56 1/8                    | 3 16 6                        | 6 5 2                              | 31/3         | 20/-      | 7 1/2                                | 7 1/2      | 7 1/2      | 7 1/2              | BREWERIES, Etc.             |                          |                           |                           |              |
| 50 3/4       | 48 1/8   | Treasury 3% .....                         | after Apr. 1966 | 48 3/4                   | 48 1/2                    | 3 16 1                        | 6 4 6                              | 41/6         | 31/-      | 12 1/2                               | 12 1/2     | 12 1/2     | 12 1/2             | Bas                         | £5/-                     | 29/3                      | 29/6                      | 3-39 2       |
| 43 1/2       | 41 3/4   | Consols 2 1/2% .....                      | after Apr. 1975 | 42 3/8                   | 42 1/2                    | 3 12 8                        | 5 18 11                            | 26/9         | 13/-      | 31/2                                 | 31/2       | 31/2       | 31/2               | Distiller .....             | £10/-                    | 39/-                      | 39/-                      | 3-01** 2 1/4 |
| 91 1/8       | 89 1/8   | British Electric 4 1/2% .....             | 1967-69         | 91                       | 91 1/16                   | 4 2 11                        | 6 1 4                              | 24/6         | 20/3      | 5                                    | 5          | 5          | 5                  | Flowers .....               | £10/-                    | 39/-                      | 39/-                      | 2-27 2 1/4   |
| 75 1/16      | 73 3/8   | British Electric 3 1/2% .....             | 1968-73         | 75 1/8                   | 75 1/8                    | 4 12 0                        | 5 19 11                            | 41/6         | 31/-      | 12 1/2                               | 12 1/2     | 12 1/2     | 12 1/2             | Guinness .....              | £10/-                    | 57/6                      | 57/6                      | 3-88** 2     |
| 81 7/8       | 80 3/8   | British Electric 4 1/2% .....             | 1974-79         | 81 1/8                   | 81 1/8                    | 4 9 8                         | 5 18 11                            | 24/6         | 20/3      | 5                                    | 5          | 5          | 5                  | Incl. Coops. .....          | £5/-                     | 23/3                      | 23/6                      | 3-72         |
| 73 1/2       | 71 7/8   | British Electric 3 1/2% .....             | 1976-79         | 72 3/4                   | 72 3/4                    | 4 1 3                         | 5 19 3                             | 31/3         | 20/3      | 5                                    | 5          | 5          | 5                  | Teacher (Distillers) 10/-   | 41/-                     | 39/-                      | 3-21 2 1/2                |              |
| 84 3/4       | 82 1/8   | British Gas 4 1/2% .....                  | 1966-72         | 84 1/2                   | 84 1/2                    | 4 5 0                         | 6 0 5                              | 31/3         | 20/3      | 5                                    | 5          | 5          | 5                  | Watney Mann .....           | £1                       | 91/-                      | 94/-                      | 4-03 2       |
| 81 1/16      | 79 1/16  | British Gas 3 1/2% .....                  | 1969-71         | 81 1/16                  | 81 1/16                   | 4 8 5                         | 5 19 9                             | 95/6         | 70/3      | 7                                    | 7          | 7          | 7                  | Whitbread 'A' .....         | £1                       | 130/-                     | 133/6                     | 3-84 1 3/4   |
| 59 3/8       | 56 7/8   | British Gas 3% .....                      | 1990-95         | 57 3/8                   | 57 3/8                    | 4 4 3                         | 5 18 9                             | 28 11 1/2    | 23 7 1/2  | 7 1/4                                | 7 1/4      | 7 1/4      | 7 1/4              | BUILDING, PAINT, Etc.       |                          |                           |                           |              |
| 73 3/4       | 71 3/4   | British Transport 3% .....                | 1968-73         | 73 3/4                   | 73 3/4                    | 5 12 0                        | 5 19 11                            | 26 10 1/2    | 18/3      | 6                                    | 6          | 6          | 6                  | Associated Portland .....   | £1                       | 95/3                      | 95/6                      | 2-30 3 1/4   |
| 80 1/8       | 78 1/2   | British Transport 4% .....                | 1972-77         | 80 1/8                   | 80 3/4                    | 4 2 11                        | 5 19 11                            | 18/6         | 13/-      | 6                                    | 6          | 6          | 6                  | British Plaster Bd. 10/-    | £1                       | 27 1/4                    | 26 7 1/2                  | 4-69 2 1/4   |
| 61 3/8       | 59 3/8   | British Transport 3% .....                | 1978-88         | 61 1/8                   | 61 1/4                    | 4 6 4                         | 5 19 9                             | 103/-        | 85/-      | 5                                    | 5          | 5          | 5                  | Richard Crossin .....       | £5/-                     | 25 1/2                    | 26 10 1/2                 | 2-98 2 3/4   |

| Prices, 1961 |     | DOMINION AND CORPORATION STOCKS |            | Price, May 3, 1961 | Price, May 10, 1961 | Yield, May 10, 1961 |        |        |     |   |     |   |                       |      |        |        |      |    |
|--------------|-----|---------------------------------|------------|--------------------|---------------------|---------------------|--------|--------|-----|---|-----|---|-----------------------|------|--------|--------|------|----|
| High         | Low |                                 |            |                    |                     |                     |        |        |     |   |     |   |                       |      |        |        |      |    |
| 82½          | 79½ | Australia 3½%                   | 1965-69    | 81¾                | 82                  | £ s. d.             | 29/3   | 25/3   | 6   | a | 14  | b | Albright & Wilson     | 5/-  | 29/-   | 28/6   | 3-51 | 2½ |
| 101          | 98½ | Australia 6%                    | 1974-76    | 99½                | 99½                 | 6 2 0               | 22/-   | 17/10½ | 8   | b | 8   | b | Borax Defd.           | 5/-  | 20/9   | 21/3   | 2-71 | 3  |
| 72½          | 70  | Ceylon 4%                       | 1973-75    | 70                 | 70                  | 7 1 0               | 58/9   | 43/9   | 6   | a | 7   | b | Fisons                | £1   | 57/9   | 57/-   | 3-86 | 1½ |
| 101½         | 98  | New Zealand 6%                  | 1976-80    | 100½               | 100½                | 6 1 0               | 26/10½ | 23/3   | 5   | a | 10  | b | I.C.I.                | £1   | 79/7½  | 80/6   | 3-42 | 2  |
| 80½          | 74½ | Rhodesia and Nyasaland 6%       | 1978-81    | 75                 | 75                  | 8 17 0              |        |        |     |   |     |   | Monsanto              | 5/-  | 25/-   | 24/-   | 3-13 | 2½ |
| 81           | 75  | South Africa 3½%                | 1965-67    | 78½                | 78½                 | 8 1 0               | 36/-   | 24/-   | 4   | a | 8   | b | Boots Pure Drug       | 5/-  | 31/6   | 31/9   | 1-89 | 2½ |
| 59           | 56  | Southern Rhodesia 4½%           | 1987-92    | 56½                | 56½                 | 8 12 0              | 27/-   | 58/6   | 20  | b | 7   | b | Montague Burton       | 5/-  | 84/-   | 84/-   | 3-07 | 2  |
| 94½          | 93  | Agricultural Mortgage 5½%       | 1980-85    | 94½                | 94½                 | 6 1 2½              | 66/9   | 48/-   | 13½ | b | 5½  |   | Debenhams             | 10/- | 63/6   | 63/6   | 3-25 | 1½ |
| 86½          | 80½ | Birmingham 4½%                  | 1967-70    | 89                 | 89                  | 6 0 0               | 58/10  | 45/-   | 7½  | a | 30  | b | G.U.S. 'A'            | 5/-  | 56/9   | 58/10½ | 3-19 | 2  |
| 92½          | 90½ | Bristol 5%                      | 1971-73    | 92½                | 92½                 | 6 1 0               | 68/6   | 50/-   | 25  | b | 20  | a | House of Fraser       | 5/-  | 64/6   | 68/6   | 3-28 | 1½ |
| 93           | 90  | Corporation of London 5½%       | 1976-79    | 93                 | 93                  | 6 0 0               | 21/1½  | 17/4½  | 5   | a | 7½  | b | Lewis's Invest. Trst. | 4/-  | 20/10½ | 19/10½ | 2-48 | 2½ |
| 48½          | 46½ | L.C.C. 3%                       | after 1980 | 46½                | 46½                 | 6 0 0               | 116/9  | 73/15  | 15  | a | 32½ | b | Marks & Spencer 'A'   | 5/-  | 113/6  | 114/9  | 2-07 | 1½ |
| 89½          | 87  | L.C.C. 5%                       | 1980-83    | 88½                | 88½                 | 6 0 0               | 78/-   | 52/3   | 15  | a | 30  | b | United Drapery        | 5/-  | 76/6   | 78/-   | 2-28 | 1½ |
| 93           | 90½ | Middlesex 5½%                   | 1980       | 92½                | 92½                 | 5 19 0              | 76 1/2 | 10 7/8 | 10  | a | 10  | b | Woolworths            | 5/-  | 76/6   | 78/-   | 2-08 | 1½ |

## NEW YORK PRICES AND INDICES

| NEW YORK PRICES AND INDICES |        |         |                     |         |         |                     |         |         |        |
|-----------------------------|--------|---------|---------------------|---------|---------|---------------------|---------|---------|--------|
|                             | May 3  | May 10  |                     | May 3   | May 10  |                     | May 3   | May 10  |        |
| Atch. Topela .....          | 24 1/2 | 24 7/8  | Boeing .....        | 47      | 47 1/8  | Int. Harvester ..   | 52 1/2  | 52 3/8  | 38/-   |
| Can. Pacific .....          | 24 1/2 | 25      | Celanece .....      | 34 1/8  | 34 3/8  | Inter. Nickel ..... | 77 3/8  | 79 3/8  | 40/-   |
| Pennsylvania .....          | 14 1/4 | 14 1/2  | Chrysler .....      | 42 1/2  | 42 1/2  | Inter. Paper .....  | 32      | 32 1/4  | 50 1/2 |
| Crown Pacific .....         | 32 1/2 | 32 1/2  | Col. Palmolive ..   | 50 1/8  | 50 1/8  | Kennecott .....     | 22 3/8  | 22 3/8  | 14 1/2 |
| Amer. Electric .....        | 67     | 67 1/2  | Crown Zeller .....  | 57 3/8  | 58 1/8  | Monsanto .....      | 46 1/2  | 47 1/2  | 12 1/2 |
| Amer. Tel. & Tel. ..        | 126    | 126 5/8 | Distillers Seag. .. | 40 1/2  | 40 1/2  | Nat. Distillers ..  | 27 1/2  | 29 1/2  | 5      |
| Cons. Edison .....          | 78 1/2 | 85 1/2  | Douglas .....       | 34 1/8  | 34 3/4  | Pan-American ..     | 19 1/2  | 19 3/8  | 5      |
| Int. Tel. & Tel. ....       | 59 1/2 | 59 1/2  | Dow Chemical ..     | 71 1/8  | 74 5/8  | Procter Gamble ..   | 81 1/2  | 80 1/4  | 5      |
| Standard .....              | 57 1/2 | 58 1/2  | Du Pont .....       | 207 1/2 | 207 1/2 | Radio Corp. ....    | 60 3/4  | 64 3/4  | 36 7/8 |
| United Corp. ....           | 57 1/2 | 58 1/2  | East. Kodak .....   | 114 1/2 | 114 1/2 | Sears Roebuck ..    | 59 1/2  | 61 1/2  | 48 7/8 |
| Western Union ..            | 75 1/2 | 75 1/2  | Ford Motor .....    | 84 1/2  | 85 3/4  | Shell Oil .....     | 43 1/2  | 44 1/2  | 3      |
| Alcoa .....                 | 72 1/2 | 70 3/4  | Gen. Electric ..... | 64 1/2  | 63 7/8  | Socoxy-Mob. ....    | 47 3/4  | 47 3/4  | 33 7/8 |
| Aluminum .....              | 37 1/4 | 37 1/4  | General Foods ..    | 80      | 78 1/2  | Stand. Oil Ind. ..  | 55 1/2  | 54 1/2  | 8 1/2  |
| Amer. Can. .......          | 40 1/2 | 40 1/2  | General Motors ..   | 46 1/4  | 46 1/4  | Stand. Oil N.J. ..  | 47 1/2  | 47 1/2  | 39/-   |
| Amer. Smelting ..           | 68 1/2 | 68 1/2  | Goodrich .....      | 31 1/2  | 31 1/2  | Stand. Oil N.Y. ..  | 136 1/2 | 135 1/2 | 21 1/2 |
| Anaconda .....              | 60 1/2 | 61 1/2  | Gulf Oil .....      | 40 1/2  | 40 1/2  | Int. Sulph. ....    | 88 1/2  | 87 1/2  | 32 1/2 |
| Beth. Steel .....           | 47 1/2 | 46 1/2  | Heinz .....         | 60 1/2  | 58 1/2  | West. Electric ..   | 43 1/2  | 43 1/2  | 78/-   |
|                             |        |         | Int. Bus. Mach. ..  | 702     | 700 1/2 | Woolworth .....     | 68 1/2  | 66 1/2  | 12 1/2 |

| NEW YORK PRICES AND INDICES |        |        |     |                        |        |           |          |        |       |
|-----------------------------|--------|--------|-----|------------------------|--------|-----------|----------|--------|-------|
|                             | May 3  | May 10 |     | May 3                  | May 10 |           | May 3    | May 10 |       |
| 48 1/6                      | 40 3/4 | 5      | 10  | A.E.I. ....            | £1     | 43 1/6    | 42 1/6   | 7 06   | 1     |
| 15 1/4                      | 12 1/2 | ...    | ... | Brit. Electronic Inds. | £1     | 12 10 1/2 | 12 9     | ...    | ...   |
| 16 1/2                      | 11 1/2 | ...    | ... | B.I.C.C. ....          | £1     | 61/-      | 57 3/4   | ...    | ...   |
| 76 1/4                      | 50 1/4 | ...    | ... | Crompton Parkinson     | £1     | 13 7 1/2  | 13 7 1/2 | 4 52   | 2 1/2 |
| 52/-                        | 42/-   | ...    | ... | Decca Record ..        | £1     | 7 1/2     | 7 1/2    | 4 79   | 2 1/2 |
| 25/-                        | 25/-   | ...    | ... | E.M.I. ....            | £1     | 10/-      | 47 9     | 3 76   | 2 1/2 |
| 38/-                        | 32 3/8 | ...    | ... | Elliot-Automation      | £1     | 36 11 1/4 | 36 7 1/2 | 1 177  | 2 1/2 |
| 36 3/8                      | 36 3/8 | ...    | ... | English Electric       | £1     | 35 5/8    | 35       | 5 71   | 1 1/2 |
| 49 1/2                      | 49 1/2 | ...    | ... | General Electric       | £1     | 36 3/4    | 37 3/8   | 5 37   | 2 1/2 |
| 31 1/4                      | 31 1/4 | ...    | ... | G.P. ....              | £1     | 64 3/8    | 61 6/8   | 4 07   | 4     |
| 25                          | 25     | ...    | ... | A. Reyrolle .....      | £1     | 47 5/8    | 46 1/8   | 4 29   | 2 1/2 |
|                             |        | ...    | ... | Thorn Electrical ..    | £1     | 58 1/8    | 58 1/8   | 2 14   | 4 1/4 |

| NEW YORK PRICES AND INDICES |        |        |     |                     |        |         |         |        |       |
|-----------------------------|--------|--------|-----|---------------------|--------|---------|---------|--------|-------|
|                             | May 3  | May 10 |     | May 3               | May 10 |         | May 3   | May 10 |       |
| 48 1/6                      | 40 3/4 | 5      | 10  | ENGINEERING         |        |         |         |        |       |
| 15 1/4                      | 12 1/2 | ...    | ... | Babcock & Wilcox    | £1     | 33 9/16 | 32 9/16 | 5 50   | 3 1/4 |
| 16 1/2                      | 11 1/2 | ...    | ... | John Brown .....    | £1     | 58 1/8  | 58 1/8  | 4 61   | 2 1/2 |
| 76 1/4                      | 50 1/4 | ...    | ... | Cammell Laird ..... | £1     | 7 3/4   | 7 3/4   | 8 21   | 1 1/2 |

## Standard and Poor's Indices (1941-43=10)

[illegible]

\* Ex dividend. † Tax free. ‡ Assumed average life 8 years. § The net redemption yields allow for tax at 7s. 9d. in £. || Ex capitalisation. ¶ Ex rights. \*\* Ex all.  
(a) Interim dividend. (b) Final dividend. (c) Year's dividend. (d) Capital distribution of 1s. 6d. per share. (e) To earliest date. (f) Flat yield. (g) Equivalent to 7·2 sterling.  
\* After Rhodesian tax. (h) I to latest date.

# YORK STOCKS

[illegible]

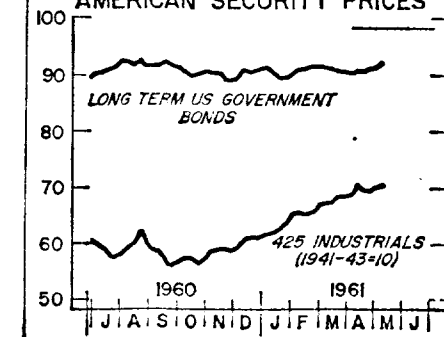
**The Economist Indicator (1953=100)**

| THE ECONOMIC INDICATOR, 1935-1945 |           |         |          |  |          |
|-----------------------------------|-----------|---------|----------|--|----------|
| 1961                              | Indicator | Yield % | 1961     |  |          |
| April 5                           | 410.7     | 4.32    |          |  |          |
| " 12                              | 413.5     | 4.29    |          |  |          |
| " 19                              | 419.1     | 4.26    | High     |  | Low      |
| " 26                              | 422.6     | 4.26    |          |  |          |
| May 3                             | 426.4     | 4.25    | 427.2    |  | 359.4    |
| " 10                              | 427.2     | 4.28    | (May 10) |  | (Jan. 4) |

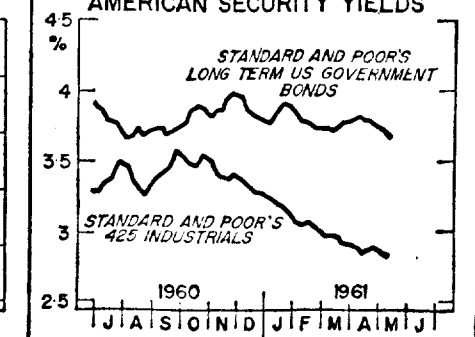
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| Financial Times Indices                  |              |            |                              |                      |                 |
|------------------------------------------|--------------|------------|------------------------------|----------------------|-----------------|
| 1961                                     | Ord. Index † | Ord. Yield | Fixed Int. ‡                 | 2 1/2% Consols Yield | Bargains Marked |
| May 4                                    | 360.8        | 4.27       | 85.97                        | 5.91                 | 20.208          |
| " 5                                      | 359.1        | 4.30       | 86.01                        | 5.91                 | 21.441          |
| " 8                                      | 360.9        | 4.29       | 86.07                        | 5.91                 | 24.993          |
| " 9                                      | 359.9        | 4.29       | 86.14                        | 5.92                 | 23.741          |
| " 10                                     | 362.1        | 4.26       | 86.22                        | 5.90                 | 21.351          |
| High, 362.9 (May 3),<br>Jul. 1, 1935 100 |              |            | Low, 305.9 (Jan. 3),<br>1929 |                      |                 |

## AMERICAN SECURITY PRICES



AMERICAN SECURITY YIELDS



\*\*\* Yields based on assumed dividends.—A.C.V., 16%, Bovril, 12%, Calico Printers, 20%, Chartered Bank, 15%, City & Centre Props., 25 1/2%, Coats, Patons & B., 12 1/2%, Daily Mirror, 15%, Davy-Ashmore, 25%, Disillers, 15%, Glaxo, 15%, Guinness, 12%, Hawker & Sons, 8%, and Securities, 5 1/2%, Lloyds Bank, 10 1/2%, Overseas Freighters, 17 1/2%, London Inv. 70%, Midland Bank, 15%, new Bank of India, 23 1/2%, London &

## Money and Exchanges

### EXCHEQUER RETURNS

For the week ended May 6, 1961, there was an "above-line" surplus (after allowing for sinking funds) of £51,476,000 compared with a surplus of £31,566,000 in the previous week and a surplus of £52,250,000 in the corresponding period of last year. There was a net expenditure "below-line" of £16,342,000 leaving a total cumulative deficit to date of £29,508,000 compared with £99,886,000 in 1960-61.

| £'000                                  | Estimate 1961-62 | April 1, 1960, to May 7, 1960 | April 1, 1961, to May 6, 1961 | Week ended May 7, 1960 | Week ended May 6, 1961 |
|----------------------------------------|------------------|-------------------------------|-------------------------------|------------------------|------------------------|
| <b>Ordinary Revenue</b>                |                  |                               |                               |                        |                        |
| Income Tax                             | 2,728,500        | 121,694                       | 127,968                       | 24,455                 | 27,217                 |
| Surplus                                | 210,000          | 13,300                        | 16,300                        | 1,800                  | 2,500                  |
| Death Duties                           | 240,000          | 24,400                        | 28,400                        | 5,400                  | 5,100                  |
| Stamp                                  | 94,000           | 10,100                        | 10,400                        | 1,300                  | 1,600                  |
| Profit tax, EPT and EPL                | 325,500          | 19,100                        | 20,800                        | 5,400                  | 5,200                  |
| Other Inland Rev. Duties               | ...              | ...                           | ...                           | ...                    | ...                    |
| <b>Total Inland Rev.</b>               | <b>3,598,000</b> | <b>183,594</b>                | <b>203,768</b>                | <b>38,355</b>          | <b>41,617</b>          |
| Customs                                | 1,550,000        | 148,943                       | 158,894                       | 30,324                 | 28,694                 |
| Excise                                 | 960,000          | 86,800                        | 116,310                       | 51,715                 | 76,065                 |
| <b>Total Customs and Excise</b>        | <b>2,510,000</b> | <b>235,743</b>                | <b>275,204</b>                | <b>82,039</b>          | <b>104,759</b>         |
| Motor Duties                           | 155,000          | 11,802                        | 5,653                         | 3,660                  | 2,046                  |
| PO (Net Receipts)                      | 40,000           | 2,200                         | 2,500                         | ...                    | ...                    |
| Broadcast Lic.                         | 205,000          | 11,531                        | 79,542                        | 4,033                  | 2,818                  |
| Miscellaneous                          | ...              | ...                           | ...                           | ...                    | ...                    |
| <b>Total</b>                           | <b>6,508,000</b> | <b>451,873</b>                | <b>544,647</b>                | <b>130,035</b>         | <b>151,240</b>         |
| <b>Ordinary Expenditure</b>            |                  |                               |                               |                        |                        |
| Debt Interest                          | 660,000          | 80,497                        | 80,393                        | 22,772                 | 21,184                 |
| Payments to N. Ireland Exch.           | 92,000           | 8,535                         | 9,609                         | 2,678                  | 3,028                  |
| PO Fund—Initial settlement             | 15,000           | ...                           | ...                           | ...                    | ...                    |
| Other Consolidated Funds               | 8,000            | 1,049                         | 1,023                         | 75                     | 11                     |
| Supply Services                        | 5,186,902        | 431,308                       | 467,984                       | 50,600                 | 74,101                 |
| <b>Total</b>                           | <b>5,961,902</b> | <b>521,379</b>                | <b>559,009</b>                | <b>74,125</b>          | <b>98,324</b>          |
| Sinking Funds                          | 40,000           | 3,040                         | 2,810                         | 1,680                  | 1,440                  |
| <b>"Above-line" Surplus or Deficit</b> |                  | <b>72,546</b>                 | <b>4,848</b>                  | <b>52,238</b>          | <b>51,476</b>          |
| <b>"Below-line" Net Expenditure</b>    |                  | <b>27,340</b>                 | <b>34,356</b>                 | <b>16,662</b>          | <b>16,342</b>          |
| <b>Total Surplus or Deficit</b>        |                  | <b>99,886</b>                 | <b>29,508</b>                 | <b>35,568</b>          | <b>35,134</b>          |
| <b>Net receipts from:</b>              |                  |                               |                               |                        |                        |
| Tax Reserve Certificates               | 16,077           | 15,832                        | 3,474                         | 4,214                  | ...                    |
| Savings Certificates                   | 9,700            | 2,600                         | 1,900                         | 500                    | ...                    |
| Defence Bonds                          | 10,111           | 5,848                         | 1,812                         | 1,968                  | ...                    |
| Premium Savings Bonds                  | 4,580            | 5,600                         | 470                           | 1,800                  | ...                    |
| <b>Total</b>                           | <b>40,468</b>    | <b>23,680</b>                 | <b>7,656</b>                  | <b>7,482</b>           | ...                    |

\* Net receipts of the Civil Contingencies Fund of £4 million in 1961-62 compared with £7 million in 1960-61.

### FLOATING DEBT

| (£ million)    |         |         |                         |                 |                     |
|----------------|---------|---------|-------------------------|-----------------|---------------------|
| Treasury Bills |         |         | Ways and Means Advances |                 | Total Floating Debt |
|                | Tender  | Tap     | Public Dept.            | Bank of England |                     |
| 1960           |         |         |                         |                 |                     |
| Mar 7          | 3,450.0 | 1,877.8 | 240.0                   | 0.3             | 5,568.0             |
| 1961           |         |         |                         |                 |                     |
| Jan 28         | 3,330.0 | 2,000.6 | 178.7                   | ...             | 5,509.3             |
| Feb 4          | 3,250.0 | 1,678.4 | 203.8                   | ...             | 5,132.2             |
| " 11           | 3,180.0 | 1,640.0 | 187.6                   | ...             | 5,007.7             |
| " 18           | 3,120.0 | 1,675.2 | 238.1                   | ...             | 5,033.3             |
| " 25           | 3,070.0 | 1,728.1 | 175.1                   | ...             | 4,973.2             |
| Mar 4          | 3,060.0 | 1,696.1 | 199.5                   | ...             | 4,955.6             |
| " 11           | 3,060.0 | 1,603.5 | 312.3                   | ...             | 4,975.8             |
| " 18           | 3,080.0 | 1,595.9 | 307.9                   | ...             | 4,983.7             |
| " 25           | 3,100.0 | 1,606.0 | 300.5                   | 4.3             | 5,010.7             |
| " 31           | 4,648.1 |         | 307.3                   | ...             | 4,955.4             |
| Apr. 8         | 3,110.0 | 1,599.2 | 299.4                   | ...             | 5,008.6             |
| " 15           | 3,130.0 | 1,928.5 | 269.5                   | 6.0             | 5,333.9             |
| " 22           | 3,140.0 | 1,911.3 | 336.3                   | ...             | 5,387.6             |
| " 29           | 3,110.0 | 1,993.1 | 247.9                   | ...             | 5,351.0             |
| May 6          | 3,120.0 | 1,887.3 | 293.3                   | ...             | 5,310.6             |

### THE MONEY MARKET

THE syndicate of discount houses raised its collective bid by a further 2d. to £98 18s. 2d. for the paper dated Tuesday to Saturday at last Friday's bill tender and bid £98 18s. for the 92 day Monday dated bills. The average rate of discount fell by 9.44d. to £4 7s. 4.27d. per cent. The cut in the German Bank rate from 3½ to 3 per cent was a contributory factor: the London Bank rate is now 2 per cent above both the German and the American. This week, however, the Bank of England has again exerted a check on the discount houses; clearly the Bank has no wish to have its hand forced by a falling-away in the bill rate. Total applications for the £240 million of bills on offer rose by £37 million to £416 million and the market received 49 per cent of its application as against 67 per cent a week earlier.

Credit was short in Lombard Street in the week to Wednesday and the authorities entered the market on all six working days to ease the difficult conditions by special purchase of bills. On Monday a fairly large amount of help proved insufficient for the market's needs and three or four houses were forced to borrow a moderate amount at the penal rate.

### MONEY RATES

| LONDON                         |       |                           |       |
|--------------------------------|-------|---------------------------|-------|
| Bank rate (from 5½% 8/12/60) % | 5     | Discount rates: %         |       |
| 60 days                        | 4½-4½ | 3 months                  | 4½-4½ |
| 3 months                       | 4½-4½ | 4 months                  | 4½-4½ |
| 4 months                       | 4½-4½ | 6 months                  | 4½-4½ |
| 6 months                       | 4½-4½ | Bank bills: %             |       |
| Bank bills: %                  | 3-3½  | 3 months                  | 5½-5½ |
| Discount houses: 3-3½          |       | 4 months                  | 5½-5½ |
|                                |       | 6 months                  | 5½-5½ |
|                                |       | Money: %                  |       |
| Day-to-Day                     | 3½-4½ | Official Discount rate: % | 3     |

| NEW YORK                  |   |                   |       |
|---------------------------|---|-------------------|-------|
| Official Discount rate: % | 3 | Treasury bills: % |       |
| From 3½% 11.8.60          |   | May 1             | 2-300 |
|                           |   | " 8               | 2-232 |

### LONDON CLOSING EXCHANGE RATES AND GOLD PRICE

| Effective Limits           | May 10          | May 4         | May 5         | May 6         | May 8         | May 9         | May 10        |
|----------------------------|-----------------|---------------|---------------|---------------|---------------|---------------|---------------|
| United States \$           | 2-78-2-82*      | 2-79-1/2-11/8 | 2-79-1/2-11/8 | 2-79-1/2-11/8 | 2-79-1/2-11/8 | 2-79-1/2-11/8 | 2-79-1/2-11/8 |
| Canadian \$                | 13-612-14-027   | 2-75-1/2-11/8 | 2-75-1/2-11/8 | 2-76-7/8      | 2-76-7/8      | 2-76-7/8      | 2-76-7/8      |
| French Fr.                 | 11-94-12-34     | 13-70-7/8     | 13-70-7/8     | 13-70-7/8     | 13-70-7/8     | 13-69-7/8     | 13-69-7/8     |
| Swiss Fr.                  | 137-96          | 12-10-1/2     | 12-10-1/2     | 12-10-1/2     | 12-10-1/2     | 12-09-1/2     | 12-09-1/2     |
| Belgian Fr.                | 142-02          | 140-20        | 140-20        | 140-17-1/2    | 140-17-1/2    | 139-97        | 139-75        |
| Dutch Gld.                 | 9-99-10-29      | 10-04-3/8     | 10-04-3/8     | 10-04-3/8     | 10-04-3/8     | 10-04-3/8     | 10-04-3/8     |
| W. Ger. D-Mk.              | 11-04-11-36     | 11-09-10-1/8  | 11-09-10-1/8  | 11-09-10-1/8  | 11-09-10-1/8  | 11-09-10-1/8  | 11-09-10-1/8  |
| Portug. Esc.               | 79-00-82-00     | 80-15-25      | 80-15-25      | 80-15-25      | 80-15-25      | 80-10-20      | 80-10-20      |
| Italian Lire               | 1725-1775       | 1735-351/2    | 1735-351/2    | 1735-351/2    | 1735-351/2    | 1734-351/2    | 1734-351/2    |
| Swedish Kr.                | 14-27-14-70     | 14-42-43      | 14-43-43      | 14-43-43      | 14-43-43      | 14-43-43      | 14-43-43      |
| Danish Kr.                 | 19-06-19-63     | 19-35-35 1/2  | 19-35-35 1/2  | 19-35-35 1/2  | 19-35-35 1/2  | 19-36-36 1/2  | 19-36-36 1/2  |
| Norwegian Kr.              | 19-71-20-30 1/2 | 20-00-20 1/2  | 20-01-01 1/2  | 20-01-01 1/2  | 20-01-01 1/2  | 20-01-01 1/2  | 20-01-01 1/2  |
| * Official Limits          |                 |               |               |               |               |               |               |
| United States \$           | 1-1/2-1/2       | 1-1/2-1/2     | 1-1/2-1/2     | 1-1/2-1/2     | 1-1/2-1/2     | 1-1/2-1/2     | 1-1/2-1/2     |
| Canadian \$                | 1-1/2-1/2       | 1-1/2-1/2     | 1-1/2-1/2     | 1-1/2-1/2     | 1-1/2-1/2     | 1-1/2-1/2     | 1-1/2-1/2     |
| French Fr.                 | 1-1/2-1/2       | 1-1/2-1/2     | 1-1/2-1/2     | 1-1/2-1/2     | 1-1/2-1/2     | 1-1/2-1/2     | 1-1/2-1/2     |
| Swiss Fr.                  | 1-1/2-1/2       | 1-1/2-1/2     | 1-1/2-1/2     | 1-1/2-1/2     | 1-1/2-1/2     | 1-1/2-1/2     | 1-1/2-1/2     |
| Belgian Fr.                | 1-1/2-1/2       | 1-1/2-1/2     | 1-1/2-1/2     | 1-1/2-1/2     | 1-1/2-1/2     | 1-1/2-1/2     | 1-1/2-1/2     |
| Dutch Gld.                 | 1-1/2-1/2       | 1-1/2-1/2     | 1-1/2-1/2     | 1-1/2-1/2     | 1-1/2-1/2     | 1-1/2-1/2     | 1-1/2-1/2     |
| W. German D-Mk.            | 1-1/2-1/2       | 1-1/2-1/2     | 1-1/2-1/2     | 1-1/2-1/2     | 1-1/2-1/2     | 1-1/2-1/2     | 1-1/2-1/2     |
| United States \$           | 1-1/2-1/2       | 1-1/2-1/2     | 1-1/2-1/2     | 1-1/2-1/2     | 1-1/2-1/2     | 1-1/2-1/2     | 1-1/2-1/2     |
| Canadian \$                | 1-1/2-1/2       | 1-1/2-1/2     | 1-1/2-1/2     | 1-1/2-1/2     | 1-1/2-1/2     | 1-1/2-1/2     | 1-1/2-1/2     |
| Swiss Fr.                  | 1-1/2-1/2       | 1-1/2-1/2     | 1-1/2-1/2     | 1-1/2-1/2     | 1-1/2-1/2     | 1-1/2-1/2     | 1-1/2-1/2     |
| W. German D-Mk.            | 1-1/2-1/2       | 1-1/2-1/2     | 1-1/2-1/2     | 1-1/2-1/2     | 1-1/2-1/2     | 1-1/2-1/2     | 1-1/2-1/2     |
| Price (s. d. per fine oz.) | 250-10 1/2      | 250-9 1/2     | 250-9 1/2     | 250-9 1/2     | 250-9 1/2     | 250-10        | 250-10        |
| (s. d. per fine oz.)       | 35-07 1/2       | 35-07         | 35-07         | 35-07         | 35-07         | 35-06         | 35-06         |

### BANK OF ENGLAND RETURNS

| (£ million)                | May 11, 1960 | May 3, 1961 | May 10, 1961 |
|----------------------------|--------------|-------------|--------------|
| <b>Issue Department*</b>   |              |             |              |
| Notes in circulation       | 2,180.4      | 2,275.2     | 2,282.3      |
| Notes in banking dept.     | 70.0         | 50.2        | 43.0         |
| Govt. debt and securities* | 2,247.3      | 2,323.3     | 2,323.2      |
| Other securities           | 0.7          | 0.7         | 0.7          |
| Gold coin and bullion      | 0.4          | 0.4         | 0.4          |
| Coin other than gold coin  | 2.0          | 1.0         | 1.0          |
| <b>Banking Department</b>  |              |             |              |
| Deposits:                  |              |             |              |
| Public accounts            | 8.9          | 11.4        | 10.2         |
| Special deposits           | 3.5          | 150.1       | 152.9        |
| Bankers                    | 236.1        | 236.8       | 249.2        |
| Others                     | 65.6         | 83.8        | 85.6         |
| Total                      | 314.0        | 482.2       | 497.9        |
| Securities:                |              |             |              |
| Government                 | 205.1        | 363.3       | 393.2        |
| Discounts and advances     | 37.3         | 67.6        | 60.5         |
| Other                      | 18.7         | 18.2        | 18.3         |
| Total                      | 261.2        | 449.1       | 472.0        |
| Banking department reserve | 70.8         | 50.9        | 43.8         |
| "Proportion" %             | 22.5         | 10.5        | 8.7          |

\* Government debt is £11,015,100, capital £14,553,000. Fiduciary issue increased by £25 million to £2,325 million on April 12th.

### TREASURY BILL TENDERS

| Date of Tender | Amount (£ million) | Three Months' Bills | Average Rate of Allotment | Allocated at Max. Rate* |
|----------------|--------------------|---------------------|---------------------------|-------------------------|
|                | Offered            | Applied for         |                           |                         |
| 1960           |                    |                     |                           |                         |
| May 6          | 91 day 250.0       | 446.8               | s. d. 4-70                | 23                      |
| 1961           |                    |                     |                           |                         |
| Feb. 3         | 210.0              | 384.5               | 83 4-46                   | 45                      |
| " 10           | 230.0              | 387.1               | 86 0-56                   | 31                      |
| " 17           | 230.0              | 339.2               | 87 7-63                   | 52                      |
| " 24           | 240.0              | 418.3               | 87 11-85                  | 36                      |
| Mar. 3         | 240.0              | 356.7               | 88 10-41                  | 54                      |
| " 10           | 250.0              | 395.1               | 89 9-54                   | 43                      |
| " 17           | 260.0              | 395.4               | 89 8-57                   | 47                      |
| " 24           | 250.0              | 398.3               | 89 8-46                   | 45                      |
| " 30           | 260.0              | 418.1               | 89 8-41                   | 40                      |
| Apr. 7         | 260.0              | 473.7               | 88 8-68                   | 42                      |
| " 14           | 280.0              | 441.1               | 89 7-49                   | 42                      |
| " 21           | 260.0              | 411.3               | 89 9-01                   | 38                      |
| " 28           | 220.0              | 379.8               | 88 1-71                   | 67                      |
| May 5          | 240.0              | 416.2               | 87 4-27                   | 49                      |

\* On May 5th tenders for 91 day bills at £98 18s. 0d. secured 43 per cent, higher tenders being allocated in full. The offer for this week was for £250 million of 91 day bills. \* Allotment cut by £30 million.

### COMPANY MEETINGS

## THE BURMAH OIL COMPANY LIMITED

### FACTORS AFFECTING RESULTS

### INTENSE COMPETITION: PROFIT MARGINS REDUCED

### AGREEMENT WITH BURMA GOVERNMENT—A REASONABLE AND EQUITABLE ARRANGEMENT

### MR W. E. EADIE REVIEWS WIDESPREAD ACTIVITIES AND DEVELOPMENTS

The fifty-ninth Annual General Meeting of The Burma Oil Company Limited, will be held on Friday June 2, 1961, in the Merchant's Hall, 30 George Square, Glasgow.

The following statement by the Chairman, Mr W. E. Eadie, has been circulated with the directors' report and accounts for the year ended December 31, 1960:—

### DIRECTORS

It is with great regret that I have to record the sudden death early this year of Mr. Thomas Taylor McCreath. Mr. McCreath had been a member of your Board since May, 1948. His wise counsel and knowledge of the oil industry in Burma, India and Pakistan will be greatly missed by his colleagues.

I have also to record with deep regret the death in January this year of Sir Kenneth Brand Harper. Sir Kenneth retired from the leadership of your group of Companies on November 1, 1957, and it is a matter of great sorrow to all who knew him that he was spared so short a time to enjoy retirement.

A senior member of our staff, Mr John Alexander Drysdale, was invited to join the Board on 1st March last. Mr Drysdale is well equipped for this appointment by long experience in all sectors of your Group's activities. I have complete confidence in recommending him for election by stockholders.

### ACCOUNTS

At the Annual General Meeting last year I indicated that trade was continuing to expand at approximately the same rate as in 1959 but I warned that pressures on prices could have an adverse effect on sales proceeds receivable by the Group.

In the event, the volume of trade expanded at the rate expected, the tonnage being 7 per cent greater than in 1959. The markets in the Eastern Countries where we operate were affected by the intense competition felt world wide in the oil industry and in consequence profit margins were reduced. This reduction and the cost of an increase in exploration effort in the USA and Canada were the main reasons for the sharp decline in the Group Profit on Trading in 1960.

As the Company's interests in The Burma Oil Company (1954) Limited were reduced to 40½ per cent in September, 1960, a development to which I refer later, only nine months of the profit for 1960 of The Burma Oil Company (1954) Limited is included in the Group accounts. Dividends received from that company will be treated as Trade Investment Income in future and taken into account when they are received. A further decline in the Group Profit on Trading in 1960 is due to the increasing

dependence of Assam Oil Company Limited on crude oil purchases from Oil India Private Limited.

Stockholders will appreciate from my comments later in this statement that it will not be until substantial production from the Nahorkatiya oilfields is sold that we can expect to receive a return from our investment in Oil India Private Limited which has been building up since 1955 and now amounts to £10,500,000.

As will be seen from the Consolidated Profit and Loss Account the profit on trading for the year is £4,973,030 compared with £6,880,434 for 1959. The provision for depreciation of £1,198,429 is little different from that made in 1959. An amount of £777,100 was set aside in 1959 and added to Depreciation. This amount is now treated as retained by Subsidiary Companies to conform with those Companies' final accounts. To facilitate comparison the Consolidated Profit and Loss Account 1959 figures have been amended accordingly.

Dividends from Trade Investments, which form part of your Company's profits from operations and trading, are £55,575 higher in 1960 than in 1959.

Other Dividends and Interest received during 1960, amounting to £11,782,119, are £1,894,447 greater than in 1959 due to the increased dividends on our holdings in The British Petroleum Company Limited and The "Shell" Transport & Trading Company Limited. No dividend was received from The Tinsplate Company of India Private Limited in 1959, but as a result of a successful appeal to the Government of India for revision of the prices of tinsplate, this company paid a dividend during 1960 in respect of the years 1958 and 1959.

The profit dealt with by your Company after charging taxation and the appropriation to Indian Development Rebate Reserve is £9,235,798 compared with £8,899,947 in 1959, an increase of £335,851. Including the balance of £583,738 brought forward from 1959, there is available for appropriation £9,81



countries, it is more appropriate to report on activities country by country.

#### BURMA TRADING

The elections held in the early part of 1960 showed a large majority for the party of U Nu which resumed office in April in place of the caretaker regime of General Ne Win.

The year 1960 saw a continued improvement in the country's general economy, the emphasis being on the further development and diversification of agriculture. Exports of rice and bran for the fiscal year ending September, 1960, constituted a post war record.

While in recent months there have been occasional outbreaks of lawlessness the general improvement in conditions has seen an increasing demand for petroleum products and our share of sales rose by 9 per cent in comparison with 1959.

#### PROSPECTING AND OILFIELD OPERATIONS

The extensive prospecting programme of The Burma Oil Company (1954) Limited was continued during the year.

In the Irrawaddy Delta the testing of a deep well at Payagon indicated only a small gas sand at medium depth; a second well to test the extent of this gas pool was ready to begin drilling at the end of the year.

A deep test well was being drilled at Tharrawaddy at the end of the year, and preparations were being made for other similar tests at Kyun Nyogyi and Aunglanmyo.

In Upper Burma a deep test well was started at Yedwet at the end of the year.

In the Chauk-Lanywa field, development drilling operations were continued in order to meet the increasing crude oil requirements of the refineries at Chauk and Syriam. A study is also being made of secondary recovery prospects. Three deep wells were drilled in the search for new reserves; although no additional oil was found these wells have indicated sizeable reserves of gas with some condensate.

Some development drilling was undertaken in Yenangyaung and small production is now being obtained. A deep test well was also started, but was abandoned at a medium depth after difficulties with very high pressure water sands; deep testing will probably be resumed in 1961.

#### REFINERIES

The refineries of The Burma Oil Company (1954) Limited at Syriam, near Rangoon, and at Chauk, Upper Burma, operated successfully during the year and each increased its throughput by over 9 per cent.

Plans have been made to increase annual capacity at Syriam by some 600,000 tons and the contract has been put out to world tender.

#### THE BURMA OIL COMPANY (1954) LIMITED

In exercise of its option under the formation Agreement the Government of Burma acquired in September a further 17½ per cent of the issued share capital of the above Company by payment in cash to the Oil Companies. This has brought Government's shareholding interest up to 51 per cent.

Under the formation Agreement when Government has acquired a controlling interest, the Oil Company shareholders are not obliged to contribute further capital for new projects.

#### COMPANY MEETING REPORTS

Following negotiations in Rangoon, the Oil Companies agreed to subscribe 49 per cent of the new capital required for the expansion of Syriam refinery and an associated underwater pipeline, while Government on its part agreed not to exercise for a period of 15 years its right to acquire further shares in the Company. Government further agreed to appoint one of our wholly owned Subsidiary Companies as Agents of the Company for certain purposes for a period of ten years.

Negotiations were carried out between Government and the Oil Companies in a spirit of cordiality and mutual goodwill. It is my considered view that the agreement which we have entered into represents a reasonable and equitable arrangement for the continued prosperity and efficient working of the Joint Oil Venture.

The Government of Burma has also decided, again in exercise of its option under the formation Agreement, that The Burma Oil Company (1954) Limited will take over the marketing facilities and installations of our trading Subsidiary Company in Burma and negotiations are now taking place.

#### PAKISTAN TRADING

The year 1960 saw the continuation of public confidence in the administration of President Ayub Khan as evidenced by a gradually expanding economy, and an improvement in the country's foreign exchange reserves.

Competition remained keen and our share of sales of petroleum products increased by some 2½ per cent only.

Total demand for petroleum products in Pakistan is at present at the rate of approximately 2 million tons per annum. Apart from normal expansion to be expected under the country's Second Five Year Plan, a development which of itself will be a major contribution to the country's economy is the Indus Waters Scheme.

Sales of gas during 1960 totalled 21,270 million cubic feet (the equivalent of 514,000 tons of fuel oil) compared with 16,078 million cubic feet (the equivalent of 388,000 tons of fuel oil) in 1959, an increase of 32 per cent. The greater part of this very satisfactory increase arises from the growing offtake through the Sui-Multan pipeline. Extension of this pipeline to serve industry north of Multan is currently under discussion with the Pakistan Government.

#### PROSPECTING AND OILFIELD OPERATIONS

Exploration operations were continued by Pakistan Petroleum Limited during the year.

#### WEST PAKISTAN

The well at Domanda and a further well at Karsal were drilled jointly with Pakistan Oilfields Limited, a subsidiary of Attock Oil Company Limited. Both wells were abandoned as dry holes.

One gravity and one seismic party were employed for much of the year in concessions in the northern part of the Punjab.

The combined exploration operations of the oil companies operating in Pakistan in recent years have resulted in the discovery of large gas reserves, but unfortunately there have been only moderate discoveries of new oil reserves. This is disappointing, but it is proposed that Pakistan Petroleum Limited, jointly in some

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cases with other companies, should continue the search for oil. At the end of the year one such well was being drilled at Dasori in Sind jointly with Pakistan Sun Oil Company.

As stockholders may have seen in the Press, the Pakistan Government has decided to undertake exploration on its own account, with the assistance of staff and equipment provided by the Russian Government on a long-term loan basis.

To meet the increasing demand for gas an additional development well was drilled by Pakistan Petroleum Limited in the Sui gas field and two additional purification units were erected at the gas purification plant for the Sui Gas Transmission Company Limited.

The Balkassar field, produced jointly by Pakistan Petroleum Limited and Attock Oil Company Limited, continued to maintain its small but steady production of oil.

Small production is being obtained from the third well at Karsal but results in this area are discouraging.

#### EAST PAKISTAN

A medium depth well was drilled at Fenchuganj and a second deep test jointly with Pakistan-Shell Oil Company at Lalmai; unfortunately neither of these wells was successful.

Last year I reported that a test well at Chhatak had discovered a new gas field. Arrangements were made to take production from this well to a cement works 12 miles away and sales of gas started at the end of July. The offtake should rise to 5 million cubic feet per day in 1961. Although small, this gas production operation is proving satisfactory.

The Sylhet gas field is being prepared for production to supply gas to a fertiliser factory now under construction by the Pakistan Industrial Development Corporation at Fenchuganj. Production is expected to commence in November, 1961.

#### REFINERIES

The rupee company, formed to construct and operate the new refinery at Karachi, was incorporated during the year and the contract for the construction of the refinery has been awarded. Work is going ahead and is due for completion at the end of 1962.

This refinery is owned jointly by your Company, Shell, Standard-Vacuum, Caltex and the public of Pakistan and has an initial planned capacity for 1½ million tons of crude oil per year.

#### INDIA TRADING

Total demand for petroleum products in India in 1960 was of the order of 7 million tons. It has been estimated that this figure will be doubled in the course of the next six years. In a country which is in the process of rapidly expanding its industrial and general economy and where the per capita consumption of petroleum products is as yet insignificant it is not unreasonable to expect that an increase of this magnitude will be realised.

Sales through our Subsidiary and Associated Companies were some 7 per cent higher than in 1959. In my last year's statement I mentioned the negotiation of a new price formula for petroleum products which reduced the margins allowed to the Oil Companies. In the latter half of 1960 the Government of India established an Oil Price Enquiry Committee which is conduct-

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ing an exhaustive investigation and is expected to report shortly.

It is perhaps not inappropriate for me to comment here shortly on one aspect which should be given due consideration in any study of petroleum selling prices in countries where petroleum is in short indigenous supply. In such countries there is a very natural and understandable desire to see national petroleum reserves discovered and developed as expeditiously as possible. The greater the number of operators exploring for such reserves, the greater the chance of success and it seems to me that Governments wishing to encourage interested operators (whether national or foreign) should offer attractive concessions terms and should as far as possible provide an assurance of a fair selling price for the commodity and its products. Such a price must provide an acceptable return to the operator taking cognisance not only of the speculative nature of the business but also the need for a continuing search for replacement of reserves as they become depleted.

The competitive commercial prices of world supplies over the years have provided the financial resources which have been required to search for and develop the reserves of petroleum in the world to-day and countries where intensive search for petroleum reserves is desired must, I consider, recognise this price basis as fair and necessary.

#### PROSPECTING AND OILFIELD OPERATION

No exploration was undertaken during the year outside the Nahorkatiya, Hugrijan and Moran concessions of Oil India Private Limited but, following the invitation of the Government of India to express an interest in exploration to which I made reference in my statement last year, discussions with the Indian Government were resumed recently.

Production operations continued in the Assam Oil Company's Digboi field.

In the Nahorkatiya, Hugrijan and Moran areas extension and development drilling has again been successful. Twenty-five wells were drilled, 19 of them being completed as oil wells, 3 as gas wells and 3 were abandoned as dry holes.

#### REFINERIES

The Assam Oil Company's refinery at Digboi and the Burmah-Shell refinery at Bombay continued to operate satisfactorily.

#### OIL INDIA PRIVATE LIMITED

Stockholders will recall that the function of this Company, which is owned two-thirds by your Company and one third by the Government of India, is to develop oil concessions in Assam in the Nahorkatiya, Hugrijan and Moran areas and to transport the crude oil for sale to the Government refineries being constructed at Gauhati and Barauni.

The authorised share capital of the Company is Rs. 50 crores (£37.5 million). The first issue of capital of Rs. 12 crores was made immediately after incorporation of the company in February 1959 and during 1960 there was a further issue of Rs. 9 crores. The funds derived from share capital subscriptions are being utilized for development of the oil fields. The total amount required for that purpose is estimated at Rs. 28 crores (£21 million). At December 31, 1960, your Company had contributed Rs. 14 crores (£10.5 million) towards its two-thirds share of this requirement.

#### COMPANY MEETING REPORTS

Construction of the first stage of the pipeline, from the oil fields to Gauhati, a distance of 260 miles, was started towards the end of 1960 and the target date for completion is the end of October, 1961. Construction of the second stage, from Gauhati to Barauni, a distance of 460 miles, is due to start in 1961 and the target date for the completion of this section is the end of March, 1962. The Burmah Oil Company (Pipe Lines) Limited is superintending the design and construction of this pipeline.

The estimated cost of the pipeline is £35 million. Of this sum £21 million will be incurred in rupees and £14 million in foreign exchange. As mentioned in my statement to stockholders last year, Her Majesty's Government has made a loan of £3 million to the Government of India towards the foreign exchange requirements for this line and your Company has agreed to provide a loan of approximately £11 million for the balance of the foreign exchange. The rupees required will be borrowed in India by Oil India Private Limited.

#### PUBLIC SECTOR DEVELOPMENTS

The Government owned refinery which is being built near Gauhati, in Assam, is due for completion towards the end of 1961.

The second Government refinery at Barauni in Bihar is scheduled to commence operation in the first half of 1962 and to be working to capacity during the latter half of 1963.

The closing months of the year saw the entry into the market of a Government distributing organisation, the Indian Oil Company. The main function of this Company will be the distribution and sale of products from Government refineries but meantime it is distributing and selling imported Russian products. This is a disquieting sign, and it remains to be seen what effect this Public Sector competition will have on market conditions.

#### USA

#### PROSPECTING AND OILFIELD OPERATIONS

In accordance with the agreement reached in 1959 with Murphy Corporation, The Burmah Oil Western Company participated during 1960 in the drilling of 14 wells in the Gulf of Mexico, of which 6 were successful. These wells were drilled by Ocean Drilling and Exploration Company, a Murphy Corporation subsidiary, as operator.

During the year an interest was acquired in a partially developed off-shore field in Eugene Island area. Several wells were reconditioned but production of oil and gas was small. Since the end of the year, however, production has been increased by completion of a good well, and further drilling is being undertaken.

In another field, forming part of the off-shore South Pelto area, five wells were completed as potential producers and arrangements are now being made to take oil and gas production from these wells.

#### CANADA

#### PROSPECTING OPERATIONS

At the beginning of 1960, Murphy Corporation, in conjunction with B.O.C. of Canada Limited, undertook a programme of seismic work in the Liard River area of Northwest Territories, and at the end of the year preparations were being made for the drilling of a well in this area.

#### AUSTRALIA

#### PROSPECTING OPERATIONS

During 1960, agreement was reached for joint operations with Murphy Corporation and Camelot Nominees, an Australian Group, in an off-shore area of 9,500 square miles in the Gulf of Papua.

It was agreed that one of your subsidiary companies should be the operator and preparations were made for a marine seismic survey which was started at the end of the year; the Australian Government is granting a subsidy towards the cost of this operation.

B.O.C. of Australia Limited has been incorporated in Australia as a wholly-owned subsidiary in order to hold and operate your interests in this region.

#### TANKERS

Early in the year m.v. *Yenangyaung* at the conclusion of 22 years' service was sold to ship-breakers in the Far East. The remaining vessels of our small fleet operated satisfactorily and without incident throughout the year.

#### LABOUR

Relations have been almost universally satisfactory during the year and work stoppages have been few. In all countries in which your Group operates workmen are showing increased awareness of their responsibilities both individually and corporately and no better example of this can be shown than the orderliness which prevailed in our operating areas in Assam throughout the linguistic troubles which occurred in the State last August.

In most spheres our industrial relations staff has been fully occupied with reconciliation and negotiating procedures and progress has been general in the direction of improved worker/employer relations and labour working conditions.

#### PERSONNEL TRAINING

The training of students and young technicians both in this country and elsewhere continues and our personnel staff are fully occupied in finding vacancies at colleges and on training courses for these men, since such facilities are becoming more and more difficult to obtain owing to the growing demand.

#### STAFF

More and more of the day-to-day responsibilities of your Group have devolved upon Asian executive staff and our confidence in these men has been fully justified. While a cadre of expatriate staff remains, but in diminishing numbers, I am confident that our Asianisation programmes are meeting to the full the requirements of the respective Governments. The temporary posting of Asian staff, not only to Head Office in London but to other countries, is proving beneficial in widening their knowledge and experience.

It is difficult, it not impossible, to avoid giving the impression that my thanks to your Group's staff is merely a routine repetition each year, but I assure you that this is not so. I can record a year of loyal endeavour and efficiency, on the part of all staff within the Group in the face of difficulties which, though not all apparent, nevertheless confront our men increasingly from year to year. The appreciation of the Board, which I now convey to all management and staff, is sincere and well deserved.

## THE BRISTOL AEROPLANE COMPANY LIMITED

BENEFICIAL RESULTS FROM REORGANISATION  
OF GROUP'S STRUCTURE  
INDUSTRY AND GOVERNMENT—AN ESSENTIAL PARTNERSHIP

### SIR REGINALD VERDON SMITH ON FUTURE PROSPECTS

The Fifty-first Annual General Meeting of The Bristol Aeroplane Company Limited will be held on June 5th at Filton, Bristol.

The following are extracts from the Statement by the Chairman, Sir Reginald Verdon Smith, LL.D., MA, BCL, which has been circulated with the Report and Accounts for the year 1960:

#### GROUP STRUCTURE

In my statement last year I explained the changes which took place in the structure of the Group during 1959 and I referred to further changes which were coming about in 1960. These various arrangements have now been carried into effect and in place of the two wholly owned subsidiary companies, Bristol Aero-Engines Limited and Bristol Aircraft Limited, we now hold investments in three associated companies, Bristol Siddeley Engines Limited, British Aircraft Corporation Limited and Westland Aircraft Limited, and two subsidiary companies, Bristol Aircraft Services Limited and Bristol Aeroplane Plastics Limited, together with our various other holdings in subsidiary and associated companies mostly overseas. The Board considers that these changes have brought valuable benefits to your Company: in place of having two wholly owned subsidiaries we now share with others investments in much larger companies, and we are participating in a much wider range of projects than one company could have expected to sustain effectively in modern conditions.

The changes in the structure of the Group make it difficult, if not practically impossible, to draw direct comparisons between the accounts for 1960 and those for previous years. This is in large measure because the process of transition was itself developing progressively over 1959 and 1960.

After commenting on various changes in the Consolidated Balance Sheet, the Chairman continued:

#### PROFIT AND LOSS

Net profits before taxation show a welcome increase of £309,000 over those for 1959. After deducting from the net profit after tax (£1,237,000) the dividend on the preference stock and the interim dividend on the ordinary stock, there remained £1,050,000 of which your Board has transferred £600,000 to General Reserve. It is now recommended that a final dividend of 9 per cent absorbing £382,000 be paid, leaving £668,000 to be added to the amount carried forward on Profit and Loss Account.

An illustrated booklet circulated with the Report displays the many varied projects upon which the various companies, subsidiary and associated, have been engaged, and in general the trading results of their activities have been satisfactory and profitable.

The Chairman reviewed the Group's interests in Canada and Mexico, and continued:

#### FUTURE PROSPECTS

Changes in the structure of the industry, after a preliminary phase of uncertainty, have successfully brought with them a new sense of purpose and of opportunity. In the groups with which we are concerned an excellent start has been made in the process of reorganisation and integration. The possibility, provided by amalgamation, of concentrating greater engineering strength on each project as it comes forward are being grasped readily and with goodwill on the part of those directly involved. Economies are being effected by avoiding duplication of resources. It is becoming possible to plan on a broader front a wide range of subjects such as the introduction of new plant and equipment, the areas in which research teams should concentrate their attention, the strengthening of overseas sales and service arrangements, the scale and pattern of industrial education and training. All these take time, but as new projects come forward and take the place of those which originated before the amalgamations, there is a growing sense of unity and cohesion, and the ability and determination to deploy to the best advantage the very substantial capacity available are most encouraging.

It is from that viewpoint that we can look into the future. Many factors affecting industry generally invariably make the forecasting of future prospects uncertain and speculative. Such matters as the stability of the national economy, the trend of costs and prices, the effects of taxation, the relations of the Six and the Seven in Europe, the progress and the needs of newly developing countries—all these we in the aircraft industry share with the rest of industry. There is, however, one respect at least in which prospects for the aircraft industry depend upon different and unusual considerations: the nature of our business means that, irrespective of politics, the industry and the Government are in partnership. With that special relationship it is of very great importance to the country that the making of policy should be positive and constructive, and that the implementation of decisions should be firm and brisk. There can be no doubt that the possibilities lying ahead of

this generation in the whole field of aviation and astronautics are immense: it is also clear that they are of such strategic and economic significance that the general course of their development is today, even more than in the past, a national responsibility. The technical achievements and the commercial progress of particular companies, no matter how large and well-established, depend upon those who carry this national responsibility both to recognise the issues at stake and to be successful in the claims they make upon the allocation of national resources. There is no escape from the difficulties or the risks inherent in aviation; whether the immediate question concerns the equipment or the operations of civil air transport in its international setting, or the pattern of defence policy and the selection of appropriate weapons, the rapid development of the several technologies which converge upon aviation imposes a great challenge upon those with whom lies the responsibility for decision. The expectation that scientific development will shortly bring further swift change can all too easily lead to uncertainty in policy and consequent delay in arriving at specific requirements.

The problems are admittedly complex: nevertheless now that so much has been done to consolidate the country's industrial resources it is no less important that the administrative machinery upon which stable and consistent planning depends should not creak, and that there should be no lack of initiative in the places where responsibility lies.

Subject to these reservations the general prospects of the aircraft industry can be viewed with much greater confidence today than was the case two or three years ago. Of course there are as usual great engineering problems to be solved: of course the surrounding economic and industrial conditions are not likely to be easy. Taking a leading place in international aviation is a matter of national policy and requires qualities of courage and judgment in the formation of policy as well as inventiveness and ability in execution but each of these factors affects others as well as ourselves, and in recent months some of our overseas competitors have published results which have shown them to be far more subject to error and far more vulnerable than had been commonly supposed. Both in judging technical possibilities and in bringing them to fruition, our record stands up well to comparison; if we have confidence in our abilities, it should be within the capacity of the country as a whole—and in particular of the companies in which we are interested—to achieve in the future success, both technical and commercial, in a field where over the years we have already achieved so much.

## CANADIAN PACIFIC RAILWAY COMPANY

(Incorporated in Canada with Limited Liability)

75th ANNIVERSARY OF INAUGURATION OF FIRST TRANSCONTINENTAL RAIL SERVICE

SUCCESSFUL OPERATIONS A TRIBUTE TO PRIVATE ENTERPRISE

ACHIEVEMENT AND MAINTENANCE OF COMPETITIVE PRICE STRUCTURE ESSENTIAL  
FOR COUNTRY'S FUTURE PROSPERITY

DEVELOPMENTS TO MEET RAPIDLY CHANGING PATTERN OF BUSINESS ACTIVITY  
AND INTERNATIONAL TRADE

### MR N. R. CRUMP ON REPORT OF ROYAL COMMISSION ON TRANSPORTATION

The Annual General Meeting of the Canadian Pacific Railway Company was held on May 3rd in Montreal.

Mr N. R. Crump, Chairman and President, who presided, said:

I know you would wish me on this occasion to refer to the great loss suffered by your Company early in January in the death of our late Chairman, Mr W. A. Mather. Few in Canadian Pacific have so distinguished themselves in their efforts on behalf of the Company's progress and welfare. Mr Mather's qualities of character and leadership, as reflected throughout his long career in Canadian Pacific, were well known to all of us. His efforts and achievements on behalf of your Company were notable. He is greatly missed, both as a wise and devoted Officer of the Company and as a friend.

This Annual Meeting marks the 80th anniversary year of the incorporation of your Company. It is the 75th anniversary year of the inauguration by your Company of Canada's first transcontinental rail service. It is a tribute to the achievements of private enterprise in public transportation service that your Company, throughout 75 years of business activity, has operated successfully and at a profit in every year except one—1894—when depression combined with disastrous floods in British Columbia to produce a deficit of \$527,000.

The results of railway operation in 1960, of which full details are set out in the Annual Report, were mainly influenced by the lack of buoyancy in the economy last year. It is a matter of considerable satisfaction, however, that in this circumstance, expenses of your Railway were so carefully controlled that only one-ninth of the decrease in railway revenues was reflected in net earnings.

#### DIESELIZATION PROGRAMME COMPLETED

One of the year's significant achievements was the completion of the dieselization programme, which had been under way throughout the post-war period. The total cost of the diesel units and related diesel facilities placed in service throughout that period is in the neighbourhood of a quarter of a billion dollars; the annual savings resulting from diesel instead of steam operation are estimated at some \$55 million. Further economies from this source are likely to be relatively limited, except for those increased savings due to firemen from freight and yard service moving into useful employment as enginemen.

The downward trend of railway revenues has continued throughout the first quarter of the current year. As a result, net earnings for the period, which amounted to \$5 million, were \$1.7 million lower than in the first quarter of 1960. As yet there has not been any indication of a

reversal of present traffic trends, but field surveys made by your traffic officers suggest that revenues over the remaining eight months of the year might at least equal those of the same months of last year, and possibly exceed them slightly. On this premise, it could reasonably be expected that the decrease in net earnings for the year would not exceed what has already been reported for the first quarter. The position will be substantially affected, however, by the action the Government takes to implement the recommendations of the Royal Commission on Transportation, to which I will refer later, and by the outcome of the current wage dispute between the railways and their non-operating employees.

On the request of the Minister of Labour, representatives of your Company and other Canadian railways commenced a series of meetings last week with the negotiating Committee of the non-operating Unions. During these meetings the railways' representatives endeavoured to make a fresh approach to the problem, with a view to formulating proposals that would result in an acceptable settlement. They were led to believe that the Union representatives were adopting a similar attitude. On Friday the railways agreed to the Unions' request for a recess, in the expectation that further meetings would take place shortly. On Monday afternoon the Railways received notification from the Union representatives that they could see no purpose in holding further meetings and that their position now was that they were not prepared to consider any change from the recommendations of the Chairman and the Union nominee on the Milvain Conciliation Board. The Minister of Labour has been informed of these developments.

A second labour dispute concerns your Royal York Hotel. Employees of this hotel enjoy the best wages and working conditions in the hotel industry in Toronto—a community acknowledged as a high wage area. Notwithstanding, the Union representing these employees, except supervisory and stationary engineers, called its members out on strike on April 24th without notice. The Company had offered a general increase of 2½ cents an hour effective April 1, 1961, along with adjustments in certain rates and working rules. This wage increase has been made effective. The Royal York Hotel has continued in operation in the face of the strike and full service is being maintained.

#### COMPANY'S PUBLIC RESPONSIBILITY

The growth and progress of Canada has always been paramount in the policies of Canadian Pacific. History, however, is constantly in the making, and it is the purpose of your Directors to make certain that Canadian Pacific is in the vanguard of national growth and progress today

and in the future no less surely than in the past. The public responsibility of your Company is to meet Canada's transportation needs. Your Directors believe that those needs can best be met under private enterprise, where management is under the discipline of the market and the undertaking is under the discipline of having to live within its means, to pay its taxes and to earn a profit.

To do this, Canadian Pacific must continue its leadership in transportation—both domestic and international. The Company must accomplish this task with the funds secured from investors and supported by earnings from the sale of its services, and it must be resourceful in its policies so that its responsibilities to its shareholders, its customers and its employees will be discharged in a manner consistent with Canada's private enterprise economy. Responsibility to the shareholders, under free enterprise, calls for constant and untiring efforts by management to enable the Company to earn a fair return on investment. Responsibility to the customers and to the public involves equally unrelenting effort to provide the best and most efficient rail and other services at the lowest possible cost. Responsibility to the employees involves assurance to them as participants in the enterprise of fair wages and good working conditions.

#### FORCES OF CHANGE IN THE ECONOMY

Your Directors are not unmindful of the fact that 1960 was a year in which forces of change, at work for some time, became clearly discernible in the economy of Canada and of the North American Continent. The circumstances of change are wellknown. The free world has moved from conditions in which Canada and the United States enjoyed a pre-eminent position as suppliers of natural resource products and capital and consumer goods into an international economy which has become highly competitive.

A new and modern industrial complex has arisen in Western Europe and the United Kingdom. Across the Pacific, Japan has again emerged as a foremost industrial nation and as a formidable competitor, along with Western Europe and the United Kingdom, for world markets. At the same time, newly independent countries in other parts of the world are experiencing striking economic changes which to some extent will bring them into increasing competition with the North American Continent as producers of raw and semi-processed materials and to a degree will lead to new markets for North American exports.

The impact of these developments abroad upon the Canadian economy has been marked. Our rate of growth has sharply declined, overcapacity is temporarily affecting some of our



resource industries as well as manufacturing. Unemployment has increased. Investors and consumers alike have been manifesting caution. Construction activity has dropped sharply. Profits have declined, adversely affecting the rate of investment. The emergence of a highly competitive international economy is to be welcomed, however, and not deplored. For only if other Countries are prosperous can there be any long run assurance that export markets for the products of Canada's mines, forests, farms and manufacturing industries will be found. Our present difficulties, therefore, stem not so much from the changes in the world economic climate itself, as from the failure of the Canadian economy to keep pace with those changes.

Appointment by the Government of the Productivity Council is a welcome and timely indication of official awareness of the need to speed the process of adaptation. Greater productive efficiency, of labour as well as of capital, is no less surely a condition of a return to prosperity than is aggressive salesmanship. Greater productive efficiency, clearly, calls for close and harmonious co-operation between employers and employees and for an end to labour strife which interrupts the production of goods and services and results in unwarranted cost increases. Progress in the face of intensive struggle for markets also calls for recognition of the fact that national prosperity and a high level of employment depend, not upon an ever-rising wage-cost spiral, but rather upon Canada's ability and willingness to achieve and maintain a price structure which is competitive in every sense of the word.

#### THE RECORD OF PRIVATE ENTERPRISE

Other progressive nations now enjoying a high level of prosperity have learned that real growth can be achieved only when costs, whether of industry or of Government, do not place in jeopardy the incentive to invest. When such conditions prevail, the full potential of the private enterprise system is reflected in steadily improving living standards and a high level of employment. When such conditions are violated, the free market system falters, and the sinister spectre of statism with all its ugly implications of regimentation and loss of freedom and initiative, arises to haunt the Country. Canadian history and traditions suggest that our present troubles are transitory. The record of Canadian achievement in the realm of economic growth over the years is the record of private enterprise at work. Canadians, therefore, are not likely to discard or place in further jeopardy a system which experience has shown to be unparalleled as a basis for social and economic progress.

#### MEETING CHANGING CONDITIONS

Your Directors' confidence in Canada's longer-term prospects for renewed growth are matched by a determination that your Company must constantly adapt itself to changing economic conditions. This determination is found in changes already made, and in plans for further changes, in many aspects of your Company's affairs. These changes will enable Canadian Pacific effectively to meet the challenge of its responsibilities in the future.

In your rail enterprise, these changes include constantly improving service to customers, aggressive modern sales methods in the marketing of rail services, organisational changes aimed at even greater efficiency in the use of personnel, innovations and improvements in freight services, and other developments aimed at in-

creasing your railway's share of the transportation market, greater productive efficiency and improved profitability of the rail enterprise.

Freight traffic is the lifeblood of your rail enterprise. Accordingly, no stone is being left unturned to achieve the most effective freight traffic salesmanship possible. The freight traffic department itself has been extensively reorganised to give local and regional officers—the men on the spot—more authority in respect of rates and services, thus improving the railway's competitive position and providing better service to shippers. This is backed by a system of market research, introduced in 1959. Agreed charges are playing an increasingly important part in meeting competition from other forms of transportation. During 1960 nearly 600 new manufacturing, warehousing and distributing facilities were located on or adjacent to your railway's right-of-way. These developments called for some 150 new industrial sidings, requiring 36 miles of new track.

Canadian Pacific is also playing an active part in fostering the development of some 50 industrial parks across Canada. This is being done in co-operation with municipal authorities and with private industry. Through these efforts your Company is assisting municipalities in various parts of the Country to attract new industry and to aid industries which are seeking new or better locations. All of these activities afford Canadian Pacific the opportunity for access to new sources of rail freight traffic.

The development of coal exports to Japan and the movement of sulphur from Southern Alberta are also bringing new traffic to your railway. In 1960, Pacific coast bulk terminals opened its modern bulk loading facilities at Port Moody, British Columbia. The establishment of this terminal is in anticipation of the growth of bulk traffic movements from Western Canada to the Pacific for shipment abroad of potash and other commodities as well.

#### CHANGES IN COMPANY'S STRUCTURE

Changes are also being made in your Company's structure to provide closer control and co-ordination of its varied transportation services and related operations. These changes, part of a continuing programme by Canadian Pacific to keep its organisation tailored to altering business conditions, divides general administration into two broad areas. Each is under the direction of a Vice-President of your Company reporting to the Chairman and President.

Under the new system, rail operations, personnel, purchases and stores, highway services, express, communications, research, investigation and medical services form one broad area of jurisdiction. Freight and passenger traffic, airlines, natural resources, law, public relations and hotels constitute the other. The Company's financial and accounting departments and the Secretary continue to report directly to the Chairman and President. At the same time Canadian Pacific activities in the United Kingdom and Europe, including its ocean steamships, have been placed under control of the Company's Managing Director, Europe, with headquarters in London, England. The change, in keeping with the broad pattern of adjustments carried out since July, 1959, is an integral part of long-range Company policy to strengthen and improve earnings, operations and sales. Re-organisation of the territorial administration of the Company's operation and freight traffic and other departments made in the last two years was a major step towards this goal.

#### CIVIL AVIATION

Developments aimed at adapting to the rapidly changing pattern of business activity and international trade have been no less numerous in non-rail aspects of your Company's activities. Your Company's subsidiary, Canadian Pacific Airlines, faces the problems that are inevitable in a period of transition from the conventional type of aircraft to jet travel. The difficulties of transition, however, in no way lessen the importance to your Company and to Canada of Canadian Pacific's activities in the field of civil aviation.

Your Airline has already established an impressive international route structure providing Canadian travellers and shippers with reliable service to Europe, Latin America, Australasia and the Orient. Your Company's International Air Service helps Canada develop markets abroad. It also constitutes an important service export, earning for Canada a substantial amount of foreign exchange. Your Airline's authorised route pattern, however, does not enable it to serve directly certain of the World's most important markets, such as the United Kingdom. Nor does Canadian Pacific Airlines have access to traffic points in the Continental United States. It is hoped Government action will be taken to enable your Airline to provide such services.

The domestic transcontinental services provided by your Airline are still restricted to one flight each way daily between Vancouver, Winnipeg, Toronto and Montreal. This limitation prohibits flexibility and choice of flight times. Effective competition, under such conditions, cannot be said to exist. You will recall that when your Airline's domestic transcontinental service was approved two years ago, it was proposed that the situation be reviewed early in 1961. Discussions have taken place between officers of your Airline and the Canadian Government aimed at securing a statement of Canadian air policy to enable your Company to share in the growth of the domestic flight market.

#### STEAMSHIP OPERATIONS

Activities in your steamship operations in 1961, are highlighted by the introduction into service of your new flagship, the 27,300-ton *Empress of Canada* which arrived in this port yesterday on her maiden voyage. This vessel is the largest and fastest ever to serve Montreal on the St. Lawrence River route and has the distinction of being the only new liner to enter the trans-Atlantic trade this year. She is also the newest ship in cruise service and will offer a 61 day, 30 port cruise to the Mediterranean sailing from New York on February 9, 1962. In addition, the *Empress of Canada* and also the *Empress of England* will offer cruises from New York to the West Indies next winter.

Last year steamship operations were adversely affected by a series of illegal strikes in the United Kingdom and Canada during the peak summer season. Barring labour troubles this year and particularly in light of the introduction of the new *Empress*, improved results are anticipated. Your steamships' European to Great Lakes Service which operates via the St. Lawrence Seaway with chartered ships is being expanded. Four vessels profitably operated on this run last year. Six have been engaged for the 1961 season. Two large Beaver freighters—the *Beaverburn* and the *Beaverlodge*—were sold because their size and type make them unsuitable for present operations. In the replacement a new 4,600 ton freighter, the *Beaverin*, has been acquired and will join the Fleet in mid-year. Also one other

smaller, more economical vessel has been chartered pending the acquisition of another suitable modern vessel.

#### RESOURCE AND INDUSTRIAL DEVELOPMENT

Your Company through its wholly-owned subsidiary, Canadian Pacific Oil and Gas Limited, and through its holdings in Consolidated Mining and Smelting Company of Canada Limited, continues to be an active participant in Canada's resource and industrial development. The results of the drilling programme of Canadian Pacific Oil and Gas Limited for the year 1960 were 22 gas wells, 2 oil wells and 17 dry holes. At the end of the year your subsidiary owned, through drilling on its own account or in conjunction with other companies, 56 net gas wells and 10 net oil wells. This subsidiary is now well into the investment phase of its development and the programme of exploration and development of oil and gas resources is being continued and expanded in 1961.

The operations of Consolidated Mining and Smelting Company of Canada Limited also reflect the extent to which your Company, through its holdings, is an active participant in industrial development. Diversification of Smelters' activities, underway for some time, has now reached the stage where it is engaged in the production of electronic materials and in the primary production of pig iron. This is the first time that pig iron has been produced in Western Canada from Western Canadian ore. An important growth area of Smelters' activities, too, lies in the production, also in Western Canada, of chemical fertilizers and other chemicals.

#### ROYAL COMMISSION'S REPORT

Of major significance to your Company is the first volume of the Report of the MacPherson Royal Commission on Transportation, which was tabled in the House of Commons early in April of this year. Recognition by the Royal Commission that the railways, while no longer a monopoly, are still essential to the economic well-being of Canada and that they must be properly compensated for services which they are obliged to perform are the guiding principles of Volume I of the Commission's Report. Recognition of these principles in the realm of public policy has been a major objective of your Company for many years. This finding of the Royal Commission confirms our belief that the railway industry will continue to play a leading role in the Canadian transportation scene for as far into the future as anyone can foresee.

In essence, Volume I of the Report of the MacPherson Royal Commission, when implemented, will affect the business of your railway in three ways. First, the Report recommends that the railways be compensated for the movement of Western export grain traffic which, under statutory rates, is hauled at a substantial loss. Welcome as this relief will be, however, its adequacy is open to question in view of the fact that, despite the Commission's findings that traffic moving at statutory rates should bear its proper share of costs including a reasonable return on investment in the railway plant associated with such movements, the rate of return proposed by the Commission is less than 4 per cent. This is substantially below the rate at which the Government of Canada can secure funds through the issuance of risk-free savings bonds.

Second, the Report recommends that the railways be compensated by way of payment from

the Treasury for free transportation which they are required by law to provide.

Third, the Report recommends that other burdens, such as uneconomic passenger train services and light density branch lines, be eased over a transitional period through payments from the Treasury on a diminishing scale.

The Report points out that "within a competitive environment and with the free enterprise philosophy these adjustments must be made internally by each railway and between the railways and railway labour." While the criterion of the Commission in determining which lines are uneconomic is open to question it is nevertheless heartening to find the Report affirming in principle the policy of facilitating withdrawal from uneconomic services which your Company has been vigorously pursuing for some years.

#### FREIGHT RATES

It is the hope of your Directors that on the matter of freight rates the further volumes of the Royal Commission's Report will contain clarification of the Commission's views as to the relationship between the freight rate structure and higher labour expenses, material prices and higher tax costs. In respect of freight rates, Volume I of the Report is disquieting not only because of the obscurity of the reasoning, but also because of the apparent contradiction between the free enterprise philosophy acknowledged as the basis of Canadian economic life in transportation and the recommendation for the imposition of a new artificial limitation on the pricing of railway services.

Only some 40 per cent of the payments proposed by the Royal Commission will accrue to your rail enterprise, with the remaining 60 per cent serving in effect as a transfer payment to alleviate the deficits of the Canadian National Railways. Moreover, insofar as Canadian Pacific is concerned, approximately one-half of the payments proposed under the Royal Commission's recommendations become returnable to the Federal Treasury through the medium of income tax. Thus, the net cost to the Government of the payments to the railways recommended by the Royal Commission amount to some \$17 million in the first year, declining rapidly over a five-year period.

Canadians, not infrequently, pride themselves on the fact that over the last five years the proportion of our gross national product allotted to capital outlays has been running at a higher level than in the United States. It is, nevertheless, a disquieting fact that on a *per capita* basis, Canada's increase in national production over the same period has been less than that of the United States. It is thus apparent that this Country's higher rate of capital investment has not resulted in a correspondingly higher rate of production upon which growth and prosperity depend.

#### STATE AND PRIVATE ENTERPRISE

Among the reasons responsible for this undesirable situation, it would appear, is that Canada, to a greater degree than the United States, is committed to the mixed economy, in which state enterprise and private enterprise function in co-existence. Whatever may have been the reasons underlying the development of this situation in the past, Canadians should objectively re-examine the implications of a public policy responsible for the relatively larger role of state enterprise in Canadian economic life.

For it is a fact that state enterprise is much

less subject to the discipline of the market than is private enterprise. The discipline of the market assures maximum productivity in the allocation of capital material and human resources. State enterprise tends to operate without regard to cost or return on investment, thus escaping the discipline of the market and contributing to uneconomic allocation of resources and to lower productivity than otherwise would be obtained. State enterprise, in certain instances, enjoys access to interest-free capital and also escapes its share of the tax burden to which other businesses and individuals are subject. In the long run, it may well be that the philosophy of state enterprise, lacking as it does the spur of the profit motive and insulated from market discipline, will prove to be a grave disservice to the people of Canada.

Your Directors are hopeful that public policy in the future will devote greater attention to this problem. Evidence that this may be the case is found in the public utterances on the importance of free enterprise philosophy contained in the Report of the MacPherson Royal Commission, and in the position the Government of Canada has taken in respect to Dominion-Provincial fiscal relations.

Concerning the latter, the Prime Minister has pointed out that with the discontinuance of the tax rental system in 1962, "it will thus be open to and up to any of the Provinces to impose whatever taxes, in the three jointly occupied fields, they consider to be necessary to meet their respective financial responsibilities" and that "they will exercise their constitutional right to impose, vary and adjust their levies from time to time as may be necessary in the light of their responsibilities to their provincial taxpayers and without recourse to the Federal Government."

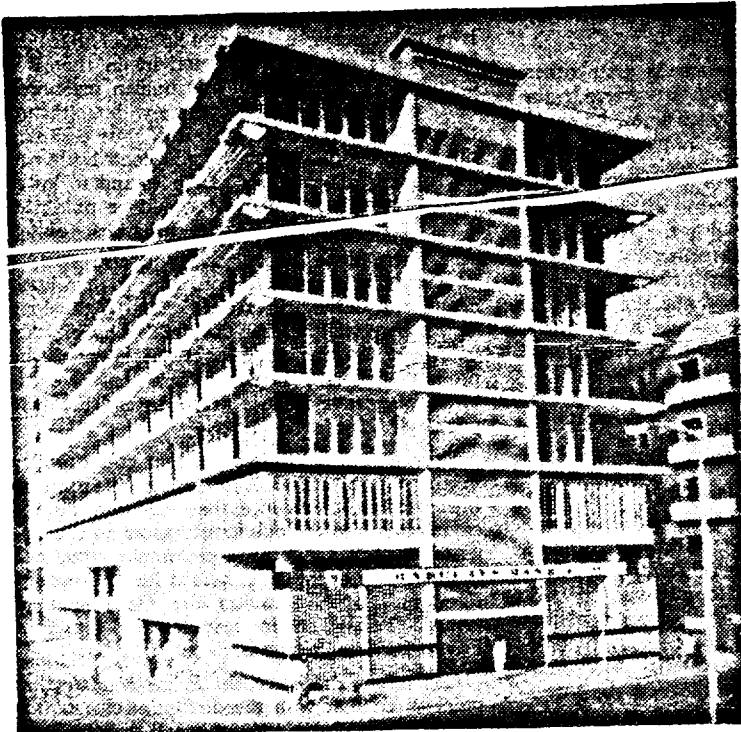
Were state enterprise in Canada subject to these same eminently sound principles of financial responsibility, then it could be said without hesitation that the prospects for new investment in Canada, in transportation and in other fields where state competition exists, would be greatly enhanced and an entirely new dimension of growth would emerge.

#### FIRST PRESIDENT'S REMARKS STILL PERTINENT

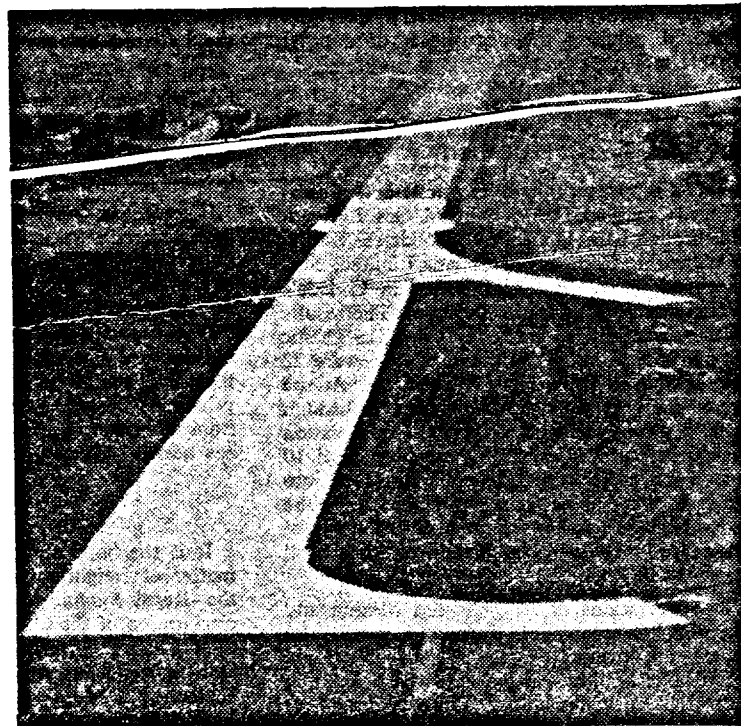
In opening this address I referred to the fact that your Company's trans-continental rail service was inaugurated seventy-five years ago. The remarks of your first President, George Stephen, to the 5th Annual Meeting held in that year, are particularly pertinent today. Describing financial transactions, he said: "The Company will then have discharged all its obligations to the Government, and will have honourably paid back in full the money loaned to it, five years before it was due; in this respect standing alone among Canadian and American railways and it will have completed its contract for the construction of the railway within one-half of the stipulated time. In the future it will neither expect nor need anything from the Government but fair treatment, and earnest and judicious effort in the important work of settling up the Country, developing its resources, and promoting the general prosperity of the whole people of the Dominion; in all of which the Government will have the hearty co-operation of the Company."

Three-quarters of a century later there are no words I could use to define more clearly, more correctly or more concisely the position of the Canadian Pacific Railway Company today.

The report and accounts were adopted.



Barclays Bank D.C.O., Lagos, built by Costain (West Africa) Ltd. Architects: Walker, Harwood & Cranswick, F.R.I.B.A.



A 2,300-ft. extension to the main runway at Prestwick Airport. Completed in May, 1960—one month ahead of schedule. (Photo by courtesy of "Flight.")

## Costain policy to maintain the highest possible level of exports

"THE INCREASE IN GROUP'S PROFITABILITY APPROACHING 10 PER CENT. IS A SATISFACTORY ACHIEVEMENT" . . . Sir Richard Costain, C.B.E., Chairman

The Annual General Meeting of Richard Costain Limited will be held on 12th June in London.

In the course of his circulated statement reviewing the year 1960, Sir Richard Costain, C.B.E. (Chairman and Joint Managing Director) said:

The Profits of the Group at £804,853 are 19 per cent. higher than those of 1959 which was itself a record year. During the year we purchased a controlling interest in a contracting business in Australia, and consequently the Group trading profits include profits of that company for part of the financial year prior to the date of purchase. Disregarding these pre-acquisition profits there is still an increase in Group profitability approaching 10 per cent. which is a satisfactory achievement. Your Board are therefore able to recommend a final ordinary dividend of 10 per cent. as forecast making 16 per cent. in all for 1960. The final dividend will be paid on the share capital as increased by the rights issue on the 10th November, 1960. The net dividend is covered 2.7 times by last year's earnings.

### UNITED KINGDOM

It is perhaps remarkable that competition has remained extremely keen and tender prices low, although the increasing volume of business available to the contracting industry in 1959 has continued through 1960. The weather during the late summer and autumn, which was the worst on recent record for contracting work, caused some shortfalls in production with resultant losses. As suitable opportunities have arisen the Group has nevertheless expanded its order book in the home market on those types of construction which enable our technical experience to be used to the best advantage.

After reviewing the Civil Engineering and Building activities the Statement continued:

**Housing:** House-building for sale in the United Kingdom has continued at a slightly higher rate than in 1959 and there has been no slackening in the demand for our houses. The acquisition of suitable land at reasonable prices continues to be difficult but we have made satisfactory purchases sufficient for a further two years' development.

**Concrete:** The numbers of concrete sleepers manufactured and sold in 1960 were greater than in the previous year and this activity continues to be a satisfactory section of the Group.

**Siporex:** Our first plant for the manufacture of the Swedish lightweight concrete Siporex has been in production for several months and the results are encouraging. Present indications are that the demand will fully justify our faith in this material.

### SPECIALIST SERVICES

Several companies in the Group offer specialist services to architects, engineers and the contracting industry, and these businesses continue to expand, with successful trading results. These companies include Foundation Engineering Ltd. for general foundation problems and Piling and Construction Company Ltd. specialising in bored piling.

### ABROAD

Opportunities to obtain new work abroad of a satisfactory nature have been restricted by political and economic uncertainties but nevertheless our overseas turnover has been more than maintained and represented over half of the total value of work executed in 1960. Indications are that future work abroad will depend more and more on the ability to offer credit for terms of seven years or longer. I welcome the recent Government announcement concerning the improved facilities to be offered by the Export Credits Guarantee Department, but the

national policy will have to be kept continuously under review if British contractors are to remain in a competitive position. We may expect that the competition backed by funds from a number of European countries, which is already keen, will be intensified. Your directors will, in the interests of the nation and the shareholders continue to strive to maintain the highest possible level of exports of goods and services.

### PROPERTY INVESTMENT AT HOME AND ABROAD

While, as I indicated last year, some time would have to elapse to allow for the addition to the revenue of your company arising from property investments, it can be reported that some progress has been made. However, although the income from this source has shown an increase, I feel I should strike a note of warning that, in view of the present difficulties, including the time factor, in securing suitable sites and obtaining the necessary planning approvals, the creation of new property investments will probably take longer than was anticipated and it may be a few years before it employs to the full the funds your Board considers appropriate to allocate in this direction.

### FUTURE PROSPECTS

Shareholders will be aware of the political uncertainty existing in many areas in the world, and of the economic difficulties at home and abroad, nevertheless I do believe that your Group is as well prepared as any to face the future with reasonable confidence.

Your Board feels that, apart from any world wide recession in trade or the loss of any substantial part of our business due to political upheaval, it should be possible in 1961 to maintain the rate of dividend which they recommend for 1960.

**RICHARD COSTAIN LIMITED • BUILDING & CIVIL ENGINEERING CONTRACTORS • LONDON • ENGLAND**

## LOW & BONAR LIMITED

### FEATURES OF A SATISFACTORY YEAR

### EFFECTS OF JUTE PRICE MOVEMENT

### CONFIDENCE IN ENGINEERING SIDE FURTHER JUSTIFIED

### MR H. V. BONAR ON JUTE PROSPECTS

The Forty-ninth Annual General Meeting of Low & Bonar Limited will be held on May 31st at Dundee.

The following is the Statement by the Chairman, Mr H. V. Bonar, which has been circulated with the report and accounts:

### REVIEW OF 1960

The year that closed on November 30, 1960, can, I think, be considered a satisfactory year in almost all spheres of the Group's operations. In Jute Spinning, Weaving and Merchanting, results were shown which represented a fair improvement over those of the previous year. I must comment, however, that this improvement was partly owing to the sharp upward price movement both of raw materials and finished goods, and the fact that the Group was well covered material-wise to meet this movement.

Flax had its best year for some time past with a lively demand from all sources and a stable raw materials market at a reasonable price level.

In Engineering, Bonar, Long & Co. Ltd., despite their six weeks' strike in the spring, achieved over the year as a whole a 10 per cent increase in sales with profits only marginally down over those of the previous year. Considering the loss of production caused by the strike this was most satisfactory and further justified the confidence which had been shown in the past—and is still being shown—in committing considerable sums of capital to expanding the capacity of this important part of the Group's undertakings.

The Transparent Packaging Division, which broke through into the black in the previous year, made a further advance in 1960 and we have now had enough confidence to expend considerable sums to increase its capacity.

### OVERSEAS ACTIVITIES

In Canada, both in that portion of our business which is consolidated in the Accounts, and in the somewhat larger part which falls under the heading of "Subsidiary not Consolidated" and which is dealt with in the Notes, a still further improvement was obtained on the previous year's good showing. As far as their textile operations, as opposed to their paper operations, were concerned, however, this improvement was, as in Jute here in the UK, to some degree thanks to the sharp upward price movement in Jute Cloth.

South Africa, The Federation of Rhodesia and Nyasaland and East Africa, despite all their political headaches, and all against my expectations when I addressed you a year ago, produced figures in this past year which were up and not down on the previous two years' showing.

I close this short review of 1960 as I started it, by saying once again that 1960 was a satisfactory—indeed a good—year.

### PROSPECTS FOR 1961

Home, Textiles, etc.: Taking the Group's Jute interests first, as I always do, though with the growth of the Group's other interests they are now by no means predominant, I must confess to some degree of mis-giving. The early months of the current year were, it is true, satisfactory and on a par with 1960 figures, but there are danger signals ahead. Last year at this time I stressed the fact that there was barely enough raw jute then available to carry the world through to the next crop and that prices had consequently risen sharply and excitedly.

In the final outcome there was just enough, but little or no carry-forward. Owing, however, to a prolonged drought the 1960 crop has, in its turn, yielded far less than was hoped for and this, coupled with the lack of carry-forward, has created an even more difficult situation than obtained last year. Prices of grades which stood at £115 to £120 a ton in July (already £15 to £20 a ton higher than a year earlier) rose sharply throughout the late summer, autumn and winter months to reach a peak of nearly £210 per ton in early March of this year. Such high prices and extreme movements do untold harm.

### EFFECT OF HIGH JUTE PRICES

Some traditional customers of jute goods begin to look for alternative materials and all customers, while buying heavily in the early stages of the rise, begin to reduce their buying when the upper price brackets are reached and to cut down their pipeline and run down their stocks and therefore still further reduce their buying once the inevitable decline in prices sets in.

With both Pakistan and India straining every nerve this year to grow a really big crop so as to redress the position and make up for the shortfalls of the previous two years, and with sowings and weather so far proceeding satisfactorily, a considerable decline in price took place between mid-March and mid-April. Although the market has latterly entered a phase in which it is not clear whether over the next month or two the shortage of old crop or new crop prospects will prove the more important factor, nonetheless it seems likely, and indeed it is to be hoped, that in the longer if not the shorter run, further considerable declines will take place. Accordingly it seems likely that we are going to be faced with increasing difficulty over the next few months in maintaining our manufacturing operations at full capacity. At the same time it seems very likely that the current year will be one in which considerable stock losses may be incurred, even on a minimum raw jute pipeline. This latter danger has been provided against by your Board who have increased the existing provision for High-Priced Stocks and Contracts this year by £35,000 odd, bringing it to a total of nearly £170,000. They will not hesitate to draw upon this provision to meet stock losses incurred during the year, should it prove necessary.

Still on the subject of Jute and dangers ahead, I must repeat again the references which I made last year to the fact that various Jute Pricing Agreements in the UK were under the scrutiny of the Registrar of Restrictive Trading Agreements. I said then—"The Government have long admitted the necessity of giving a considerable measure of protection to the Dundee and District Spinning and Weaving Industry against the imports of low-priced Asiatic goods. It is the industry's contention that the various Price Agreements operated by it are the necessary lubricating oil which makes the unusual and somewhat involved form of protection work smoothly and efficiently, and with the maximum fairness to all parties concerned. The industry accordingly proposes to fight for the maintenance of the various arrangements which have stood the test of time so well and been of considerable benefit to consumers as well as manufacturers." This matter has not yet come before the Restrictive Practices Court and therefore I can add no more.

### FLAX

So much for this difficult Jute field. Turning now to our Flax undertakings I am happy to report in much more confident terms. The early months of the current year have seen a continuation, both of the stable raw material conditions and of the good tempo of demand which characterised 1960. The Forward Order Book is good and it looks as if, right through the current year, the major difficulty may well be one of producing enough goods to satisfy the many demands with which this part of the Group is faced. At the moment, indeed, and subject to any unforeseen fall in raw materials' prices necessitating a stock write-down at the year's end, there is a fair prospect of results showing some further improvement over last year. This is a most heartening change from the depressed conditions which obtained in this industry only two years ago.

### TRANSPARENT PACKAGING

As far as concerns the Transparent Packaging Division, we have, as I have already said, been encouraged by progress over the last two years, to commit ourselves to further capital expenditure to increase capacity. Some of the new equipment involved is already erected and should enable increases in sales to be catered for in the latter half of this year. I am hopeful, accordingly, despite the very keen competition with which the Group is faced in this sphere of activities, that we may see some further modest advance in profits over the year as a whole.

### ENGINEERING

In Engineering, Bonar, Long & Company, Limited, continue to work at full capacity and high pressure. The Forward Order Book is excellent and in 1961 this Company should reap the full benefit of the major extension



which was completed in the middle of 1960 and has gradually been brought into full commission over the intervening months.

Throughout the last fourteen years, Bonar, Long & Company, Limited, have invested very considerable capital sums in new plant and buildings. The Company is now almost entirely self-contained for the manufacture of all component parts. During the same period the Company has steadily improved its output and its earnings on capital employed. It is excellently equipped with the most modern facilities to build Transformers up to the largest sizes. In addition its Switchgear manufacturing capacity has been steadily increased and a decision has been taken to build an extension to the factory to house this growing Switchgear Section. This project is scheduled to start in May and be completed by December and will comprise about 55,000 square feet. At the same time the sale of Capacitors is being steadily built up. My expectation at the moment is that their sales should show a further sharp expansion and that profits, subject to any unforeseen contingencies, should show an appreciable increase over the past year. Competition is very keen and will certainly not grow less now that the Transformers Manufacturers' case has been rejected by the Restrictive Practices Court. I should perhaps make it clear, however, that the Company was in no way involved in this case as it was not an adherent to any of the price arrangements concerned.

The Electricity Supply Industry has a rate of expansion of the order of 8 per cent per annum, i.e., the consumption of electricity doubles itself every nine years, Bonar, Long & Company, Limited, as suppliers of Power Transformers and Sub-Station Switchgear equipment, is therefore operating in a rapidly expanding field of industry.

#### CANADA

Looking abroad, the Group's undertakings in Canada have again made a good start. This is the case both in respect of the Eastern part of Canadian operations which are consolidated in the Balance Sheet and Profit and Loss Account, and the still larger Mid-west and Western operations which are not consolidated but are dealt with in Note 1 to the Accounts. The Group now either wholly own, have a majority holding in, or own a considerable share in no less than eleven plants spread across the breadth of the Dominion, and I hope when I am in Canada in June to have the pleasure of opening Plant No. 12—a new paper bag making plant at Fredericton, New Brunswick.

On the paper bag making side, I see no reason at the moment to think that 1961 will not once again prove a fully satisfactory year. On the textile side, however, as with our jute interests in the UK, and as is made clear in the Directors' Report, we seem likely to take sharp stock losses on our inevitably lengthy jute goods' pipeline. Like the Parent Board in the UK, the Canadian Board has foreseen this and has added an additional \$50,000 to their existing provision of \$150,000 for Future Inventory Losses. Similar action has been taken in the Subsidiary not Consolidated. The Canadian Board will not hesitate, if stock losses do indeed occur during the current year, to draw upon these considerable provisions to the degree necessary.

I cannot close this short review of Canadian prospects without making reference to the imposition in the last Canadian budget of a 15 per cent With-holding Tax on dividends admitted by wholly owned Subsidiaries in

#### COMPANY MEETING REPORTS

Canada to Parent Companies domiciled outside of Canada. This has not affected the Accounts before you and may well not affect the different year either, owing to the fact that this With-holding Tax cannot apply to the Subsidiaries of a British Company unless and until the Double Tax Relief Treaty between Britain and Canada is revised. If, in the long run, however, this With-holding Tax is brought into effect, it will mean a net addition to the charge for taxation as at current rates there is little between existing British and Canadian Company Taxation rates. I cannot but feel that such an imposition will be a most unfair reward to those who have helped to develop the Canadian economy.

#### AFRICA

Lastly I turn to the Continent of Africa. As you are aware, we operate as a Group in various parts of that Continent. In the Union of South Africa we have the South African Canvas Company (Pty), Limited with its Head Office in Johannesburg, and branches or depots in practically all the major centres. In the Federation of Rhodesia and Nyasaland we have branches of The South African Canvas Company (Pty), Limited in Salisbury and Bulawayo. In East Africa we have what used to be a branch of the Parent Company and is now our new Subsidiary—Low & Bonar (EA), Limited, while in Nigeria, we have now a controlling interest in the small, but I hope eventually growing, Tarpaulin Industries (West Africa), Limited.

Leaving Nigeria aside, the other areas in which we operate have all been very much in the news of late. In each one of them there are racial and political clouds, though the type of cloud and its darkness varies from one to the other. What the long-term solution to the many and difficult problems involved may be, neither I nor anyone else can forecast. In the short-term, however, the present uncertainties must almost inevitably lead to some degree of economic stagnation and difficulty. Our Companies there must, I fear, face difficult months and perhaps years ahead. Your Board have for some years past followed a conscious policy of holding and cherishing the Group's existing structure in these areas, but at the same time avoiding any new major capital commitments unless they were necessary to sustain that policy. In this last year, and in view of the Group's considerable manufacturing and trading commitments in these areas, the Group's purely Investment Portfolio interest in the same areas has been heavily pruned.

Your Board's past policy is to be continued. In the years that have gone by profits from Africa, particularly Southern Africa, have made no small contribution to the Group's continued expansion. Even in these last two or three years, the Group has benefited substantially from the endeavours of all concerned in our African organisations. Difficult times may indeed lie ahead, but it is still true that if only the political and racial difficulties can be overcome, the areas in question have an immense expansion potential. We intend as a Group to be there to enjoy it.

As far as our immediate 1961 prospects are concerned, the fact that both the Union and the Federation have this year large agricultural crops may well prove to be of considerable help to us in our type of business to meet what one expects to be a generally difficult economic situation. I think perhaps I should close this paragraph for the sake of perspective by pointing out that the percentage of total Group earnings represented by the Group's African Companies amounted last year to 12 per cent.

#### THE ECONOMIST MAY 13, 1961

##### CAPITAL COMMITMENTS

A Group such as yours can only, in the long run, progress if a very considerable part of its earnings are ploughed back each year into the business to be re-deployed in the form of either replacements or improvements of existing capacity, or the creation of new capacity. A review of the past 8 years shows that the Group has done this at an average of £354,000 per annum over that period. During 1961 the Capital Expenditure on Fixed Assets is likely to run at a very much higher figure. There is in plan, or under consideration at the moment, partly already committed and partly not yet taken that length, a total sum of the magnitude of £640,000.

It may well be that all of this will not fall to be paid for in 1961, but I quote the figure to show that the Group is not standing still. It is, as you will see from a careful study of the Directors' Report, in Canada, Bonar, Long & Company, Limited and the Transparent Packaging Division that the main expansion is taking place, but quite sizeable figures are also involved in keeping our Textile Spinning and Weaving both efficient and up-to-date.

##### TRIBUTE TO STAFF

In closing, I should like, as in previous years, to pay my tribute to the efforts and loyalty throughout the year of every Member of the Group, no matter what country they operate in or in what capacity. Year after year they continue to give of their best to promote your interests and once again they have earned your hearty thanks.

#### LOW & BONAR LIMITED

Textiles, Packaging and Engineering

Operates internationally in its own name and through various Subsidiary and Associated Companies.

#### MANUFACTURERS AND MERCHANTS OF

##### In the UK

Jute Yarn, Cloth and Bags.  
Electrical Transformers, Switchgear and Capacitors.  
Flax and Hemp Yarns and Cloths.  
Transparent Packages.

##### In Canada

Paper Packaging, Textile Bags, Cartons and Transparent Packages.

##### In South Africa and The Federation of Rhodesia and Nyasaland, East Africa, and Nigeria

Tents, Tarpaulins, Filter Cloths, Oilskins, Rubber and Plastic Suits, etc., etc.

#### CAPITAL

Authorised and Issued:

£100,000 6% 1st Cum. Pref. Stock  
£100,000 6% 2nd " " "  
£200,000 5½% 3rd " " "  
4,800,000 Ordinary Shares of 10s. each.

#### RESULTS FOR YEAR TO 30/11/60

Group Trading Profit ... £1,422,699  
Net Profit after taxation attributable to Members of Parent Company ... £579,835  
Ordinary Dividend ... 15%  
and Bonus ... 2½%

#### REGISTERED OFFICE:

63/73 King Street, Dundee, Scotland.

#### THE ECONOMIST MAY 13, 1961

#### COMPANY MEETING REPORTS

## UNION CORPORATION LIMITED

(Incorporated in the Union of South Africa)

### THE FOLLOWING IS EXTRACTED FROM THE REPORT OF THE DIRECTORS FOR 1960

On February 14, 1961, the currency of the Union of South Africa was converted to a new basis in which the primary unit is the Rand (R), which is divided into cents (100 cents = R1). The conversion rate between the old currency unit and the new is £1 = R2. Since the Corporation's financial year ended on December 31, 1960, before the introduction of the new currency unit, the 1960 Accounts were struck in terms of the old currency unit. However, a comparative column has been added to the summary of the consolidated results for the year set out below.

As a consequence of the change in currency the share capital of the Corporation which has not altered in the course of the year, is now expressed as R2,500,000 in 10,000,000 ordinary shares of 25 cents each. The Corporation has also outstanding R4,000,000 of 6½ per cent registered unsecured Notes 1974/83 which were issued in 1958 and 1959.

RESULTS FOR THE YEAR. The Consolidated Profit for the year was £3,688,458, the highest in the Corporation's history. Appropriations have been made from it as indicated below.

| 1959<br>£  |                                                                                                      | 1960<br>£  | Rands      |
|------------|------------------------------------------------------------------------------------------------------|------------|------------|
| 2,856,915  | CONSOLIDATED PROFIT FOR THE YEAR attributable to the Corporation (after providing for taxation)..... | 3,688,458  | 7,376,916  |
| 3,232      | DEDUCT: Expenses of Note and New Share Issues.....                                                   | 727        | 1,454      |
| 1,148,437  | Dividends declared.....                                                                              | 1,231,250  | 2,462,500  |
| 1,151,669  |                                                                                                      | 1,231,977  | 2,463,954  |
| 1,705,246  | RETAINED BALANCE OF CONSOLIDATED PROFIT FOR THE YEAR.....                                            | 2,456,481  | 4,912,962  |
| 1,146,070  | Balance brought forward from 1959.....                                                               | 1,201,316  | 2,402,632  |
| 2,851,316  |                                                                                                      | 3,657,797  | 7,315,594  |
|            | DEDUCT: Transfer to Reserves of Union Corporation:—                                                  |            |            |
| 150,000    | Exploration Reserve Account.....                                                                     | 150,000    | 300,000    |
| 300,000    | General Reserve Account.....                                                                         | 250,000    | 500,000    |
|            | Transfers to Reserves of Subsidiary Companies:—                                                      |            |            |
| 1,200,000  | Exploration Reserve Accounts.....                                                                    | 175,000    | 350,000    |
|            | General Reserve Accounts.....                                                                        | 1,250,000  | 2,500,000  |
| 1,650,000  | Capital Reserve Accounts.....                                                                        | 600,000    | 1,200,000  |
| £1,201,316 | Balance carried forward to 1961.....                                                                 | 2,425,000  | 4,850,000  |
|            |                                                                                                      | £1,232,797 | R2,465,594 |

The Directors, as on previous occasions, have thought it wise to write down the book cost of certain holdings below both cost and market price to allow for the wasting nature of a substantial part of the portfolio, and have consequently charged the Profit and Loss Account with £150,000, of which £75,000 has been charged in the accounts of a subsidiary company.

The consolidated profit for the year includes the Corporation's equity in a subsidiary mining company's profits, some portion of which was retained for financing shaft-sinking and other capital development and, hence, was not available for distribution. For this reason the Directors have transferred to Capital Reserve Account the sum of £600,000.

The Corporation's commitments to subsidiary mining companies were reduced during the year from £8,800,000 to approximately £6,300,000, which sum it is anticipated will be required during the next couple of years.

When considering the dividend for the year the Directors had again to take these commitments into account. Nevertheless, in view of the satisfactory progress of the Corporation's Kinross area gold mines and of the present dimensions of the Corporation's income available for dividends, they felt justified in increasing the distribution for the year. Furthermore, they have decided that, commencing with the final dividend for 1960, dividends will be declared in South African cents per share and, in the interests of simplicity, free of United Kingdom income tax. The final dividend for 1960 has been declared

at 18½ cents per share, free of tax, the equivalent of a declaration of approximately 3s. 0½d., less U.K. income tax at a standard rate of 7s. 9d. in the £. This makes, with the interim dividend of 1s. 0d. per share, less U.K. income tax, a total distribution for the year equivalent to 4s. 0½d. per share less U.K. income tax, or 24½ cents free of tax, as compared with 3s. 9d. per share (approximately 23 cents free of tax) in respect of 1959.

#### THE UNION CORPORATION GROUP OF COMPANIES

On the East Rand record tonnages and higher profits were achieved by The Grootvlei Proprietary Mines, Limited and Marievale Consolidated Mines, Limited. Operations at East Geduld Mines, Limited, continued to be satisfactory although mining difficulties are increasing, whilst at Van Dyk Consolidated Mines, Limited, which now has only a short profitable life remaining, the profits were substantially less than in 1959. Geduld Proprietary Mines, Limited, whose mine is also approaching the end of its life, announced during the year its intention of consolidating its future by adding to its investments and retaining a proportion of profits for this purpose. Amongst the newer companies St. Helena Gold Mines, Limited in the Orange Free State and Winkelhaak Mines, Limited, in the Kinross area continued to expand both their operations and their profits whilst adding substantially to their ore reserves. At Bracken Mines, Limited and Leslie Gold Mines, Limited, the two new Kinross area companies formed in 1959 to take over lease areas to the west of Winkelhaak Mines, shaft sinking continued throughout the year. Two shafts have now intersected the reef on each property and since the year-end a start has been made on underground development work.

South African Pulp and Paper Industries, Limited had a very good year and has now completed the installation of the first newsprint plant in Southern Africa.

In Mexico, San Francisco Mines of Mexico, Limited had a better year and was able to pay a dividend for the first time for three years—though since the end of the company's financial year the deterioration in the base metal market has adversely affected its results once more.

The principal United Kingdom operating companies of the Group, Bay Hall Trust Limited and Wilkes Berger Engineering Company Limited (in which the Corporation and Bay Hall Trust jointly acquired a controlling interest at the beginning of 1960) both had good years.

Late in the year the Corporation formed a company, Unicares Limited, to set up a plant in the United Kingdom to manufacture corrugated cardboard containers. South African Pulp and Paper Industries assisted in the preliminary investigation of this project and has taken a substantial investment in it.

After the end of the year under review the Corporation's non-African interests were consolidated into a wholly-owned United Kingdom subsidiary company, Unicorpora Limited.

#### EXPLORATION

Exploratory drilling outside the three lease areas in the Kinross field was continued during the year. The Corporation continued to be active in the search for gold and other metals and minerals elsewhere.

#### DIRECTORS

The Directors record with deep regret the untimely death in July last of Mr. A. V. Conrad. Mr. R. H. MacWilliam, a Manager of the Corporation in London, was appointed a Director in September 1960.

The full Report and Accounts (copies of which can be obtained on application at the London Office, 95, Gresham Street, London, E.C.2) include further details of the progress of the companies under the administration of the Corporation, brief particulars of the progress of other companies in which the Corporation is interested, sections dealing with the South African Gold Mining Industry and statistics of World Gold Production, Consumption, Distribution and Reserves and the Corporation's Trade Cycles Chart, revised to date.

# EAGLE STAR INSURANCE

*"I am a great believer in the personal approach and we must make every effort to seek business and give service wherever it may be."*

## SIR BRIAN MOUNTAIN'S REVIEW

The Annual General Meeting of Eagle Star Insurance Company, Ltd., will be held on June 1 at Wimbourne House, 22, Arlington Street, London, S.W.1.

The following are extracts from the statement by Sir Brian Mountain, Bt., Chairman, which has been circulated with the report and accounts for the year ended December 31, 1960:—

Last year I tried to show you how we respond to change and described some of the fundamental ideas on which we are working. In 1960 we endeavoured to carry some of these things into effect but the final proof of our efforts lies in the future.

Some changes are imminent in the higher direction of our Company and it is fitting that I should tell you about them before dealing with the events of the past year.

Mr John Spencer, F.I.A., our Deputy Chairman, who joined the "English & Scottish" sixty-nine years ago, retires from the Board by rotation and does not seek re-election; Mr Harry Routh, F.C.I.I., will also retire from his position as Chief General Manager on 31st July, and it is the Directors' intention that an invitation should be extended to him to join the Board. Mr A. G. Simons, F.I.A., General Manager, will take over as Chief Executive Officer.

From time to time during the past year we have been associated in the news with certain property developments. Although attractive opportunities are presented to-day by loaning money secured on selected property developments at relatively high fixed yields, the interests of the shareholder and policyholder may perhaps be even better served by equity holdings in the developments, which offer not only a stake in the fruits of sound judgment and performance, but an inflationary hedge for the future.

### LIFE

Perhaps the item of most immediate interest to shareholders in the 1960 Accounts is the transfer from LIFE Funds resulting from the triennial valuation of liabilities carried out by the Actuary at the end of the year.

It is not for me to forecast now what the results of the current period will be so far as they affect shareholders. I recall, however, arrangements made last year for policyholders under group pension contracts to

benefit from the prosperity of the fund over and above the pensions secured by the contracts themselves. We have made substantial reductions in rates for both new and existing business and are offering a participation scheme for those who prefer to share in the profits of their section of the funds as they emerge from time to time. This is a necessary piece of competitive service which we are, nevertheless, delighted to be able to give and is designed to keep the respective benefits to policyholders and shareholders in harmony with each other.

In 1960 we were busy coping with the preparatory work arising from the National Insurance Act, 1959, which came into force on April 1, 1961. To our employer friends, faced with problems of contracting out, we have been able to offer useful advice, often contrary to our own immediate interests, but on balance we feel the effects of the legislation should be to make employers more than ever aware of the value of company-administered schemes.

### FIRE

The record of the Fire and General Departments in 1960 was rather mixed. We think of the FIRE department first because we regard it as the most consistent source of profit, but this reputation is suffering as more and more perils come to be included under Fire and "All-In" contracts. However, 1960 gave us some wry satisfaction in being able to help many policyholders affected by the floods particularly those retail traders who found their Shopkeepers All-In policies with "Eagle Star" to be unique in covering flood damage to stock and fixtures. The worst hazards of recent years, however, have been due to the way that industrialisation has multiplied the number of large plants which often cover several acres and form virtually undivided fire risks. We have repeatedly warned about the perils presented by such premises, due to the difficulty of containing and extinguishing fire once it has begun. At last, responsible elements of the market are coming to agree that risks of this nature may warrant an increase of rate rather than a discount for size.

### ACCIDENT

In the ACCIDENT department we cover everything from a few pounds of holiday

baggage to the largest dragline excavator in existence and every day brings unfamiliar problems which call for common sense and experience of a high order. In fact so varied are the risks that one difficulty in transacting Accident classes all over the world is to get enough business of a kind to "make a book" in each place and justify the employment of competent people to deal with it at or near the source. However, we feel that we have this highly technical department well under control and offer as good a service as any.

### MOTOR

The MOTOR department continues to walk the tightrope. We do not ourselves believe there is any panacea for underwriters or, indeed, any really effective remedy other than education in road sense and the encouragement of safe driving by selection and careful underwriting. In spite of the much discussed rating methods used in this country, at least we keep the cost of insurance reasonably low for the average motorist, and lower than most places abroad. This should be borne in mind when arguments for deserving cases are balanced against the need to make both ends meet in a class of business which contributes so large a part of our premium income.

### MARINE

In the MARINE department there has been a distinct improvement in 1958 and subsequent years which has encouraged us to make a modest transfer from the Marine Fund to Profit and Loss. The AVIATION department is battling hard to keep a balance between the desire of airline operators to insure at lowest possible cost, and the need for underwriters to provide for heavy claims by high-valued jet aircraft flying about the world in increasing number. In this respect, we have taken a full part in helping to stabilise the market and I believe our friends, brokers and insured, will see the wisdom of the stand which underwriters are making.

Nothing gets easier, but we are confident in the men and women who serve the Company and I think we may leave it to them to meet the challenge of their times. I am sure the shareholders will join me in thanking them.

# BELL'S ASBESTOS AND ENGINEERING (HOLDINGS) LIMITED



## RESULTS SURPASS ALL PREVIOUS RECORDS

### MR C. W. BELL'S REVIEW OF GROUP'S WORLD-WIDE INTERESTS

The annual general meeting of Bell's Asbestos and Engineering (Holdings) Limited will be held on May 29, 1961, at Slough.

The following is the statement by Mr. Claude Waylen Bell, MC, the Chairman, which has been circulated with the report and accounts:—

A year ago my forecast ran favourably on the Group's immediate prospects as I saw them from my watch-tower; I made the prophecy that the Units most likely to burgeon might attain their most profitable period. My language was based on a close examination and careful analysis of fundamental facts and figures and in the event my optimism was justified. The results now under review surpass all previous records and I am proud to submit them. The Net Profit accruing to the Group amounts before taxation to no less than £737,193 against £580,009 in the year 1959, an increase of over 25 per cent and £52,169 higher than the previous best in 1956. Taxation, allowing for a credit of £19,643 in respect of over-provisions in previous years, is £359,544; subtracting that rather formidable national item and deducting £5,953 for minority interests the residue is £371,696 as compared with £311,067 the year before. Profits retained by the Subsidiary Companies total £129,173, leaving £242,523 for the Holding Company. Adding to this latter amount the balance of £952,696 brought forward from previous years we have £1,195,219 available for appropriation by the Holding Company.

During the year your Directors have declared dividends on the two classes of Preference Shares and an interim of 7½ per cent less Income Tax on the Ordinaries. Last November the Capital was increased by a "Rights" issue of 1,161,000 Ordinary Shares. These new shares rank for the final dividend and add naturally and materially to the cost. But as the increased liability is borne by enhanced earnings, the Board has no hesitation in recommending that the rate of the final dividend on the Ordinary Shares be 15 per cent less Income Tax, a total of 22½ per cent less Income Tax for the year as against 20 per cent for the year preceding. If the recommendation be approved, the balance to be carried forward by the Holding Company will be £1,055,077 which with the balance of £915,036 retained by the Subsidiary Companies reaches a total of £1,970,113 in the unappropriated profits and revenue resources of the Group as a whole. It is always a pleasant exercise to recite the arithmetic of growth.

### COMPANIES IN THE UNITED KINGDOM

#### Bell's Asbestos and Engineering Limited

The operating Company enjoyed more genial conditions of trading and in consequence the turnover and the profits have risen significantly. Acknowledging and appreciating as I am swift to do the encouraging external circumstances I bear in mind the fact that at long last the studiously thoughtful changes in the organisation of our internal affairs and enterprises in recent years have borne fruit and will continue to do so. Vigilant husbandry is prologue to harvest.

The Sales Staff has been strengthened under wise surveillance by the recruitment of representatives who in addition to personal qualities possess technical expertise to market new and exclusive "Speciality Products" which are our pride. The "Bestobell 250" Valve made for the Company at Rotherham by Baines is an example and symbol in the fullest degree of a Group product. There will be others. Exports to certain of the Commonwealth countries advanced in volume and most of the markets of importance to us have been active throughout the year and are currently so. The Aircraft Department is rich and eager in initiative and commands success on its merits. The personnel is lively and excellent so as to ensure efficiency of service to an observant and critical clientele. On the distributing side the sales of Newman-Milliken Valves manufactured at Woodchester by our good friends Newman Hender & Co. Limited for whom we are Principal Stockists and Service Agents were well maintained and of the SECO Hydraulic Valve manufactured by the Stockport Engineering Co. Ltd., of which the rights and duties of Sole Distributors in the United Kingdom are in our keeping, were substantially increased.

#### Ronald Trist and Co. Limited

Advances on all fronts are recorded and in each and every sphere and phase of manufacture Trists throbs with energy. Here at home, on the Continent and in the far distances Trist products are in almost automatic request; the problem of selling is slight; good wine, if I may adopt and adapt a proverb, needs no bush; excellence is a splendid emissary. Thermo-fed steam-operated boiler controls and various forms of MOBREY equipment, deriving from the Mechanical Engineering Works, exceeded all

records in the year now under review; abroad the turnover was half as much again as in the previous twelve months. The programme in capital development was completed last year; the purpose was to double the capacity of the Precision Rubber Engineering Works and provide larger and more modern laboratory facilities. The sequels were significant: the sales of the precision products increased by 60 per cent and the present output is at a level twice as high as in the recent past. The crescendo reverberates through the whole precincts of activity.

#### W. N. Baines and Co. Limited

My report last year was heartening as to the improvements in Baines's fortunes. Success was returning and financial health in process of renewal. The bulletin, to borrow the word, is very encouraging, orders in hand at a record level and the evidence of progress everywhere to be seen. We have long recognised Baines to be one of the Group's distinguished Units and therefore worthy of skilled and concentrated care and of wise modernisation involving a degree of automation. The restoring processes are justifying themselves and in increasing measure will be rewarding to the Group.

#### Venetian Vogue Limited

Making and marketing "Sunway" Venetian Blinds; the progress is unchecked and the possibilities and potentials continue to be exhilarating and exciting. A multitudinous and manifold wealth of windows new and old holds the sure promise of a prosperous future, "Sunway" being elegant and economic, easy to fix, gentle to handle and adjust because the aluminium slats are light as a feather. The blinds are their own eloquence and I need not strive to add to it. Venetian Vogue Limited, launched modestly a decade ago under the aegis of Bell's soon began to attract the interest of householders and housewives and home-lovers. Retailers, less than a thousand at the beginning and now close on seven thousand, responded to the Venetian Vogue and participated in it and the eagerness of customers spreads through towns and cities and villages like rivers flowing to the sea. The decentralisation of manufacture is proving to be profitable. In the current year the geographical pattern will be enlarged further. Publicity in exposition of the virtues of Venetian Vogue, in which "Sunway" are central, grows apace and television is used now to cover the whole of



the United Kingdom. I am intrigued from time to time to observe what I call the versatility of "Sunway"; one example is the use of novel skylights by the Ministry of Works to protect many of the nation's art treasures, as at the Tate Gallery. Exports of "Sunway" grow in volume and in promise. I am pleased to report and to add as a happy postscript that the sales abroad are of no casual nature. Though weather in most parts of Britain was beclouded and adverse in 1960 the sales of "Sunway" reached record size, a memorable milestone but far from being journey's end.

#### Miller Insulation and Engineering Limited

Shipbuilding to the regret of the whole nation has revived but slowly and hesitatingly and therefore and naturally, the competition for such Marine contracts as were on offer has been most severe and Miller's could only keep and increase its share by operating on reduced margins. Estimates for contracts on land also involved meticulous examination, "the nicely calculated less or more," and though a greater volume of interesting possibilities came into view, a fierce price-war brought all tenders under fire. But Miller's tradition inherent in the finest quality of workmanship and enduring excellence and wealth of experience must tell in the end. Meanwhile in the petrochemical and power-station sectors of industry Miller's is exceedingly well-placed to participate. We cannot do other than be patient, not passively but most vigilantly.

#### COMPANIES IN EUROPE

##### PORTUGAL

#### Bell's & Cia. Limitada

The wind of change blowing through Africa, blowing restlessly and constantly veering from one quarter to another, is of concern inevitably to Portugal; events in Angola, whose consequences cannot be discerned nor measured until the tempest gives place to calm, are perplexing. There is little that can be done except to hope for the success of a physically statesmanship among the peoples. We had reason to view with satisfaction the progress to maturity of our young Portuguese subsidiary. During the year under review a substantial increase in turnover was recorded. The omens were good especially in the field of installation and insulation contracting. Whilst in more recent months the Company has felt the less buoyant condition of trade to the extent that the rate of progress has been reduced, I am not unduly apprehensive as to the future.

##### HOLLAND

#### C. W. Todd van 1890 N.V.

Without anything spectacular to report, Todd's turnover in general sales and in insulation contracting has appreciated over the year and the results taken as a whole are more satisfactory. In recent months a joint cutting plant has been added and in this connection I venture a growing business with aircraft and industry generally. We were fortunate to be in possession of suitable accommodation for a manufacturing and distribution unit for "Sunway" Venetian Blinds. Having made a start in that direction, the outcome is awaited hopefully. Todd's are constantly on the watch for new outlets and bigger brothers in the Group are ever ready to extend assistance to this end.

#### COMPANY MEETING REPORTS

##### COMPANIES OVERSEAS UNION OF SOUTH AFRICA

#### Bell's Asbestos and Engineering (Africa) Limited

An influential and important subsidiary which contributes usefully to the Central Group; turnover and profit were both higher and the only forebodings in the landscape arise from decisions in the arenas of national and international discussion; in spite of political uncertainties your Company is conscious of many large financial, industrial, commercial and mining communities far and near which it serves and there is a fundamental confidence in the future.

#### Albert Vaux & Company (Pty.) Limited

This engineering-contracting business was less buoyant in the year now under review and the results therefore were somewhat disappointing but recovery will come when conditions change and fears depart.

#### Ronald Trist & Co. (South Africa) (Pty.) Ltd.

At the close of last year Trist's in South Africa seemed to be set to surpass the record attained the year before but in this instance as in other regions where deep-sea changes troubled the waters the routine of trading was disturbed. All things considered the little company did well and its roots hold firm amid frustrations.

##### AUSTRALIA

#### Bell's Asbestos and Engineering (Australia) Limited

#### Dreadnought Steam Equipment Company Proprietary Limited

#### Falcon Engineering (N.S.W.) Pty. Limited

#### Falcon Engineering (Vic.) Proprietary Limited Clive Skinner Proprietary Limited

My report on the economic well-being and continuing success of the cluster and pattern of companies established in Australia is to say that the sun shines on us down under; turnover and profits prove the strength of the vine itself and its branches; they are emphatically satisfactory. Intensified competition, from Japan and Germany in particular, has been met and in large measure mastered. But there can be no relaxing; we must be of the highest efficiency, every member of the staff keen in effort like an athlete. The Units engaged in the manufacture and sale of ferrous and non-ferrous valves, "Dreadnought," "Falcon" and "Clive Skinner," have made notable advance. A fuller measure of co-ordination has been introduced administratively, the emphasis being on team-work in the fullest sense and with the idea of reducing overheads judiciously and of using to the best purpose the sinews of endeavours. Further extensions to plant are in hand and here as in Baines some measure of automation will figure in the programme. Our policy in the Commonwealth continues to be one of gradual expansion in all units with agreed objectives in mind and I look to the future with much confidence.

##### INDIA

#### Bell's Asbestos and Engineering (India) Private Limited

Severe competition in the field of insulation-contracting inflicted a diminution in profits even though the volume of sales kept at a satisfactory level. Our relationship with Negretti & Zambra Limited is accelerating the response to the demands for industrial instrumentation inherent in India's second and third "Five-Year Plan." By and large the Subsidiary gives a good account

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of itself in conditions far from easy and certainly not carefree.

##### MALAYA AND SINGAPORE

#### Bell's Asbestos and Engineering (Malaya) Limited

A year not without its difficulties and anxieties but with confidence tending to be restored during the second six months of the trading year. In Singapore itself, following the announcement by the Government of plans for the expansion of industry, there were feelings of optimism and rather better trading conditions resulted. In the Federation of Malaya the climate was more favourable. Various projects reflected Government determination to meet increasing industrial demands. We are fortunate in having established a Unit in Kuala Lumpur well able to take advantage of developments. Our people in Singapore and the Federation, graduates in patience from the tutelage of events and disillusionments, are not without hope; tides turn, changes come; meanwhile there is renewed activity in certain of the "Bestobell" products and the immediate outlook for insulation contracting is decidedly better than for some time past.

##### RHODESIA

#### Bell's Asbestos and Engineering (Rhodesia) Limited

#### Vermiculite Industrial Corporation of Rhodesia (Private) Limited

These Subsidiaries have taken longer than was anticipated to reach the stage where they could be sure of working at a profit and of proceeding to be a source of gainful gratification to the Group. Not for a moment did we assume that the task in Rhodesia would be other than arduous and we have persevered in the fulfilling of it and in my opinion not in vain. At present the omens of success are brighter and clearer and that is all I venture to say at this hour.

##### CANADA

#### Bestobell (Canada) Limited

The period under review has been an interesting one for our Canadian off-shoot. I am able to report a year of useful progress from which I discern a promise of prosperity in what is and must continue to be a land of immense opportunities. Our wide range of products embracing asbestos packings and jointings, Trist Control equipment and Speciality Valves has enabled us to gain entry into important spheres of activity including Government Departments, Shipbuilding, Generating Stations, Oil Companies, and a useful industrial field. Whilst it will still take time and much earnest endeavour to achieve our objective, I am encouraged to believe that in the long term our effort will be rewarded. Unfortunately, towards the close of the trading year, the recession which then became evident produced its impact, but this phase in the National cycle will, I feel confident, not be prolonged.

##### FUTURE POLICY AND PROSPECTS

Our main business, as you know so well, is directed to applied asbestos, the versatility of which is near to a miracle, and to specialised engineering. Our Companies overseas in many parts of the Commonwealth and elsewhere arose from those intentions and exertions and from the early days we have been export minded, the changing world in the compass of our vision. The far-reaching organisation multiplied the

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markets for our products and for those who sought to use our lines of communication and our channels of sales. The pioneering spirit accompanying the British way of life these many centuries has breathed through the history of Bells stirring the pulses and bringing a surprise of opportunities. We have never been afraid of exploring new spheres of trade where possibilities promise an addition to our prosperity. Recently the manufacture of paints of the highest reputation and quality attracted us by reason of the excellence of an existing company and its profits. As a matter of fact it is one of Britain's oldest firms, Walter Carson & Sons, Limited, of Battersea, and we give it, as the phrase runs among the Ancient Guilds in the City of London, a right hearty welcome to the Group. With our selling units at home and abroad ready and zealous to add more strings to their bows the benefits accruing may be significant. Other possibilities in wise diversification are in the offing, and I look into the future without fear even though according to the philosophers the only constant element in an ever-changing world is change itself.

##### TRIBUTE TO THE STAFF

Courtesy, efficiency and enthusiasm are manifested by the members of our organisations in Great Britain, in the Commonwealth and in other parts of the world. On behalf of the Board I acknowledge the desire, diligence and determination on the part of everyone everywhere and under whatever sky to maintain the highest standards of duty in all contacts and circumstances. Those were the words I used last year; they have remained true in the vicissitudes of the twelve months on which I have been commenting.

## SELANGOR RIVER RUBBER ESTATES

The 29th annual general meeting of Selangor River Rubber Estates, Limited was held on May 10 in London, Mr G. D. Wreford-Brown, O.B.E. (the Chairman), presiding.

The following is an extract from his circulated statement:

The twenty-ninth financial year of the Company, comprising Selangor River and Belata River as one group, shows continued progress and a drop of 3,219,000 lbs. against 3,129,500 lbs. for 1959 for the Group, this in spite of the fact that 225 acres were disposed of in August, 1959, and we did not have the benefit of the crop from this area for the last four months of the year.

The profit for the year was a very satisfactory £147,817 and, after providing £64,956 for taxation and transferring £14,604 to General Reserve, bringing that account up to £132,897, we are able to recommend payment of a Final Dividend of 17½ per cent., less tax, on our increased Share Capital, thus maintaining our total distribution for the year at the 1959 level of 30 per cent., less tax.

The Balance Sheet shows a fairly strong liquid position with net current assets of £104,819.

It was felt that Shareholders should receive part of the profit on sale of the Lindores area, by way of a tax free distribution, and 1d. per 2s. share was paid with the interim dividend last November. I should like to make it very clear that it is not the policy of your Board to dispose of any further land.

The report and accounts were adopted.

#### COMPANY MEETING REPORTS

## RUGBY PORTLAND CEMENT

### RECORD RESULTS

#### SIR HALFORD REDDISH'S REVIEW

The Annual General Meeting of The Rugby Portland Cement Co. Ltd. will be held on June 2, 1961. The following is an extract from the speech of Sir Halford Reddish, FCA, which has been circulated with the Accounts:

The result of the Cement Industry's hearing before the Restrictive Practices Court was as we confidently expected it to be: a judicial decision that the arrangements of the Cement Makers' Federation were not contrary to the public interest; that our price-fixing scheme did confer a definite and substantial benefit on the public.

##### AN EFFICIENT INDUSTRY

The Court found that under the Federation's price scheme the Cement Industry has operated efficiently both as respects costs of production and costs of delivery, and that our overall prices have been reasonable. It further agreed that if there were no price-fixing arrangement and therefore unrestricted price competition the average price of cement would have to rise by something between 25s. and 40s. a ton (or costs of production be reduced to this extent) in order to produce a profit level adequate to attract fresh capital to the industry for expansion in the future.

The Court also acknowledged that the industry had acted with a sense of responsibility and accepted the fact that the industry's profits expressed as a percentage of capital employed were less than those of most manufacturing industries.

If the agreement had not been approved by the Court there is little doubt that costs, particularly of delivery, would rise. Without our fixed price for every point of delivery, based as it is on the nearest cement works irrespective of the capacity of that works to supply, there would undoubtedly be much uneconomic and wasteful expenditure on freight, which is comparatively heavy where cement is concerned. In the end the consumer would pay.

##### ORDERLY EXPANSION

Without the orderly marketing and distribution which the agreement ensures it would be almost impossible to achieve the balanced increase in productive capacity which enables the industry to expand just ahead of demand. Expansion would be much more a question of guess-work, which might well mean at times a shortage of capacity and at others large units of plant lying idle. As in modern conditions we regard in most cases a kiln with an output of 180/200,000 tons per annum as a minimum economic unit, this again would mean increased costs which would eventually fall on the consumer.

There are many aspects of the Cement Industry which are essentially long term; and it is the long view which the Court's blessing of our agreement will enable us to continue to take. That is why it is possible for the industry to flourish on a lower percentage of profit on capital employed than would otherwise be the case.

Our own company's deliveries to the home

market in 1960 exceeded those of 1959 by nearly 16 per cent. Our exports increased by 31 per cent but profit margins in the export trade are now negligible. In the end, both the total deliveries of the parent company and the total deliveries of the group were a record and so have enabled us to report a record net profit for the group for the fifteenth successive year. For the first time our trading surplus exceeded £2m. and our group net profit after taxation exceeded £1m.

We propose that the dividend on the Ordinary shares shall be at the same rate as last year, namely 1s. 3d. a share; but this year it is of course payable on the capital as increased by last year's scrip issue which means that the distribution is increased by one-seventh.

The amount attributable to the "A" shares for 1960 is £222,113 gross. We propose that the dividend on the "A" shares should be raised to 2s. 6d. a share against 2s. 0d. a year ago. The amount now carried forward to the credit of the "A" shares after providing for the proposed dividend is £365,077 gross or rather more than 7s. 3d. a share. It is in the nature of a dividend equalisation reserve.

##### FURTHER EXPANSION

The current year opened with an unusually strong demand in the home market, due partly to a substantial increase in constructional activity and partly to the comparatively mild winter weather. Our home trade deliveries in January were the highest for that month in the company's history; February's deliveries were higher still; while those for March were a record for any single month. On the other side of the picture was a further increase in costs in the closing weeks of 1960 and the early weeks of 1961, so that the profit-margin a ton for the first three months of the current year was somewhat less than that for the whole of 1960, in spite of the larger turnover. Nevertheless, it was a good start for what certainly looks like being a very busy and, I hope, profitable year.

Our Southam Works is being extended by the installation of a new unit with an annual productive capacity of 180,000 tons; it should come into production about the end of October.

##### CAPITAL INVESTMENT

A very cheering feature at the present time is the intense activity of most of the capital goods industries, in which for this purpose I include our own. This should mean greater production and greater productivity in the future and in many cases a reduction of unit costs—all of which should improve our competitive position abroad.

I believe that the country's economy is essentially sound and I see no reason for pessimism. If I may invert and adapt a well-known quotation from the other side of the Atlantic—what is good for Great Britain is, by and large, good for Rugby Cement.

A copy of the full speech may be obtained on application to the Secretary, Crown House, Rugby.

# PROVINCIAL INSURANCE COMPANY LIMITED

STATEMENT BY MR. PETER F. SCOTT

The Annual General Meeting of the Provincial Insurance Company Limited will take place at Kendal at noon on the 26th day of May, 1961. The following is an extract from the statement of the Chairman, Mr Peter F. Scott:

The death occurred last June of my uncle, Sir Samuel Scott, at the age of 84. Sir Samuel was a director of the Provincial from its foundation in 1903, and Chairman from 1913 to 1946. Until quite recent years he shared with my father the ultimate responsibility for all important policy decisions of the Company and for many other matters. He was most closely involved in every aspect of the development of the Company in its formative years, taking his part in the work of our small staff and sharing their joys and sorrows. Whilst later, to a certain extent, he withdrew from business life, his interest in the Provincial remained as keen as ever, and his advice was constantly sought by his co-directors.

The following table sets out the main features of this year's account with the corresponding figures for 1959:

|                                      | 1960      | 1959      |
|--------------------------------------|-----------|-----------|
| Premium income .....                 | 9,832,898 | 9,214,737 |
| Underwriting profit .....            | 138,893   | 99,097    |
| Percentage of profit .....           | 1.4       | 1.1       |
| Interest, dividends, and rents ..... | 791,024   | 685,263   |
| Sundry charges, less credits .....   | 71,511    | 113,169   |
| Surplus before taxation .....        | 858,406   | 671,191   |
| Taxation .....                       | 364,725   | 307,044   |
| Dividends (net) .....                | 313,218   | 282,049   |

Since, as I forecast last year, we have further pruned our Canadian business, the increase of premium income by £618,161, is not unsatisfactory. In Canada, though it would be premature to regard our difficulties as entirely at an end, I am very glad to say that during the past year the account has produced a small profit, and we are grateful to our Canadian managers for the efforts which have brought about this result.

Unhappily, our extensive operations in other overseas territories have involved an overall underwriting loss, attributable principally to South Africa, Australia and Venezuela. Good progress has been made in the Far East and in East Africa, and our Nigerian subsidiary, the *West African Provincial*, has contributed a useful initial profit.

At home our various departments have shown marked progress and, in general, reasonable profits, to which I am happy to say a substantial reduction in our management expenses has made an important contribution. We have always to contend with a natural tendency for costs to rise rather than to diminish, and have, indeed, introduced during the current year fresh salary scales, which will add considerably to our expenses. We are continuing our efforts to reduce our operating costs by improved methods and organisation.

## FIRE DEPARTMENT

|      | Premiums   | Underwriting Profit | Percentage of Premiums |
|------|------------|---------------------|------------------------|
| 1960 | £1,600,514 | £78,426             | 4.9                    |
| 1959 | £1,569,711 | £35,454             | 2.3                    |

For the second successive year our home underwriting results were spoiled by our share

of the high cost of fire damage throughout the country, estimated at over £43m., quite apart from consequential trading losses; this figure is only slightly less than that of 1959 and is quite outside the range of experience of earlier years. To the wastage by fire were added, in the last three months of the year, widespread claims for damage by the serious floods which occurred chiefly in the southern and western parts of the country. Unfortunately, there was little relaxation in the pressure of competition on rates, and we must be close to the point—if we have not already reached it—where, far from being able to make concessions, we shall need more net premiums to meet rising claims costs. By way of contrast, our fire account overseas showed the best results for many years and has provided the greater part of the year's profit in this department.

## ACCIDENT DEPARTMENT (INCLUDING MOTOR)

|      | Premiums   | Underwriting Profit | Percentage of Premiums |
|------|------------|---------------------|------------------------|
| 1960 | £6,653,273 | £60,467             | 0.9                    |
| 1959 | £6,287,160 | £63,643             | 1.0                    |

Once again, there was a fairly general increase in the many sections of business which make up the total, the largest being in the motor department. In the home motor account there was yet a further increase in the cost per claim, and although I am glad to say that we were able to make a profit, there appear to be no grounds for confidence that this annual increase in the claims costs can be stopped; higher rates of premium are already being applied to some sections of the account, and if the claims trend continues an all-round increase in rates will become inevitable. The results of other classes of home accident business were satisfactory, except in the goods-in-transit section. We transact a large volume of this business in which, indeed, we were amongst the pioneers. Increasing competition has, in some instances, forced rates to what have proved to be uneconomic levels at a time when the high number of theft claims, especially from haulage vehicles, is giving rise to serious concern. It is more than ever necessary to demand higher standards of security, not only by the fitting of efficient anti-theft devices to vehicles, but by the checking of references supplied by new employees, and by ensuring that valuable goods are entrusted to responsible carriers for safe delivery.

## MARINE DEPARTMENT (INCLUDING AVIATION)

|      | Premiums   | Marine Fund | Percentage of Premiums |
|------|------------|-------------|------------------------|
| 1960 | £1,579,111 | £1,910,856  | 121                    |
| 1959 | £1,357,866 | £1,662,700  | 122                    |

The increased premium income reflects the recovery in world trade and the continued trend towards higher hull values in the aviation account as more jet aircraft come into commission.

I have referred previously to the deterioration in our results in underwriting years subsequent

to 1954. I am glad to say that the lowest point in this trend was reached by a loss in the 1956 underwriting year, and that this loss was not so large that the directors have felt it necessary to make any compensatory transfer to the Marine Fund.

Although the account has recovered some degree of profitability, the future requires a cautious outlook.

The success of the Employee Shareholding Scheme which was launched in 1959, was emphasised by the number of further applications in 1960, when an additional 10,670 shares were taken up. The staff now own 53,690 ordinary shares in the Company, and I am sure that this number will be progressively increased in view of the very favourable terms on which the shares are available.

We gave much thought to the Government's scheme for supplementary pensions before deciding to contract out of it all members of the Company's Pension Fund over the age of 25. At the same time we decided to raise to 25 the age at which employees will in future become contributors to the Fund, thus increasing the "take-home" pay of the younger members of our staff without diminishing their pension rights. This followed a further general reduction from 5 per cent to 4 per cent in the staff's contributions to the cost of their pensions, the Company's contribution being increased accordingly.

Our training college at Yealand Manor continues to flourish. During the year, no fewer than 275 of our staff passed through. An enthusiastic team of officials in Kendal is constantly revising existing courses and creating fresh ones to meet changing needs. We have put this pleasant country house at the disposal of staff, their families and friends, for holidays at moderate charges during periods of the summer when courses are not being held and we hope increasing use will be made of this facility.

The book value of our investments increased by £600,000 during the year, but the appreciation in their market value fell short of the peak figure reached at the end of 1959. Since the end of 1960, however, markets have again moved ahead strongly and we have shared in the movement.

Interest earnings and rents in 1960 at £791,000 gross showed an increase of £106,000 over the previous year, and the directors recommend a dividend of 2s. 4½d. on the ordinary shares, an increase of 3d. per share. This dividend, less income tax, would amount to £294,843.

Before I end this brief review of the year's activities I would like to say a sincere "thank you" to our management in Kendal and in London and at our home and overseas branches, and to all our staff for the loyal and enthusiastic way in which they have approached the problems of 1960. I am conscious of the singular difficulties that our managers overseas have had to face in recent years and it is a tribute to their effort and devotion, which I am all too glad to acknowledge, that our prospects overseas are brightening.

# SCHWEPPE'S LIMITED

## OVERSEAS EXPANSION

The sixty-fourth annual general meeting of Schweppes Limited will be held on June 1st at the registered office of the company, Schweppes House, 1-6, Connaught Place, London, W2.

The following is the statement of the chairman, The Honourable R. Hanning Philipps, which has been circulated with the report and accounts for the year ended December 31, 1960:

Last year I was able to report outstanding profits, partly due to the exceptionally long and dry summer of 1959. The trading year 1960, however, saw the longest and wettest spell for the past hundred years. We are less susceptible to weather vagaries than most soft drink businesses, the last quarter of the year being in fact our busiest trading period. But exceptionally good or bad summers undoubtedly influence our profits.

The increased sales and profits for the first six months of the year, reported at the time of the Interim Dividend declaration, were lost in the succeeding three months. The growth of the business, however, ensured a good recovery at the end of the year which largely restored home profits. With improved overall overseas results, and a full year's profits from our three preserves companies, the aggregate profits after taxation exceed the record results of 1959, and more than fulfil my expectation of a year ago that we should come near to achieving this.

## SCHWEPPE'S (HOME) LIMITED

The increase of sales of both carbonated drinks and fruit juices that took place in the first six and the last two months of the year fully justifies the statement that our business is both sound and expanding. Christmas sales were a record. The introduction of a Canned Bitter Lemon Drink in July after careful research and long shelf-life tests, resulted in most encouraging sales. We have ordered a much larger canning plant to ensure both national distribution of this new line and the production of other flavours in cans. The sale of this new package is mainly directed to the grocery shops, particularly self-service stores. It will thus be complementary to bottle sales through the licensed trade, and should open up a new market for our products.

Costs of raw materials and all supplies during the year were slightly higher than the year before. Despite a wage increase, however, our production efficiency was able to hold our labour costs per unit at the former low levels. The new Sidcup factory is the largest mineral water factory in this country and incorporates the latest techniques of bottling, quality control, and goods handling. The old Vauxhall Squash factory will close at the end of 1961, and its production be taken over by the new plant installed at Sidcup.

The erection of the new factory on the Team Valley Trading Estate, Gateshead, is well in hand and we plan to bottle there in late 1961. We have acquired a site at East Kilbride, near Glasgow, to take the place of our present restricted Glasgow factory, and plan to build and start bottling there by the end of 1963. Extensions to our existing factories at Aintree, Birmingham, Leeds and Hendon have been completed or are in hand and will soon add to our steadily mounting production.

*Rose Kia-Ora Sales Company.* The sales of this company reacted particularly to the wet, cool

summer. In common with other grocery lines, these products are subject to intense competition, resulting in profit margins being cut to the bone. Fierce competition continues, but we have held our share of the total market and are quietly confident of expanding sales. We introduced a new polystyrene cup for the ready-to-drink 'Kia-Ora Squashes,' served in cinemas and theatres. This has substantially increased our sales.

*The Park Bottling Company Limited.* Bad weather also affected this company's sales of 'Pepsi-Cola,' a product which thrives in a thirsty climate. The levels of winter trade, however, for the two past seasons have each been substantially higher than the year before, marking an encouraging expansion of all-the-year round drinking of 'Pepsi-Cola.'

From January 1, 1961, we have added to this company the task of marketing Schweppes Catering Division products. These products are in the main sold in the same markets as Pepsi-Cola, so that the change will enable Park's extensive service department to be used for the maintenance of the thousands of pieces of refrigerated dispenser equipment issued to the catering trade for selling chilled drinks. This arrangement should strengthen both sections of this business.

*Jewsbury & Brown Limited—Manchester.* The production facilities of this company have been fully used by the Group, so that, together with local trading, profits have been maintained at a high level.

*Connaught Food Products Limited.* This company embraces the trading activities of the three preserves companies, Chivers & Sons Ltd., Wm. P. Hartley Ltd. and Wm. Moorhouse & Sons Ltd. This year has been one of reorganisation and consolidation. The profits of these three companies before taxation included in the Group results were £304,979, and capitalised profits of £232,000, due to realisations of trade investments, etc. Manufacture at the Tower Bridge, London, factory of Hartley's has ceased, and plans to close two vegetable canneries at Huntingdon and Hereford after the coming canning season are in hand. Compensation to redundant employees has been, and will continue to be, paid on a generous basis.

We are setting up a Depot distribution service, consisting of some twenty-four depots and 200 modern delivery vans to cater especially for a service to the grocery trade, similar to the extensive Schweppes service to the licensed trade. This will be in operation at the end of 1961, and we shall then jointly market Chivers' and Hartley's products through a new sales company. Moorhouses will continue the expansion of its sales, mainly to the catering trade.

The entire capital of Chivers & Sons Ltd. and Wm. P. Hartley Ltd. is now owned by our Group, the outside holders of the respective preference capital and the Chivers' debenture capital having accepted the offer to exchange into compensating Schweppes stocks.

## SCHWEPPE'S (OVERSEAS) LIMITED

This company continues to serve as a holding company for our overseas investments in subsidiaries and associated companies, for the development of franchise bottlings in many countries, and for the supply of goods for direct exports and ships stores. By the very nature of our business we cannot be large exporters. It does not pay us to send a bulky liquid in glass

containers over a long distance. We still export a certain amount to countries where bottling cannot be done locally; but in general we have two methods of distributing our products overseas: (i) the setting up of our own factories, as in Australia, South Africa, Rhodesia and Kenya; and (ii) making arrangements with firms overseas to bottle our products under supervision, exporting to them our own flavouring materials.

We estimate that this year, for every eight bottles bearing our label sold throughout the world, three will be distributed outside this country. Thus, although we are not large direct exporters—and never can be—we do receive overseas currencies by the sale of flavouring materials, by royalties and from the profits of wholly-owned or associated companies. However, direct Group exports to the North American continent for 1960 totalled over \$2,300,000.

Later in the report you will see how our own overseas companies are faring. As far as our franchise methods are concerned, we are able to report a rapid expansion which now covers North America, most European countries, some African countries not covered by our own companies, and several territories in the Far East such as Ceylon, Singapore and Hong Kong.

In general, a new franchise operation takes some five years to become profitable. For example, Schweppes (USA) Limited started in 1953 and showed substantial losses in the next five years. It was not until 1960 that all these losses were recouped and a clear profit emerged.

A period of considerable spending on advertising and sales promotion is deliberately undertaken in order to create a widespread demand for the product. Substantial profits can then be made both by the local bottler in his trading and by ourselves in royalties or profits on the sale of our own flavouring materials. We can reasonably expect that over the coming years more of our franchise undertakings will benefit in this way. We have opened a total of 104 local bottling franchises throughout the world during the past eight years.

An advantage of the franchise system is that your company's labelled goods are distributed without any capital investment on its part, the capital liability being borne by the overseas bottler.

Our record of overseas profits, before taxation, for the past ten years is encouraging:

|      |         |      |          |
|------|---------|------|----------|
| 1951 | £58,655 | 1956 | £164,857 |
| 1952 | 56,177  | 1957 | 265,325  |
| 1953 | 67,758  | 1958 | 460,081  |
| 1954 | 86,977  | 1959 | 520,623  |
| 1955 | 152,056 | 1960 | 654,660  |

## OVERSEAS COMPANIES

*Schweppes (Australia) Limited.* Our plan to sell 25 per cent of the equity capital of this company to the Australian investor was most successfully completed in January, 1961. Their trading results have again broken a record. During 1960 they completed the acquisition of a mineral water company, Rowlands Pty. Limited, with factories at Melbourne and Ballarat. This will be reorganised to permit their new bottling factory at Melbourne being more fully used. The rapid sales growth of this company reflects the work of its board and management.



In New Zealand discussions are well advanced for a merger of our mineral water business with that of one of the leading brewers. This will greatly strengthen our business there.

**Schweppes (South Africa) Limited.** This company again increased its trading profits for the year. Their introduction of the new line Bitter Lemon Drink has met with an immediate success. We are indebted to the managing director and his colleagues for their skill in maintaining results year by year.

**Schweppes (Central Africa) Limited.** The introduction of Bitter Lemon Drink during the year again met with success, and I am glad to report that this subsidiary showed a good trading profit and now shows every sign of being well established. Their managing director will be visiting us this summer to discuss our business there.

**Schweppes (East Africa) Limited.** We again made a trading loss due to the extraordinarily difficult conditions of intense competition and price-cutting (mainly from American brands) operating throughout the year. Thus the venture continues to be precarious and unprofitable. We do not, however, think it likely that such conditions will continue indefinitely, and already there have been some signs in the opening months of this year that price-cutting is less fierce.

In charge of the business we have a young and enthusiastic chief executive. A year or two ago he was asked to try out an experiment in industrial relations along the broad lines of the pattern we pursue at home. This includes co-operation with the trades unions, a Schweppes code of pay and conditions, joint consultation and the like. The whole of the labour in this factory is African, and they have responded with enthusiasm and great interest to this form of management.

**Schweppes (U.S.A.) Limited and Schweppes (Canada) Limited.** These two companies were hampered by a bad summer, but sales were still further expanded and profits maintained. We have entrusted to their President and his team the gradual franchise development of the Caribbean Islands, as being more easily managed by our New York administration. Our opportunities to expand continue.

#### ACCOUNTS

The consolidated Profit, after charging £1,091,373 depreciation compared with £823,503, but before taxation, is £3,787,860 as against £3,776,184 last year. After placing to Reserves £618,024 there is with the amount brought forward from last year, a total disposable profit of £2,206,623.

Your directors have paid an interim dividend of 7½ per cent in October, last, at a net cost of £323,094, and the dividend on the 5 per cent Preference Stock absorbs £36,425.

Your directors recommend a final dividend of 16½ per cent, less tax, absorbing £710,806, making a total dividend for the year 1960 of 24 per cent, leaving a balance of profit to be carried forward in the Group accounts of £1,136,298.

#### THE RT. HON. VISCOUNT DE L'ISLE, VC

Her Majesty The Queen has approved the appointment of Lord De L'Isle to be Governor-General of Australia. Lord De L'Isle will be taking up his post this summer.

My colleagues and I congratulate Lord De L'Isle on this signal honour, but cannot help regretting that this must mean his temporary loss to our company. Since his appointment on

#### COMPANY MEETING REPORTS

1st January, 1960, as managing director of Schweppes (Home) Limited, his dynamic energy and leadership have inspired all who have come in contact with him, and not least his fellow directors.

Although we can feel proud of his distinction, we shall miss him greatly during the next few years. He in turn has asked me to say how much he has enjoyed working with Schweppes, and to thank on his behalf all who have been so kind as to write and wish him well in the very important task ahead.

#### PERSONNEL

During the year we introduced certain improvements in our personnel policy, notably longer holidays for established employees after five years' service, special consideration for those who are members of Local Authority councils, or who undertake other public service recognised by the company, and assistance to any employee desiring it on behalf of children either specially gifted or specially handicapped. Such assistance is, of course, related to the parent's capacity to pay and employees earning more than a certain salary would not be eligible to participate.

Once more we are indebted to employees for their loyal co-operation throughout the year. Our relations with them, and with their trade unions, continue to be excellent.

#### OUTLOOK

Our trading during the first quarter of this year has shown a substantial increase compared with the same quarter of last year. Since it seems unlikely that we can have as bad a summer as in 1960, we may look forward to continued improvement throughout the present year.

#### THE ECONOMIST MAY 13, 1961

### JOSIAH PARKES & SONS

(Manufacturers of Union Locks and Brass Foundry)

The Ordinary Annual General Meeting of Josiah Parkes & Sons Limited was held on May 5 at Willenhall, Mr C. W. Parkes, J.P. (Chairman and Joint Managing Director), presiding.

The following is an extract from his circulated statement:

The accounts show a rise in profits before tax of 7 per cent over the previous year's figure, which does indicate continued progress by the company. Turnover showed a greater rise than this, but profit margins were again narrower, and costs are still rising in almost every direction.

Parent Company: The intake of orders was maintained throughout the year at a very high level for both home and export trade.

Edwin Showell & Sons Ltd.: A very large increase in turnover created an unprecedented demand on factory capacity and it was impossible to maintain the standard of service to customers that we regard as desirable and normal.

Josiah Parkes & Sons (South Africa) Ltd.: This company enjoyed a very successful year, both as regards turnover and earnings.

We have again started the year with a very full order book, and all the indicators suggest continuation of a high level of demand. However, the difficult problem is the continual rise in costs. So far and as long as possible we try to absorb these cost increases but there are limits to the extent that this can be done. Once again therefore, I must temper optimism regarding the future with the recognition of the possibility of yet more reductions in profit margins. The report was adopted.

## BANCO DI ROMA

Capital: 12,500,000,000 Italian Lire  
Paid-up: 6,750,000,000 Italian Lire  
Reserves: 5,900,000,000 Italian Lire

The Ordinary Meeting of Shareholders of the Banco di Roma held on April 21, 1961, has approved the Balance Sheet and Profit and Loss Account as at December 31, 1960.

The Board of Directors gave an account in its report of the further development of the Institute during the year 1960 in Italy and abroad and in every department of its business. The total assets have increased by a further 75 milliards, thus amounting, with the holding of drafts in circulation, to 854 milliards Italian Lire. The investments which rose to 565 milliards Italian Lire by an increase of 110 milliards Italian Lire during the year, and the unsecured credits amounting to 82 milliards Italian Lire, together form a total of facilities of 647 milliards Lire utilised by customers. The volume of the liquid funds still shows ample margins and this will be of assistance in view of the further boom of credits which is to be expected as a result of the continuing upward trend of the economy. The net profits of 1,131 million Lire have enabled the distribution of a dividend of 10 per cent and the allocation of 500 million Lire to the reserves which therefore amount to 5,900,000,000 Lire or to more than 87 per cent of the paid-up capital.

The Board of Directors which met immediately after the General Meeting has re-elected to office in the Company: as Chairman, Ugo Foscolo, Knight of Labour; as Vice Chairmen: Baron Prof. Dr. Francesco Mario Oddasso and Dr. Massimo Spada. The Managing Directors of the Bank are Grand Officer Raffaele Mancinelli and Dr. Achille Ruta.

#### THE ECONOMIST MAY 13, 1961

## THE LITTLEWOODS ORGANISATION

### MR JOHN MOORES REPORTS 28% INCREASE IN TURNOVER

1960 was an excellent year for the Littlewoods Organisation, and I have considerable satisfaction and—I must confess—not a little pride in telling you that, apart altogether from the Pools, our turnover reached a total of £90,000,000, an increase of 28.6 per cent compared with the previous year. This is the biggest increase we have ever achieved and our dramatic progress is best illustrated by figures for the last five years:

|      |     |             |
|------|-----|-------------|
| 1956 | ... | £48,000,000 |
| 1957 | ... | £53,000,000 |
| 1958 | ... | £60,000,000 |
| 1959 | ... | £70,000,000 |
| 1960 | ... | £90,000,000 |

The significance of this remarkable growth is that it has been achieved without the acquisition of any other interests. It is entirely the result of the effectiveness of our internal creative policies, which have resulted in our rapidly obtaining an ever-larger share of the market. Clearly there is increasing public satisfaction with our Mail Order and Chain Store services.

We have constantly before us the knowledge that we are just as dependent on the goodwill of our customers as the modest corner shop. A big organisation may be able to offer special advantages, but these must never be regarded as a substitute for careful attention to every customer's requirements. From my day-to-day knowledge of all our activities I am satisfied that in Littlewoods we do not fall into this trap.

Our constant objective is to maintain high standards of friendly courteous service, backed by the quality and value of the goods we sell through Mail Order and Chain Stores.

We shall continue to seek still further improvements in our merchandise, and we can do this only with the help of our many suppliers on whom we have made very heavy demands in the past. They have always given us their wholehearted co-operation, and I take this opportunity of thanking them publicly for their help.

I should like also to pay tribute to the Post Office and to British Railways who together handle an enormous volume of mail and parcels traffic for us. Both these organisations come in for more than a fair share of criticism, but so far as we are concerned they do an excellent job.

So far this year trading results have been good and augur well for 1961 as a whole.

We shall have to wait and see how the Chancellor will use the powers he is seeking to vary the rates of Purchase Tax at short notice, because changes in this tax in the past have usually involved all retailers in unsatisfactory operations which ultimately cost them money. In our case, as we issue expensive catalogues twice a year, this could be most difficult.

Also, notwithstanding the introduction of the most up-to-date machinery and the successful use of electronic computers and accounting machines, we now employ a staff of more than 20,000. A payroll tax would, therefore, be a heavy charge for us to bear. However, I welcome anything which will encourage the more efficient utilisation of labour throughout the

#### COMPANY MEETING REPORTS

country, because we can thrive only in a healthy economy, and we can only have a healthy economy if everyone makes an adequate and useful contribution.

In the early days of this Organisation I employed specialists in work measurement so that staffing in all our offices and warehouses could be based on the volume of work to be done; modified and brought up-to-date with modern methods and equipment, the system continues to this day. Nevertheless, the suggested tax must cause us to investigate whether anything more can be done in this direction.

I emphasised earlier the importance of personal service in a business such as ours and I stress the responsibility, in this respect, of every member of the staff. The credit for the success that we have achieved—and few enterprises can offer a better record of progress in such a comparatively short time—belongs to every member of the 20,000 strong team that is the true strength of the Littlewoods Organisation.

#### LITTLEWOODS POOLS LTD.

My brother, Mr Cecil Moores, Chairman of Littlewoods Pools Limited, reports that once again the Company maintains its lead over all other Football Pools, and for the season 1959-60 another world record figure was established for the total amount of stake money. The total figure was £52,043,149, an increase of £8,972,538 over the previous season. In comparison, the total stakes of all the other seven Pools combined were £49,673,867 for this particular season. During this season the Government Pools Tax, at 30 per cent, took a total of £15,612,944 of Littlewoods' gross stakes.

On January 7, 1961, Littlewoods Pools reduced the stake on the ever-popular Treble Chance Pool to a penny a line from two-pence, in answer to the public's demand for a lower minimum stake, and following this reduction, on February 4, 1961, it was again reduced to a farthing a line.

Both these changes necessitated a tremendous amount of highly skilful work and planning by the staff of Littlewoods Pools—great credit to them because they succeeded magnificently in their objectives in a very short period of time.

This season the number of dividend winners exceeded all other Pools, and in one particular week there were no less than 1,197,650 Treble Chance Pool dividend winners, and week after week Littlewoods have returned over £500,000 to winning clients. Towards the close of the season three first dividend winners shared £225,027 on the Farthing Treble Chance Pool.

The Pools Company is continuously endeavouring to cut down overheads and operating costs, so that the clients who are successful in their forecasts receive the maximum possible dividends. To this end the Company is extending its use of electronic appliances. Revolutionary electronic machines to cope with the vast problems of sorting postal orders and checking football pool coupons are already in operation or awaiting early delivery to the Liverpool Headquarters.

The work of the Advisory Committees continues to reap rich rewards for the fortunate Littlewoods winners who entrust their affairs to them, and all the really big winners have enjoyed the services of these Committees. I must thank those gentlemen who guide our winners with their sound financial and legal advice.

#### MAIL ORDER

When I first entered the Mail Order field in 1932, I was warned by well-meaning friends that this form of shopping could not succeed in such a highly urbanised country as ours with a shop around every corner. It is estimated that at least 60 per cent of the adult population now use home-shopping services, finding real pleasure in studying the magnificent catalogues at leisure in their homes and in discussing purchases with their neighbours and friends in the shopping groups Mail Order has stimulated. None of this development would have been possible, however, if we had not first proved that the public could have complete confidence in goods purchased in this way. I am very proud of our own record in this respect and of the Organisers and Agents who are the real backbone of our business. The good name that we and they have won is our most valuable asset and I am confident that there are even greater possibilities for future development.

#### CHAIN STORES

This has been a year of outstanding progress in our Chain Stores Division. We are attracting more and more customers and our new stores are obtaining wide acclaim for their standards of design, the facilities that they provide for shopping comfort and the improved working conditions for the staff.

Our programme of development for 1961 includes new stores at Wrexham, Chester, Kingston and Ellesmere Port and in spite of uncontrollable delays we are pressing on with the complete rebuilding of our Oxford Street, London, store. We plan at least 12 further new stores during the next two years and several very important sites have been acquired for future development.

The modern Chain Store has won acceptance at all income levels by the sheer merit of its merchandise and service. They have achieved a new trading "dignity" and I have great confidence in the future expansion of this branch of our activities.

#### WHOLESALE COMPANIES

The enormously increased level of activity in other divisions inevitably led to extra demands on our wholesale companies. The efficiency with which they handle such enormous quantities of merchandise is a vital factor in the success of our Mail Order and Chain Store operations. And always, at the very hub of our trading pattern, there is our highly specialised buying team who carry, perhaps, the biggest responsibility of all for the good name of Littlewoods.

## THE GENERAL ACCIDENT FIRE AND LIFE ASSURANCE CORPORATION LIMITED

The seventy-fifth Annual General Meeting will be held on 31st May at Perth. The following is an extract from the circulated address of the Chairman, Sir Stanley Norie-Miller, Bt, MC, DL, JP:

### REPORT AND ACCOUNTS

It was appropriate that in the year which saw the 75th anniversary of the founding of "General Accident" we should produce favourable results. Income from all sources advanced by over £8 million to reach £86,794,964.

The Revenue Balance for the year was a record. It amounted to £3,852,501 compared with £3,201,720 the previous year. The amount brought forward from 1959 was £1,517,160, thus making available for appropriation the sum of £5,369,661. From this £1,100,000 has been transferred to the Accident and

Fire Departmental Funds, and £500,000 has been added to General Reserve, bringing the latter to £4,500,000.

In the United Kingdom the appalling weather conditions which resulted in widespread damage by storm and flood, brought a veritable avalanche of claims under Householders' Comprehensive and Special Perils policies. We received many expressions of gratitude for the service we rendered to unfortunate policyholders, whose claims were settled promptly and generously. Hurricane Donna, which struck the eastern seaboard of the United States in September, gave rise to many and costly claims, and there were disastrous fires both at home and abroad.

We had a good year—the most successful in our history—and confidently anticipate equally successful trading in the future.

## ROSS GROUP LIMITED

### A Year of Great Activity and Development

The following are salient features of the Accounts for the year ended September 30, 1960, and the report by the Chairman, Mr. J. Carl Ross, to the Annual General Meeting on May 4, 1961.

"Since my last report to you the policy of broadening the trading basis of the Group has been continued, the year being one of great activity.

The Net Profit wholly applicable to your Company, after Taxation, shows an increase of approximately 80 per cent at £494,213, a figure which does not reflect all the benefits of recent expansion."

The meeting confirmed the payment of a total dividend of 20 per cent and sanctioned the creation of a further 4,000,000 Ordinary Shares of 5s. each. If the recent offer to acquire the issued Ordinary share capital of Sterling Poultry Products is successful, 2,764,685 Ordinary Shares will remain unissued.

### ANALYSIS OF TURNOVER

A comparison of the turnover for 1960 with that of five years ago gives a clear indication of the rapid advance and diversification in the trading pattern of your Group:

|                                                                          | 1955             | 1960              |
|--------------------------------------------------------------------------|------------------|-------------------|
|                                                                          | £                | £                 |
| Value of fish landed from our vessels ... ..                             | 2,000,000        | 4,000,000         |
| Fish Trading at the Ports, Inland Wholesale and Retail ...               | 5,000,000        | 9,500,000         |
| Shipbuilding, Engineering, Motor Transport and Motor Distribution ... .. | 200,000          | 3,500,000         |
| Frozen and other Foods Production and Distribution ...                   | 300,000          | 11,000,000        |
|                                                                          | <u>7,500,000</u> | <u>28,000,000</u> |

The expansion in your Group's interests has continued since September 30, 1960, by further acquisitions, resulting in the issue of 305,872 Ordinary Shares of 5s. each. These acquisitions will strengthen our activities mainly in the Frozen Food and other Food sections of the Group.

Copies of the Annual Report and Review are available from  
The Secretary, 1, HUTTON ROAD, GRIMSBY.



## BUTTERWORTH & CO. (PUBLISHERS) LIMITED

### A RECORD YEAR FOR THE GROUP

The forty-seventh Annual General Meeting of Butterworth & Co (Publishers) Limited will be held on May 29th at the Connaught Rooms, Great Queen Street, London, W.C.2.

The following is a summary of the statement by the Chairman, the Earl of Rothes, which has been circulated with the Annual Report and Accounts for 1960:

The incidence of publishing, together with the recovery of the back-log resulting from the printing strike of 1959, has in no small measure contributed to the successful results before you. These are a record for the Group both as regards turnover and profit.

For the year ended December 31, 1960, the Group profits before providing £205,977 for taxation amount to £396,438 compared with £357,733 in the previous year. The sum of £100,000 has been allocated to General Reserve bringing it up to £513,000 and £9,279 to Staff Contingency Reserve raising that total, after allowing for outgoings, to £51,557. The balance carried forward on Profit and Loss Account is £150,284 against £153,886 brought in from the previous year.

The Directors recommend a final dividend of 20 per cent making 35 per cent for the year—the same as for 1959. The expansion of our existing enterprises and the setting up of new ones, particularly in America, continue to call for substantial sums of money.

The Group sales are approaching the two-and-a-half million mark and progress in all departments has been very satisfactory. Increased costs have inevitably led to a fall in the margin of profit, but much of this has been offset by economies and greater efficiency.

In the latter half of 1960 our new wholly-owned Subsidiary—Butterworth, Inc.—was formed with its headquarters in Washington, D.C. From it sales have started not only of books produced in England and Canada, but also of a major work, Traumatic Medicine and Surgery for the Attorney, produced in America for American lawyers and doctors. Local competition is considerable, but we are satisfied with the progress made so far.

One of our Managing Directors went to Moscow during the year and arrangements have been completed with the Russians for the translation and publication of certain of their scientific books. The other Managing Director toured the Union of South Africa and visited Rhodesia and Kenya, where our business is increasing in spite of the political risks to which these territories are subject.

Our Australian and New Zealand Companies, reorganised last year, both achieved record sales. Particularly in these countries are we successful in local publishing, and it is our policy in any part of the Commonwealth to support the leading experts on any legal, medical or scientific subject, so that their knowledge in book form may be at the disposal of their fellow countrymen.

We are continuing our long term planning and I look forward to the future with modest optimism. We have more new ventures on hand than ever before and I regard them all with confidence, although some may take time to bear fruit.

## LOBITOS OILFIELDS, LIMITED

### CONTINUED EXPANSION IN 1960

The following are extracts from the circulated Chairman's Statement for 1960:

During 1960 further progress was made with the Company's policy of broadening the interests of the Lobitos Group, and consolidating its activities at home and overseas.

The capital expenditure and development programme envisaged in 1957 is now nearing completion and by the end of 1961 will have involved the investment of more than £4,000,000 on the new tanker, investment in Canada and modernisation and re-equipment of the Ellesmere Port Refinery.

The financial position of the Company remains strong and under these conditions it is hoped that in the future the Group's position may be further strengthened and its earning capacity in the United Kingdom improved.

### PERU

1960 was a constructive and encouraging year for your Peruvian subsidiary, Compañía Petrolera Lobitos (C.P.L.). With the maintenance of a satisfactory refined products' price structure in the local market and a stable national economy, normal development of the Company's Concession and markets was possible, and is reflected in the trading results for the year, and a reasonable return on the investment after several years of adverse trading conditions.

Gross production of crude oil from the Concession for the year to December 31, 1960, shows an increase of 15 per cent, which is indicative of the effects of a normal development programme compared with restricted operations in 1959.

Progress was made in developing and consolidating the Company's market outlets for products and its distribution facilities, in order to ensure that C.P.L. may be appropriately organised to operate satisfactorily in an expanding and competitive market.

As Stockholders appreciate, the prospects for your Peruvian subsidiary are largely dependent on the economic and political strength and stability of Peru. During the past year the national financial situation has continued to improve, and Peruvian Government projects for housing, agrarian reform and energy and land development are indicative of its awareness of the necessity for a stable and progressive economy.

A Bill covering revised Petroleum legislation was presented to Congress by the Government in August, 1960, but has yet to come up for consideration. The Government Bill inspired the Opposition and Left Wing elements to introduce a number of alternative projects of Law of a nationalistic character which have been referred to Congressional Committees for consideration.

It is hoped that when the time comes for Congress to arrive at a conclusion on the Petroleum legislation that shall apply in the future, Peru's traditional support of private enterprise and industrial development will be endorsed.

### UNITED KINGDOM AND EIRE

The Refinery operated to capacity throughout the year and processed over 200,000 tons of crude oil.

Contracts were placed and construction began on the new 5,000 barrels/day Distillation Unit, together with the ancillary plant, tankage and utility services. It is planned to have the new unit in operation towards the end of 1961.

The Distribution Companies, British Viscroleum Fuels Ltd., Holmes, Mullin & Dunn, Ltd., and Shamrock Petrol Ltd., have had to contend with increasingly competitive trading conditions, but have continued to consolidate their outlets and to adapt themselves to current market trends.

As I advised you in my Statement at the last Annual General Meeting, your Company obtained a 100 per cent holding in Alfred Hopps Sons & Co. Ltd., lubricating oil blenders and distributors in Liverpool. The acquisition of this Company provides the additional blending facilities required by the Distribution Companies, and the opportunity for development of the Group's lubricating oil and specialty product markets.

As you are also aware, your Company made an offer to purchase

the whole of the Ordinary Stock of Manchester Oil Refinery (Holdings) Ltd. (M.O.R.), which was accepted and became unconditional on July 8, 1960.

The trading results of M.O.R. and its Subsidiary Companies for the year were very satisfactory, and the improvement in profits anticipated by the Chairman of M.O.R. at the Annual General Meeting in May, 1960, was fully realised. Your Board are satisfied that its investment was a sound one, both from the point of view of increased earning capacity and increased corporate strength for the Group.

The acquisition of both M.O.R. and Hopps amounting to some £1,700,000 was financed from the Company's own resources.

In spite of intensified competition and difficult trading, Dussek Bros. has maintained its turnover and profit. A 75 per cent interest was acquired in Claud Campbell & Co. Ltd., an old-established firm of wax blenders and refiners, which the Dussek's Board considers should be a profitable addition to the Company's trading operations.

### CANADA

In Canada progress has continued, production has increased and it is anticipated gas will be marketed by the end of the current year. Holdings in the Arctic have been increased and geological work continued. In all, your Company now holds an 80 per cent interest in over 4,000,000 acres of concessions in the Arctic through Round Valley Oil Co. Ltd.

### ACCOUNTS AND DIVIDEND

The profit after all taxation of £2,015,425 shows a substantial increase. It reflects a full year's operation of your Peruvian Subsidiary at a profitable level, and the inclusion of your Group's share of the post-acquisition profit of the new Subsidiary Companies.

The charge for Peruvian taxation has, of course, increased substantially because of the improved profit, and United Kingdom taxation also shows an increase over the previous year because of the reduced benefit available from Capital and Investment Allowances.

In view of the capital investment already undertaken and the current development programme, which are beginning to bear fruit, your Board consider the capital distribution should now be discontinued and a more liberal dividend policy adopted. They therefore have pleasure in recommending that the final dividend should be increased to 20 per cent, less Income Tax, making a total dividend for the year of 28 per cent, less Income Tax, compared with 14 per cent, less Income Tax, plus a capital distribution of 4 per cent, in 1959.

The liquid position of your Group has remained strong throughout the year and I am pleased to be able to report that the excess of Current Assets over Current Liabilities has increased by £208,804 to £5,580,205 at December 31, 1960.

In looking to the future, it will be appreciated that the Company's prospects are necessarily linked with the highly competitive conditions in the petroleum industry generally, and also the political and economic conditions pertaining in those countries where the Company's main interests lie.

|                                         | 1960              | 1959              |
|-----------------------------------------|-------------------|-------------------|
|                                         | £                 | £                 |
| Group profit before taxation ... ..     | 3,687,564         | 1,710,354         |
| Taxation ... ..                         | 1,588,834         | 547,304           |
| Minority Interests ... ..               | 83,305            | 53,419            |
| Net profit attributable to Stockholders | <u>2,015,425</u>  | <u>1,109,631</u>  |
| Net Distribution to Stockholders ...    | <u>623,996</u>    | <u>457,525</u>    |
| Group Net Assets ... ..                 | <u>17,261,361</u> | <u>16,069,932</u> |





## SIR WILLIAM McFADZEAN'S STATEMENT

The Sixteenth Annual General Meeting of British Insulated Callender's Cables Limited will be held on May 26th at Brettenham House, Lancaster Place, London, W.C.2.

The following are extracts from the circulated statement of the Chairman, Sir William McFadzean, CA, Companion IEE:

### GROUP ACCOUNTS

Sales of the Group at £143,000,000 increased by £15,000,000 or some 12 per cent as compared with 1959, mainly as a result of higher output. Including income from Trade Investments, the profit for the year at £6,245,000 shows a decrease of £137,000 but with a lower taxation charge the Net Profit improved by £121,000 to £3,652,000.

Exceptional Items produced a further £988,000 to bring the Total Net Profit of the Group up to £4,640,486 of which £4,314,890 is attributable to BICC Stockholders. This compares with £3,946,746 for the previous year. Net Group Assets have increased to £66,400,000.

### THE CABLEMAKING INDUSTRY AT HOME

Our two principal aims in 1960 were to obtain more economic prices for certain of our products, and to achieve the highest overall efficiency in our cablemaking activities as a whole by unifying and concentrating our production and selling arrangements for a number of our main products.

The wisdom of this policy of increasing efficiency by concentrating Group manufacture and selling effort of power cables and wiring and general cables has been proved by the substantial increase in volume achieved. As I said in my Statement to Stockholders a year ago, our policy as the largest cable-making group was to endeavour to give a lead to the industry by raising prices to some extent, so as to prevent the industry drifting to the disastrous position to which pursuit of any short-term advantage under conditions of unfettered competition would lead it. We are convinced this policy is in the national as well as our own interests and we have continued to follow it during the year under review. The benefits should be progressively felt during 1961.

### GROUP ACTIVITIES

**Power Cables.** There has been an increasing demand for supertension cables, and among many important contracts received by the parent Company were those for 132,000-volt cable circuits for Kingston-Wimbledon and Kingston-Chessington, in the London area, and for Kirkby-Boothle in Lancashire.

W. T. Glover & Co. has recently obtained a contract worth £1,400,000 for 132,000-volt cables between Barking, East Ham and Brunswick Wharf, and Scottish Cables received the annual contract for the South of Scotland Electricity Board amounting to over £1,000,000. Among important overseas orders for power cables were that from the Hydro Electric Commission of Ontario for 230,000-volt cables and from the Australian Authorities for 330,000-volt cables for the Snowy

Mountain Hydro Electric scheme in New South Wales.

**Telecommunications.** Our Telephone Cables Division at Prescott, in addition to its large business with the Post Office, has continued to play its full part in the British Transport Commission's electrification and modernisation programme by engineering, manufacturing and installing considerable quantities of telephone cables on various routes.

**Submarine Power Cables and Pipelines.** The most interesting event during the year was the award of a contract worth £2,500,000 for a flexible submarine pipeline to transmit natural gas from the mainland of British Columbia to Vancouver Island. When completed this pipe, which will be made by British Insulated Callender's (Submarine Cables) Ltd. and installed by our Construction Company, will constitute the world's longest flexible submarine gas pipeline. We believe no other manufacturer in the world can offer a comparable product.

**Metals.** In 1960 our Wire Mill Division at Prescott achieved a record output of 107,000 tons of metals. Total orders received by Thomas Bolton & Sons showed a substantial increase over 1959 and output of British Copper Refiners was 9 per cent above 1959. The Telcon Metals Group of Companies has achieved substantial increases over the whole field of its activities.

**Capacitors.** There is growing world-wide interest in our energy storage capacitors, and I am pleased to report the receipt of substantial orders from the USA. The turnover of the Telegraph Condenser Company exceeded that of 1959 which was itself a record year.

**Construction.** 1960 witnessed a further increase in the activities of our Construction Company. On the railway electrification side, the Company continued to be actively engaged. Two schemes were completed under the British Railways modernisation plans, namely the Manchester/Crew and the Liverpool Street / Enfield / Chingford / Hertford (East)/Bishop's Stortford lines, both of which are in successful commercial operation. In addition the Company's constructions teams satisfactorily converted the existing equipment on the Liverpool Street/Shenfield/Southend line from 1,500 volts D.C. to high voltage A.C. operation.

### OVERSEAS AFFAIRS

For many years we have devoted a large proportion of our effort to overseas trade both in the form of direct exports from this country and by way of investment in local manufacture overseas. Total sales effected under these heads amounted to £45,000,000 in 1960 compared with £38,000,000 in 1959, but we are further intensifying our efforts and are determined to improve still further on our achievements.

**The Outlook:** Results to date for 1961 are encouraging and, provided there is no major dislocation in trade generally, I look forward to the BICC Group having a successful year.

April 14, 1961.

**BRITISH INSULATED CALLENDER'S CABLES LIMITED**

## POWER SECURITIES CORPORATION

### A DIFFICULT YEAR

The thirty-eighth Annual General Meeting of Power Securities Corporation Limited will be held on June 1st in London.

The following is an extract from the circulated statement of the chairman and managing director, Sir Andrew M. MacTaggart:

After having increased for several years, the consolidated profit before taxation of £715,142 shows a reduction compared with the previous year of £284,326. After providing for taxation on the profits of the year the consolidated profit at £379,265 is less than the 1959 figure by £141,745.

The year 1960 has been a difficult one, especially in the field of civil engineering construction, an experience which was not confined to our organisation. Tender prices in the United Kingdom have been very keen, and in certain overseas countries political and other conditions have slowed down development to a considerable extent. In Canada, dredging and marine work did not emerge on the scale anticipated, and our Toronto company had to work on a very reduced scale during the year.

One special factor arose in the case of the contract for the Selset Reservoir. Had the Tees Valley & Cleveland Water Board been permitted by the Ministry of Housing and Local Government to make the extra payment to Balfour, Beatty & Co., Limited, in respect of this contract, which the Board has now stated publicly it was prepared to make, the consolidated profit figure would not have been materially different from that of the previous year.

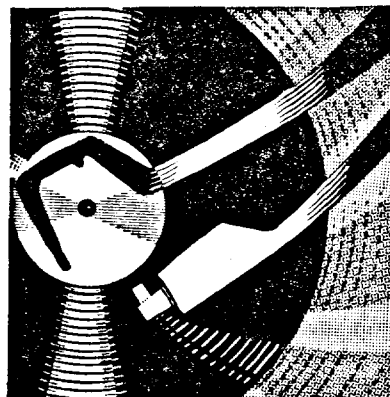
Nevertheless, your Directors feel justified in recommending a dividend on the Ordinary Shares at the same rate as last year, namely, 15 per cent.

### FUTURE PROSPECTS

In the United Kingdom, the group companies engaged primarily in the building and allied industries are carrying out a strenuous programme of work and, subject to conditions remaining comparatively stable, should have a profitable year. In civil engineering construction competition continues to be very keen, leaving little margin to cover any adverse circumstances which may arise during the period of a contract. As a consequence, while these conditions persist, we cannot count on any great contribution to our profits from this source. On the electrical side we should obtain a reasonable amount of the work available.

Overseas, the prospects depend to some extent on the country concerned. The lack of finance or guarantee of tenure is holding up developments in certain overseas territories.

I am pleased to see that the United Kingdom Government is beginning to appreciate the difficulties which we, engaged in private enterprise, encounter in certain under-developed countries, and that it is introducing a form of long-term credits for manufacturers. Whilst this is satisfactory so far as it goes it does not cover schemes of development in countries where we are already established and which have large potentialities for our exports. Unless the Government of the United Kingdom makes available some form of endorsement of security covering the period of such developments, these projects will undoubtedly go to those countries which are prepared to guarantee private enterprise.



## BIRMINGHAM SOUND REPRODUCERS LIMITED

The following are salient features of the Review, circulated with the Report and Accounts for the year ended 31st December 1960 by the Chairman Dr. D. M. McDonald, B.Sc., M.B., Ch.B.

### A RECORD YEAR

The Company achieved record sales, production and net profits in 1960. All sections of the business at home and in U.S.A., Bermuda, Australia and New Zealand, made their full contribution to the results.

### DIVIDEND INCREASED

The directors have decided to recommend a final dividend of 30% less income tax making 40% less income tax on the present £1,500,000 share capital. This compares with the equivalent of 33% for the previous year.

### NEW INTERESTS

Further expansion in the tape recorder field has been made. A controlling interest has been bought in two companies specialising in the manufacture of a vital component for these instruments. These acquisitions, made after the end of the financial year, have made no contribution to the profits under review. Research and development teams are actively extending the range of products, and continuously improving existing models.

### PROSPECTS

The company's factories are more efficient than at any time in its history. Export sales are already more than half of the output and there remains plenty of scope to increase this further. The Group of Companies has never been in better shape.

Manufacturers of the

**Mararch**  
Record Changer and Tape Deck



## BROWN BAYLEY LIMITED

### IMPROVED RESULTS

#### MR J. W. GARTON ON PROGRESS OF SUBSIDIARIES

The fifth annual general meeting of Brown Bayley Limited was held on May 5 at Attercliffe, Sheffield, Mr J. W. Garton, JP (the Chairman), presiding.

The following is the statement by the Chairman which had been circulated with the report and accounts:

The Accounts now presented cover the twelve months ended December 31, 1960.

The Profit and Loss Account shows a balance, after tax, of £207,601 compared with £189,118 in 1959. This is accounted for by the increased dividends recommended by both Brown Bayley Steels Limited and The Hoffmann Manufacturing Company Limited.

The Interim Dividends already paid by the two Subsidiaries and the Final Dividends recommended by them are included in this Account. I would remind the Shareholders that at the time of payment of the Interim Dividend in October, 1960, the Directors of the Subsidiary Companies re-allocated the totals previously distributed to bring the Interim and Final Dividends more into balance. On this basis your Directors have pleasure in recommending a Final Dividend of 9 per cent, less tax. This together with the Interim Dividend of 5 per cent, less tax, already paid, makes a total for the year of 14 per cent, less tax, which compares with a total of 12 per cent, less tax, for 1959.

### SUBSIDIARY COMPANIES

**The Hoffmann Manufacturing Company Limited:** The year 1960 started off with full pressure in the demand from the consumer goods industries, but this side began to fall off by the middle of the year, by which time there was an increased demand for bearings for capital equipment and this helped considerably. The consumer side is coming back and the demand from the capital goods industries is being maintained. Skilled manpower has been a limiting factor in the expansion of this Company, but the Training Schemes, which have been operating for several years, are now beginning to show results and are producing competent and trained young people for all levels from tool-room to management, without which the Company could not grow.

During the year £1,067,000 was spent on new plant and machinery. The majority of this machinery was not ready for production until late in the year and has not had any appreciable effect on the Accounts under review, but since the beginning of the current year it has been working well. In addition the Directors have authorised further capital expenditure which includes the erection of a new factory building at Gloucester. The prices of the products of this Company have to be maintained on a very competitive basis and the increased costs of wages, raw materials, fuel and power, etc., are only recoverable by increased efficiency.

The Accounts of this Company for the year ended December 31, 1960, are published as part of the Directors' Report and show a profit before

tax, but after all other charges, of £1,735,953 and compare with £1,704,511 for the previous year. Income Tax and Profits Tax absorb £686,563 against £717,340 in 1959. The net profit for the year 1960, after taxation, is, therefore, £1,049,390 and compares with £987,171 for 1959.

The Final Dividend recommended is 13 per cent, less tax, which with the Interim Dividend already paid of 7½ per cent, less tax, makes a total for the year of 20½ per cent, less tax.

### BROWN BAYLEY STEELS LIMITED

The improved demand for steel products mentioned in the Statement last year was maintained in 1960 though the demand from the motor industry fell off. Production of stainless steel was at a high level and most departments were busy throughout the year.

The prospects for the coming year are good although increases in costs due to the shorter working week, the wage award, and fuel costs, etc., which have to be absorbed, adversely influence profit margins.

The new plant in connection with the Manningham Road Forge is practically all delivered and some of this has worked over the last few months. By moving the old plant from the Tyre and Press Department to new foundations, space will be available for the next phase in the continued reorganisation, i.e. a Scheme approved by the Iron & Steel Board for the purchase of a new 32" Mill replacing the old existing 27" Cogging Stand. The Scheme which will take four to five years at a cost of about £2 million includes rearrangement of furnaces, buildings, etc., and when finished will give an increased output of about 30,000 tons a year of alloy and stainless steels. The present liquid funds are adequate to meet the initial commitments and it is expected that the total cost will be covered from our own resources. When this Scheme is finished the Company will have installed over a period of ten years a new Steel Melting Plant, a new Forge, and a Rolling Mill.

The Accounts of this Company for the year ended December 31, 1960, are published as part of the Directors' Report, and show a profit, before tax, after all other charges, of £1,080,901, and compares with £672,408 for the previous year.

Income Tax and Profits Tax absorb £478,959 against £293,859 in 1959.

The net profit for the year 1960, after taxation, is, therefore, £601,942 and compares with £378,549 for 1959.

The Final Dividend recommended is 11 per cent, less tax, which with the Interim Dividend already paid of 5 per cent, less tax, makes a total for the year of 16 per cent, less tax.

**The Farnley Housing Association Limited:** The Association have again reduced the interest free loan by £200 and the balance now outstanding is £4,000.

The report and accounts were adopted.

# ROYAL-GLOBE INSURANCE COMPANIES

## REVIEW OF RESULTS FOR 1960

### STATEMENT BY MR T. H. NAYLOR, CHAIRMAN, ROYAL INSURANCE COMPANY LIMITED

The Annual General Meeting of the Royal Insurance Company Limited will be held on Wednesday, May 31st, in Liverpool.

A statement by the Chairman, Mr T. H. Naylor, from which the following are extracts, has been sent to stockholders with the 115th Annual Report and Accounts.

Before reviewing our operations for 1960 I must refer to a development of outstanding importance in our affairs, namely the acquisition earlier this year of the share capital of The London and Lancashire Insurance Company. Stockholders will be aware of the reasons which prompted your Directors to take this step. The combination of interests will result in a consolidation of financial resources and a strengthening of man-power which, over the years, must be of considerable benefit; and we look forward to the future maturing of this new partnership with confidence and enthusiasm.

#### RESULTS FOR THE YEAR

As regards our results for 1960, I am glad to report a satisfactory expansion of business in all major territories, the combined premium income of our Fire, Accident and Marine Departments rising by nearly £7 million to £144 million.

We were encouraged during the year to see an improvement in the underwriting experience of certain sections of our business which had hitherto proved unresponsive to corrective action. This is particularly satisfying. In avoiding extreme measures which could inflict lasting harm on our business we were necessarily denied the advantages of a quick improvement in results; and it is good to see that a greater patience, doubtless wiser in the long run, is bringing its reward. The underwriting result was a surplus of £2.7 million and although this represents no more than a marginal improvement on last year's figure, it was achieved in the face of conditions and circumstances which were manifestly unfavourable.

Our investment income contributed £4.5 million net to our overall earnings; and our consolidated profit, after providing for United Kingdom taxation and Pension Fund contributions, amounted to the record figure of £5.7 million.

#### DIVIDEND

As indicated in my letter to stockholders of January 27th last on the subject of our offer to acquire the stock of the "London and Lancashire," it was decided to settle at that time the rate of dividend payment for 1960. In place of a final dividend in respect of stock ranking for dividend for the year 1960, your Directors have declared a special interim dividend of 2s. 6d. per 5s. unit and this, with the increased interim dividend of 2s. 6d. per 5s. unit paid last November, makes the total distribution for the year 5s., as against 4s. 8d. last year.

#### OVERSEAS

In the United States our premium income increased steadily in all departments, reaching a new record total of \$244 million and in the face of a highly competitive market situation, national fire wastage at an all-time peak and heavy wind-storm damage, our results there can, in the aggregate, be regarded as most heartening.

There was a noticeable improvement in the Casualty account and for the first time for several years a profit—albeit only marginal—was realised. The problem of Automobile Third Party business is still paramount.

In Canada, premium income reached a new high level and the underwriting profit surpassed even the previous year's excellent result. In Australia and New Zealand we made steady headway and continued to expand; and this is true also of South Africa, despite current disturbances in the political scene.

In other overseas territories, premium income was well maintained and losses in the Fire Department were lighter than for several years past. In some areas we encountered disaster in the form of earthquakes, cyclones and floods, but their financial impact on our accounts was not unduly severe.

#### FIRE DEPARTMENT

|      | Net Premiums | Underwriting Surplus | Percentage of Premiums |
|------|--------------|----------------------|------------------------|
| 1960 | £58,159,378  | £1,131,529           | 1.9                    |
| 1959 | £56,501,646  | £1,006,993           | 1.8                    |

The increase in our premium income in 1960 was satisfactory and the underwriting surplus, earned in a period of abnormally high fire wastage, was a little above that for each of the two previous years.

At home, national fire wastage was only slightly below the 1959 peak figure of £44 million. Despite this, we saw a welcome improvement in the margin of profit from our United Kingdom business, notwithstanding the substantial claims which followed the severe floods during the last quarter of the year.

#### ACCIDENT DEPARTMENT

|      | Net Premiums | Underwriting Surplus | Percentage of Premiums |
|------|--------------|----------------------|------------------------|
| 1960 | £79,132,713  | £1,076,459           | 1.4                    |
| 1959 | £74,359,208  | £1,306,818           | 1.8                    |

The growth in premium income was satisfactory, but in many territories abroad our results were adversely affected by a deterioration in the Motor experience.

At home, also, Motor business was our main problem. During the last few months of the year, the increase in the number of claims gathered momentum at a rate out of proportion to the rise in the number of vehicles insured and, in consequence, the ratio of claims to premiums rose significantly. An even more marked deterioration occurred in our Motor experience in Eire.

Claims cost on Burglary and Money in Transit policies has risen sharply. The number of attacks on persons carrying money to and from banks has created a growing demand on the part of employers for Personal Accident cover on persons engaged in such duties.

#### MARINE DEPARTMENT

|      | Net Premiums | Fund as at 31st December | Percentage of Premiums |
|------|--------------|--------------------------|------------------------|
| 1960 | £6,870,989   | £15,147,762              | 220.5                  |
| 1959 | £6,431,742   | £14,544,271              | 226.1                  |

Market statistics show that both in number and in tonnage the loss of vessels in 1960 was the highest since 1946, and the incidence of stranding was also unusually heavy. An increase in fires and explosions in ships' engine rooms gave cause for concern, especially as the complexity of modern machinery means that such losses can now be very expensive.

There was no significant change as regards cargo insurance but the incidents already mentioned naturally have their impact on cargo business.

Premium income in 1960 was a little higher than in the previous year. Our transfer of £485,867 to Profit and Loss Account relates to the 1958 underwriting account which was closed at the end of 1960 and represented a welcome improvement in the results of recent years.

#### LIFE DEPARTMENT

|      | New Sums Assured | New Annuities (per annum) | New Annual and Single Premiums |
|------|------------------|---------------------------|--------------------------------|
| 1960 | £69,019,511      | £1,781,569                | £2,621,205                     |
| 1959 | £56,528,870      | £1,598,065                | £1,994,182                     |

It has become a matter of routine to report each year an increase in new Life sums assured and 1960 was no exception. The amount of the new Life sums assured was nearly five times that for 1950 and more than double the 1955 figure—a fine record of sustained expansion.

#### INVESTMENTS

|      | General Funds | Life Funds   |
|------|---------------|--------------|
| 1960 | £212,758,112  | £100,398,495 |
| 1959 | £202,888,736  | £92,227,251  |

The past year began with signs of over-strain in the British economy. The Bank Rate, which had stood at 4 per cent since November, 1958, was raised in two stages to 6 per cent and was reinforced by other measures, including hire purchase controls and a further call on the banks to make special deposits. In the last quarter of the year, the two reductions in the Bank Rate down to 5 per cent did not represent any real change in the overall policy of domestic restraint. It may well be, with the introduction of new fiscal weapons in the recent Budget, that changes in Bank Rate will be less frequent in the future.

In the stock markets, both at home and overseas, ordinary share prices at times appeared to discount prospects some considerable way ahead but we took advantage of favourable opportunities to add to our holdings, once again increasing the proportion of our assets held in ordinary shares.

#### MANAGEMENT, STAFF AND AGENTS

It is with pleasure that I express to our Management and Staff in all parts of the world our appreciation and thanks for their able conduct of our affairs during the past year. To our Agents at home and overseas, I should like to convey our sincere gratitude for the splendid support we received from them.

# Times Furnishing

## PROFITS UP

The thirteenth Ordinary General Meeting of The Times Furnishing (Holdings) Limited was held on May 4th in London, Mr Henry Jacobs, the Chairman, presiding.

The following are extracts from his circulated statement:

Profits before taxation were £876,878; an increase over the previous year of £228,884.

With the proposed Final Dividend, the Total is equivalent to 13½ per cent, less tax.

HP restrictions were re-imposed in April, 1960. In consequence, the high level of HP trading during the early part of 1960 could not be maintained. On the other hand, cash and short term credit sales improved.

The incidence of HP bad debts remains at less than half of one per cent.

Willerby's Tailoring showed an encouraging increase. The policy of providing a quality product at a competitive price was strengthened by price revisions and improvements in production.

During 1960, Times Furnishing bought E. Rosser (Furnishers) Limited of Worcester, opened a new store in Dudley and acquired The South Wales Furnishers Limited. A new Willerby's shop was opened in Woolwich.

The opening of new branches and the process of modernising existing premises is reflected in the further considerable increase in fixed assets.

Indications are that turnover for 1961 should exceed that for 1960.

The reserve for unearned profit, interest, collection charges, etc., is still high at £1,713,908. A substantial part of this sum will fall into the results of the current year.

The Directors acknowledge the loyalty, enthusiasm and hard work of all members of the staff.

# FRIENDS' PROVIDENT AND CENTURY LIFE OFFICE

Sir Oliver Franks reports on progress

## TOTAL FUNDS EXCEED £104,000,000

New business for the Group over £53,000,000

The One Hundred and Twenty-eighth Annual General Meeting of the Friends' Provident and Century Life Office was held on 10th MAY, 1961, in Carpenters Hall, 1, Throgmorton Avenue, London, E.C.2.

The Rt. Hon. Sir Oliver S. Franks, G.C.M.G., K.C.B., C.B.E., the Chairman, presided. In the course of his Statement the Chairman said: As we review the results of the Friends' Provident we have come to expect new records. Our business is long term and it is appropriate to consider the growth of our Life business over the past ten years.

In this period our rate of progress must be regarded as impressive by any standard, and I think it is with justifiable pride that we saw the Group New Life Sums Assured of £53½ million pass the £50 million mark for the first time, and our Group Funds pass the figure of £100 million. These figures show how we are playing our part in the expansion of the Life Assurance Industry, with its great and growing contribution to the strength of our economy. As the general level of earnings in this country is raised there is a rapidly growing section of the community for whom there comes a new realisation of the value of Life Assurance, in its many forms, as a necessary protection for a man's family during his working life, and as a means of providing the pension which he will need during his years of retirement. The Government scheme for a graded pension related to earnings came into force last month. The pension so provided is modest in amount and it was, I think, right that opportunity should be given to employers with suitable private Schemes to contract out of the State Scheme. This will do much to preserve and encourage the best development of occupational Pension Schemes, which was one of the expressed intentions of the Government.

The growth of our Group Funds sets us the problem of investing something over £1 million each month, and for the successful handling of this important function we are fortunate in having a really efficient Investment Department. Throughout 1960 there were very favourable opportunities for increasing our holding of gilt-edged and fixed interest stocks. We are pleased to see once more the very satisfactory margin of appreciation over book value in our total holding of equity shares.

The rate of interest earned on our Funds at £6 7s. 4d. per cent gross compares with £6 2s. 5d. per cent in the previous year.

In the Consolidated Profit and Loss Account of the Century the transfer from the Fire Account at £123,000 is more than double that for 1959. After showing improved results in the Accident Department in recent years it is disappointing to see a reversal of this experience. In the Marine Department it is possible to make an increased transfer this year while leaving a strengthened balance in the closed accounts and a satisfactory position in the open accounts.

Our Continuous Disability Department has once more made excellent progress, and we are very pleased to see this evidence of the growing popularity of this type of cover.

After making a transfer to bring the Revenue Reserve of The Century to £325,000 a net dividend of £300,000 has been declared. The capital and general reserves of The Century together with the Profit and Loss account balance of that company and its subsidiaries now provide for all likely fluctuations in our trading experience, and give a backing of real strength to the accounts now presented.

# THE HOFFMANN MANUFACTURING COMPANY

## YEAR OF FURTHER EXPANSION

The annual general meeting of The Hoffmann Manufacturing Company Limited was held on May 10 in London, Mr J. W. Garton, JP (Chairman and Managing Director), presiding.

The following is an extract from his circulated statement:

The year 1960 started off with full pressure in the demand for the consumer side of our business, bearings for motor cars, household appliances, etc., and as I mentioned last year we saw some indication of an increased investment in the capital goods industry. By the middle of the year the consumer side began to fall off, but we had a build up on the capital side which, of course, helped considerably. At the moment the consumer side is coming back and the orders in connection with the capital goods side are being maintained. A limiting factor in our expansion is the shortage of skilled manpower, but I am glad to say the Training Schemes which have been operating for several years are now beginning to show results.

The profit of the Hoffmann Group for 1960, before taxation, but after all other charges, including Debenture Interest, amounts to £1,735,953 and compares with £1,704,511 for the previous year. Income Tax and Profits Tax absorb £686,563 against £717,340 in 1959. The net profit of the Group for the year 1960, after taxation is, therefore, £1,049,390 and compares with £987,171 for 1959.

The Directors recommend a Final Dividend of 13 per cent less tax, making a total distribution of 20½ per cent less tax, and this is equivalent to an effective increase of 5 per cent less tax, on the distribution for the previous year.

During the year the Group has spent £1,067,000 on new plant and machinery and this substantial programme has been financed from the internal resources of the Group. The Capital Commitment at December 31, 1960, amounted to £402,912, and is continued evidence of the Board's policy of keeping our production facilities in both factories up to date. In addition, the Directors have authorised further substantial capital expenditure, including the erection of a new factory building at Gloucester for the extension of our production capacity.

Balance Sheet: The value of stocks at December 31, 1960, has risen by £606,677. The higher level of turnover and the increased production it requires are reflected in the higher stock level.

The excess of Current Assets over Current Liabilities at the close of 1960 amounted to £4,699,321 compared with £4,814,473 at the close of 1959.

#### SUBSIDIARY AND ASSOCIATED COMPANIES

Hoffmann Gloucester Limited has again had a successful year and has made a valuable contribution to the Group turnover. This Company will derive future benefit from the expansion programme which took place in 1960 and is continuing.

Hoffmann Tweedales Limited has passed through a difficult period during which new products were being developed and tested. It is, of course, a very small unit compared with the Bearing Works at Stonehouse, Gloucestershire, but makes a useful contribution towards rentals and overhead charges.

The report and accounts were adopted.



# PETROFINA SOCIETE ANONYME

BRUSSELS, BELGIUM

GROUP SALES AND PROFIT UP IN ANOTHER DIFFICULT YEAR

## HARMFUL EFFECTS OF EXCESSIVE TAXATION

The Annual General Meeting of Petrofina SA was held in Brussels on May 12, 1961, and the following are extracts from the Board of Directors' Report for the year ended December 31, 1960.

### SALIENT FEATURES OF THE YEAR

In the Congo operating conditions were affected by the situation which arose during the year. Happily we have had no loss of life, and material damage is not serious.

In accordance with our views on the likely development of the situation in the petroleum industry as a whole we are following a policy of strictly limiting our expenditure by postponing a number of proposals not immediately essential. Further rationalisation of our operations, and reduction of our expenses, have enabled us to bring down our costs again, and strengthen our competitive position. We are continuing in 1961 the same policy of extreme financial caution, and of concentration of development on those parts of our business which offer the best immediate return, without abandoning proposals of long-term value.

### GENERAL SURVEY OF THE OIL MARKET

What appear to be the reasons for our, essentially transitory, difficulties have not changed: potential over-production, Russian exports, newcomers to the international oil business, and wide differences between spot freight rates and the average rates that importers are actually paying.

So far, the only reply of the big international groups has been the traditional one of lowering selling prices in order to hold their established market positions, but it is obvious that this un-economic step cannot remove the cause of the trouble. On the contrary, it is likely to aggravate it by the political and national consequences which it cannot fail to have.

With a willingness to recognise that new factors exist to modify established market positions, in some—and overall a very small—degree, and if the idea of a reasonable co-existence with newcomers was accepted, a situation could be created which would benefit everyone.

Last August, a slight lowering of posted prices for Middle East crudes reduced the amount collected by governments of the producing countries. This led to the formation by them of OPEC—the "Organisation of Petroleum Exporting Countries"—to defend their revenues, stabilise crude oil prices and avoid price reductions by the producing companies without consulting the governments concerned. It is too soon to assess the results, but we think OPEC can make a contribution to some highly desirable stabilisation of prices.

It is plain that the price of crude oil cannot be fixed arbitrarily, but must take into account the normal value of the finished products. By that we mean a value which gives a return on the very large amount of capital invested, and allows a margin to provide the additional capital which is essential for a long-term continuance of an abundant and cheap supply of power.

Our industry has been built on free enterprise and, until recently, solely by private initiative, private exertion and private capital. It is natural, therefore, for the industry to dislike any governmental interference and be apprehensive of its consequences.

We have to adapt ourselves to this new situation and not, simply as a matter of principle and without discriminating, set out to fight against it. But it still behoves governments to restrict their interference to what is absolutely essential and not complicate unnecessarily their administrative machinery, which always moves slowly and is very expensive.

Competition between state undertakings and private enterprise depends on their both being based on the same economic principles. Too frequently in state enterprise economic criteria are replaced by dubious political considerations. The responsible authorities ought to pay serious attention to a problem that reaches the very foundations of the economy of the countries concerned, and goes far beyond the bounds of the oil industry.

Taxation everywhere is a steadily growing burden, and it happens too often that decisions of those in charge of commercial undertakings are influenced by considerations of taxation, instead of on proper business grounds.

### PETROFINA AFFAIRS

Our group sold 8,900,000 tons of finished petroleum products, and 850 million cubic metres of gas, an increase of 11 per cent over the year 1959. We limited our sales of some products in some countries because of the abnormally low prices prevailing.

The last few years have provided fresh evidence that damaging rates of tax on the product are holding back the consumption of motor spirit. Tax increases in Belgium have resulted in consumption being frozen at practically the 1958 figure, whereas in Italy a tax reduction of 18 per cent brought about an increase in consumption of more than 25 per cent and an appreciable increase in the revenue from the tax.

In the United States American Petrofina's production was again severely restricted by the quotas of the producing states in which it operates. In Canada, Canadian Petrofina acquired the assets of New Superior Oils of Canada. The licensing of the export of gas to the United States will result in a considerable increase in sales by the group companies, on the completion, towards the end of 1961, of the pipelines now being laid.

Our group's refineries operated satisfactorily. In Belgium, Antwerp refinery is having its capacity increased to 8½ million tons a year by the end of 1962. In Canada, Montreal refinery worked normally, reducing production costs by higher output. In the United States the production of American Petrofina's three refineries was some 100,000 tons less than in the previous year due to the company's policy of making its contribution to the reduction of stocks of finished products. In Germany, Duisburg refinery is working to full capacity, and extensions are in hand. Mulheim refinery is up to expectations.

In the petrochemical field the plant in Belgium in which we have an interest will be ready by the end of 1961.

Our ships operated normally throughout the year and, in conformity with our policy of keeping down the age of our fleet, we sold the "Purifina Congo."

The advance of our group's distribution in countries where we are established has slowed

down, as we have reached most of the objectives we had set ourselves. The number of our selling points rose from 13,500 to 14,000 during the year, and we have continued our efforts to reduce distribution costs. We have extended our marketing operations to Cyprus.

The group's staff at the end of the year numbered 15,600, 400 fewer than the year before, notwithstanding the increased scope of our operations.

### FINANCE

The increase of capital which was agreed by your General Meeting of April 8, 1960, met with the customary support from our loyal shareholders. The financial structure of your company, whose capital was thus raised from 3,400 million to 4,700 million Belgian francs (approximately £24½ million to £33½ million) has been strengthened by the increase, its own resources and long-term borrowings being more in line with the size of our business.

What we have said under different headings will have given you some idea of the difficult problems which our industry has to face, but which can be considered purely temporary and not of a nature to diminish our confidence in even the quite near future. Our conviction of better times to come is based on factors which are subject only to some quite unforeseen change in the political situation.

In the circumstances we have thought that we are justified in adhering to our traditional policy of giving you a good return on the capital which you have invested and we are recommending the payment of a dividend of 80 Belgian francs per Old share (1959 the same) and 40 Belgian francs per New share, free of ordinary Income Tax, but possibly liable to a withholding tax.

Profit for the year ended December 31, 1960, amounted to 619,595,110 Belgian francs (approximately £4½ million) (1959 approximately £3½ million) including the balance brought forward from the previous year of 83,927,217 Belgian francs (approximately £600,000). This profit has been arrived at after charging the Profit and Loss Account with 301,577,441 Belgian francs (approximately £2,150,000) for depreciation, exploration expenses, research and decrease in the value of assets.

We propose that the profit should be appropriated as follows:

To dividend of 80 Belgian francs (1959 the same) on 5,100,000 Old shares . . . 408,000,000 Belgian francs (approx. £2,914,000) (1959 the same).

To dividend of 40 Belgian francs on 1,400,000 New shares . . . 56,000,000 Belgian francs (approx. £400,000).

To directors' remuneration according to the Articles of Association . . . 34,924,731 Belgian francs (approx. £250,000) (1959, £219,000).

To legal reserve . . . 30,000,000 Belgian francs (approx. £214,000).

To be carried forward . . . 90,670,379 Belgian francs (approx. £648,000) (1959, £600,000). TOTAL: 619,595,110 Belgian francs (approx. £4,426,000) (1959, £3,733,000).

The report, accounts, and the proposals submitted by the Board were adopted.



# ZANDPAN GOLD MINING COMPANY LIMITED

(Incorporated in the Union of South Africa)

## SATISFACTORY DEVELOPMENT PROGRESS

The fifth annual general meeting of Zandpan Gold Mining Company Limited will be held on May 30th in Johannesburg.

The following is the circulated review of the chairman, Mr B. L. Bernstein:

Satisfactory progress continued to be made in the sinking of No. 1 shaft, which on April 13, 1961, had reached a depth of 6,619 feet below the collar. The shaft remained in Ventersdorp lava to a depth of 5,686 feet before traversing the Ventersdorp Contact Reef and entering the Upper Witwatersrand Quartzites. The Ventersdorp Contact Reef in this area has proved to be of no economic interest.

In my review for the year ended December 31, 1958, I explained that in order to expedite exploratory development, No. 1 shaft would be sunk directly from surface to below the reef horizon instead of incurring the costly delay of stopping the surface shaft at the 5,000 feet level

and then sinking a sub-vertical shaft to the full depth. While the overall advantage to be gained from this programme remains unaltered, it is now considered that when your mine reaches the production stage it will become necessary to provide winding capacity at No. 1 shaft in excess of that required for the development stage. This can be done, without losing the considerable benefits derived from using No. 1 shaft as a divided shaft for ventilation purposes, by installing a rock winder on the 5,000 feet transfer level. This underground winder will operate in the upcast section of the shaft and will deliver rock from the 7,400 feet elevation to a transfer loading box serving the surface winder, thus increasing the capacity of the surface winder from about 60,000 tons to 150,000 tons per month. To ensure that this arrangement can in due course be put into effect without curtailing production, the necessary excavations in the vicinity of the 5,000 feet level were made while sinking was in progress.

While excavating a main transfer level and pumping station on the 5,000 feet horizon, exploratory drilling was carried out. This drilling disclosed faulting, which has since been encountered in the shaft and which indicates that, although reef can now be expected at a depth of approximately 6,850 feet below the collar, there is a downward displacement of some 500

feet in close proximity to the shaft. Shareholders were advised in a circular dated October 12, 1960, that it was planned to suspend shaft sinking operations about 100 feet below the reef horizon in order to carry out initial development using shaft sinking equipment. In view of the faulting disclosed it has been decided to complete shaft sinking at a final depth of 7,500 feet and to equip the shaft before starting development. Shaft stations are being cut at vertical intervals of 150 feet between the elevations of 6,500 feet and 7,250 feet below the collar to provide adequate scope for advancing development simultaneously on several horizons. It is estimated that development work will be commenced during the first quarter of 1962.

It is estimated that funds received, together with those for which provision has been made, will be adequate to finance the completion and commissioning of No. 1 shaft and for development during the following year. During this period, the development rate will be built up as rapidly as possible. In order to enable the company to sink No. 2 shaft, to erect a reduction plant and bring the mine to initial production, it will be necessary in due course to raise further capital.

In the interest of economy, operations at the mine are still under the control of the manager of the Hartbeestfontein mine.

# THE CHLORIDE ELECTRICAL STORAGE CO. LTD.

One of the World's Leading Battery Manufacturers

## GROUP SALES 8% HIGHER

The seventieth ordinary general meeting of The Chloride Electrical Storage Company Limited will be held on May 18th at Exide Works, Clifton Junction, near Manchester. The following are extracts from the circulated statement by the Chairman and Managing Director, Mr A. W. Browne, OBE, MIEE.

1960 proved to be a year of great fluctuations. Despite this I am satisfied with the overall results.

The income from trading at £3,854,929 is nearly £82,000 in excess of that for last year, but after adding income from Investments and deducting depreciation, pensions, taxation, and minority interests, the net income for the year is lower than last year by some £124,000 at £1,348,535.

Fixed Assets have increased by some £650,000, which represents additions of £1,130,000 less depreciation. This is a reflection of the expansion schemes mentioned in my statement last year. Some idea of the further increases planned for 1961 may be gained from the figure of capital commitments at £850,000.

### DIVIDENDS

There is £1,766,397 available for appropriation and it is proposed to transfer £700,000 to General Reserve and to recommend a final dividend for the year under review of 15 per cent, which makes a total of 20 per cent for the year.

It is the present intention to pay an interim dividend in October next of 7½ per cent, less tax, to have a closer relationship between the interim and the final dividend in future. I must emphasise however that this increase in the interim dividend must not be taken as an indica-

# Storeys of Lancaster

STOREY BROTHERS AND COMPANY LIMITED

Manufacturers of Printed Plastic Sheet and Coated Fabrics for the Home and Industry.

| Funds Employed                      |                   |                   |
|-------------------------------------|-------------------|-------------------|
|                                     | 1960              | 1959              |
| Share Capital                       | £1,200,000        | £1,200,000        |
| Revenue Reserves                    | 1,584,100         | 1,287,500         |
| Long-term Loan                      | 500,000           | 500,000           |
|                                     | <u>£3,284,100</u> | <u>£2,987,500</u> |
| Employment of Funds                 |                   |                   |
| Net Current Assets                  | £2,261,200        | £2,228,200        |
| Subsidiary and Associated Companies | 219,900           | 183,700           |
| Fixed Assets                        | 1,126,600         | 971,000           |
|                                     | <u>3,607,700</u>  | <u>3,382,900</u>  |
| Future Tax Reserve                  | 323,600           | 395,200           |
|                                     | <u>£3,284,100</u> | <u>£2,987,700</u> |
| Profits                             |                   |                   |
| Net Profit before Taxation          | £879,600          | £980,400          |
| Taxation                            | 416,500           | 480,000           |
| Net Profit after Taxation           | <u>£463,100</u>   | <u>£500,400</u>   |
| Ordinary Dividend                   | 30%               | 30%               |

### Extracts from the Chairman's Statement:—

"Owing to quite keen competition from manufacturers both at home and abroad it was not possible, except in a few isolated cases, to increase selling prices. On the contrary, some had to be reduced and consequently margins were narrower without there being a sufficiently large extra turnover to compensate for this.

"The most important addition of a capital nature has been the erection during the year of our new Calender—a truly massive and most impressive collection of machinery. Unfortunately, it was not possible for us to take delivery of this plant as early as we had expected.

"Our sales overseas continue to increase, and we have taken steps to bring our products to the notice of markets new to us, including those behind the Iron Curtain."

tion that the total dividend for the year will be increased.

#### TRADING CONDITIONS

Total sales for the Group during the year were 8 per cent in excess of the previous year. Margins of profits decreased, with the result that the Group profit for the year is little different from that of last year.

During the first part of the year the demand for automotive batteries was buoyant. With the recession in the motor car industry halfway through the year, and the imposition of measures of credit restriction, the demand fell off substantially. The rate of production in the home factories however was maintained in order to replenish stocks generally.

Alkaline battery sales, which are not affected to the same extent by the motor car industry, exceeded slightly those of last year.

Sales of traction batteries for electric vehicles

## DE BEERS CONSOLIDATED MINES LIMITED

(Incorporated in the Union of South Africa)

DE BEERS WELL EQUIPPED TO MEET THE DIFFICULT TIMES AHEAD IN AFRICA

MR H. F. OPPENHEIMER POINTS TO SIGNS OF 1961 BEING A GOOD YEAR

The following is from the statement by the Chairman, Mr H. F. Oppenheimer, which has been circulated with the annual report for the year ended December 31, 1960.

Sales of diamonds by our organisation in 1960 at £89,700,000 were less by £1,435,000 than in 1959. This comparatively small decrease was made up of a decrease of £1,853,000 in sales of industrials and of a small increase of £418,000 in the sale of gems. These results must be considered in relation to the fact that greatly increased quantities of diamonds produced by individual diggers in Sierra Leone and also a substantial quantity of diamonds mined in Russia were purchased during the year by our subsidiary, the Diamond Corporation. The Russian purchase represents a new addition to the world production but the large increase in our Sierra Leone purchases probably reflects a corresponding reduction in the volume of diamonds previously marketed through illicit channels. While, therefore, our sales for the year must be regarded as satisfactory, the total purchase of newly-mined diamonds from all sources by the market in 1960 were considerably less than in 1959, and our increased purchases from Russia and Sierra Leone, without any corresponding increase in our total sales, was one of a number of factors responsible for a substantial increase in the stocks of diamonds held by the Diamond Corporation. I am glad to be able to say, however, that we have made a very good start with our sales for 1961. Sales for the first quarter of the year amounted to £24,302,000, which is a record figure. While we cannot expect sales to continue at this exceptionally high level, the indications point to 1961 being a good year.

#### EXPANSION AT PREMIER

The policy of the Government of Ghana, that all diamonds produced in that country must be sold through the market in Accra, made it impossible for us to renew our contracts with the Consolidated African Selection Trust and Akim Concessions. Similar action by the Government of the Republic of Guinea prevented the con-

#### COMPANY MEETING REPORTS

and factory trucks were particularly heavy, largely due to the impact of the new designs of batteries which were introduced at the beginning of the year. This is a market where long reliable battery life is all-important, and it is satisfactory to see the average life of our batteries in service steadily increasing.

#### OVERSEAS ACTIVITIES

The Group is now manufacturing batteries in Canada, India, Pakistan, South Africa, Rhodesia, Australia, New Zealand, Holland and Denmark.

Results varied from country to country but the general picture is of increased sales and lower profit margins. In nearly every country, improvement and enlargement of our manufacturing facilities are taking place.

#### RESEARCH

The Central Research and Development

#### THE ECONOMIST MAY 13, 1961

Laboratories continue to be fully active and are well placed to give technical advice and service to our companies at home and overseas and to our various licensees.

#### THE OUTLOOK

Although the business of the Group in other products continues to expand on a profitable basis, batteries for every purpose remain our principal interest.

Surveying the future both in the short-term and looking further ahead, there is every reason to expect a steady increase in the potential available to us. Whilst I am satisfied that we shall increase our share, the competition to which I have referred will mean that a reasonable return on capital will only be obtained by efficient volume production and the maintenance of the highest quality. I believe the Group to be well placed to achieve this.

exhaustive experimental work and testing of the relative merits of natural grit and of the synthetic grits produced by us and the General Electric Company. Our conclusion is that natural diamond is distinctly superior in many operations to either of the synthetic grits. Nevertheless, there is no doubt that the synthetic grit has a very useful function, and we believe that the market for diamond abrasives can be expanded to accommodate both the natural and synthetic products.

#### REOPENING OF DE BEERS MINE

At Kimberley, we have decided to reopen the old De Beers Mine, which has been closed down since 1908. Preliminary recovery should commence in about two and a-half years' time and the mine should be brought into full production by 1966. Production from the De Beers Mine will fill the gap caused by the falling off in the production from our other mines as they become deeper, and will enable us to maintain production from the group of mines in Kimberley at about its present level for many years to come.

During the year we continued with our policy of investment outside the diamond industry and, in doing so, we have further strengthened and broadened the basis of the company. A very important development was our participation with a number of other leading financial houses in Southern Africa, Great Britain and North America in the major extension of the Rand Selection Corporation Limited, Rand Selection Corporation is now the largest investment company in South Africa with an exceptionally sound and well-balanced portfolio. Our interest, direct and indirect, in the Corporation amounts to nearly 50 per cent of the total capital and I am satisfied that this holding gives us particularly attractive means of participating in the general development of Southern Africa outside our own sphere of diamond mining and trading.

The additional investments we have made during the year and the financing of a substantially increased stock of diamonds have been effected whilst still retaining a very strong cash position. The net cash assets of our company and its subsidiaries at the end of the year amounted to £43,016,358 and, in addition, both the gem and industrial marketing companies in which we are substantially interested, but which are not our subsidiaries, maintained strong cash positions for the protection of the trade. The present is an anxious time for all of us who are interested in Africa, but our company is well equipped to meet the difficult times that lie ahead.

#### THE ECONOMIST MAY 13, 1961

## THE EVER READY TRUST COMPANY LIMITED

#### CHAIRMAN'S COMMENTS

The annual general meeting of the Ever Ready Trust Company Limited will be held on June 1, 1961, at Bowman's Place, Holloway, London, N.7. The following are the comments by the Chairman, Mr A. V. Perry, on the report and accounts for the year ended March 31, 1961, circulated to stockholders:

#### CAPITAL

During the year we have realised in whole, or in part, a number of securities which we had held for some time, the present prices of which seemed to us high and the yields at market price meagre. A profit of £114,252 has arisen from these transactions, and after making the provisions set out in the Notes on the Accounts a sum of £95,000 has been transferred to Capital Reserve, making that Reserve in the aggregate £510,000.

The market value of our portfolio is slightly more than double the book value, and in these

## REFUGE ASSURANCE COMPANY LIMITED

The Chairman in a statement submitted with the 1960 accounts mentioned that in the Life Branches the annual premium income of new policies written in the year was £2,580,000, and that this, together with single premiums of £550,000 assured total benefits aggregating some £47 millions. The total premium income of the year was some £21,100,000, and payments to policyholders £14,400,000, of which £10,600,000 was to living policyholders and £3,800,000 payments on death. At the end of the year there were in force 7,800,000 contracts assuring £417 millions, including bonuses, and annuities of £903,000 per annum.

#### APPOINTMENTS

BRISTOL COLLEGE OF SCIENCE AND TECHNOLOGY, Ashley Down, Bristol 7.

#### DEPARTMENT OF GENERAL STUDIES

The Governors invite applications for the post of ASSISTANT LECTURER IN SOCIAL STUDIES.

Applicants should possess a good honours degree and be qualified to lecture in two of the following: Economics, Politics, Philosophy, Psychology, Sociology, Industrial and Social History.

Burnham Technical Scale salary for Assistant, Grade B, within range £290 — £1,435 p.a. Scale at present under review.

Details and application forms from the Registrar. Please quote ref. C/ST 6118.

#### SCHOOL OF ORIENTAL AND AFRICAN STUDIES

UNIVERSITY OF LONDON, W.C.1.

Applications are invited for RESEARCH FELLOWSHIPS in Economics or Economic History, Politics and Sociology of the Middle East. Fellows will be required to carry out individual research with an existing research group of historians and economists.

The appointment will be initially for three years with possibility of extension or of transfer to a permanent post at the School. Candidates must be graduates with high honours or with a higher degree in History, Economics or Politics. Specified knowledge of the area is not required, but candidates should have conducted research in their own field and be prepared to develop a long-term interest in some aspect of Middle Eastern studies. Training in Arabic, Turkish or Persian will be provided and part of the Fellowship may be spent on study leave in the area of the Fellow's specialisation. Salary will be fixed within the range of £1,000 to £1,500, according to qualifications and experience. Applications should be sent to the Secretary of the School by June 1, 1961.

Applications are invited for a RESEARCH FELLOWSHIP in the Department of Demography.

The appointment will be within the salary range £A1,625 to £A2,450 according to qualifications. While initial appointments of Research Fellows are usually for three years, a shorter term would be considered in this instance. The maximum tenure is five years.

Superannuation is on the F.S.S.U. pattern. Reasonable travel and removal expenses will be paid for the Research Fellow and his family. Assistance with housing will be provided.

Further details should be obtained from the Secretary, Association of Universities of the British Commonwealth, 36 Gordon Square, London, W.C.1.

Applications close, in Australia and London, on June 13, 1961.

#### THE UNIVERSITY OF MANCHESTER

Applications are invited for a post at the grade of ASSISTANT LECTURER IN ECONOMICS in the Faculty of Economic and Social Studies. Salary scale £800 to £950 per annum, membership of F.S.S.U. and Children's Allowance Scheme. Applications should be sent not later than June 17, 1961, to the Registrar, The University, Manchester 13, from whom further particulars and forms of application may be obtained.

MARKET RESEARCH. A woman graduate under 24 will be required in June for the Consumer Research Section. Candidates should have the ability to interview and some aptitude for figure work. Previous experience useful but not essential. Details to Mrs. M. Jiratt, Metal Box Company Limited, 37 Baker Street, W.1.

#### AUSTRALIAN NATIONAL UNIVERSITY

INSTITUTE OF ADVANCED STUDIES

#### RESEARCH SCHOOL OF SOCIAL SCIENCES Department of Demography

Applications are invited for a RESEARCH FELLOWSHIP in the Department of Demography.

The appointment will be within the salary range £A1,625 to £A2,450 according to qualifications. While initial appointments of Research Fellows are usually for three years, a shorter term would be considered in this instance. The maximum tenure is five years.

Superannuation is on the F.S.S.U. pattern. Reasonable travel and removal expenses will be paid for the Research Fellow and his family. Assistance with housing will be provided.

Further details should be obtained from the Secretary, Association of Universities of the British Commonwealth, 36 Gordon Square, London, W.C.1.

Applications close, in Australia and London, on June 13, 1961.

#### COMPANY MEETING REPORTS

circumstances your Directors feel that the Issued Capital should be brought more into line with the value of the underlying Assets, and they propose that the sum of £300,000 be capitalised from Capital Reserve and used in paying up in full one new 5s. share for every two 5s. stock units held. The necessary resolutions will be submitted to Stockholders at an Extraordinary General Meeting immediately following the Annual General Meeting.

We have reduced, during the year, the number of our securities from 141 to 136; in terms of geographical distribution the proportions remain relatively the same, with a slight increase in favour of Great Britain.

#### REVENUE

At the end of our previous financial year (March 31, 1960) we had just received, in cash, the sum of £253,500 in respect of the issue of our 4½ per cent Debenture Stock 1980/85. During the year under review, all this money has been fully employed and invested, and this accounts partly for the substantial rise in our gross Revenue from £158,018 to £197,514, or some 25 per cent. Your Directors, therefore, have recommended a final dividend of 13 per cent making, with the interim of 8 per cent paid

The premium income of the Company's subsidiary, the Federated Employers' Insurance Association, which conducts most classes of insurance business other than Life, was £2,126,000. The business as a whole showed a modest surplus, although the underwriting results of both the Motor and Fire Accounts continued to deteriorate.

#### INVESTMENTS

The Company's assets of £172 millions shown in the Balance Sheets included £55 millions in securities of the British Government and Local Authorities, £41 millions in Debentures and Preference stocks, and £26 millions in Ordinary stocks. In addition there are mortgages, largely in connection with House Purchase, of £33 millions and property investments of £7 millions.

#### COUNCIL OF EUROPE

#### RESEARCH FELLOWSHIPS, 1962

Awards of these Fellowships, which are offered annually and are of the value of 6,000 new French francs each, will be made in December, 1961. They are intended to encourage research in the following questions considered in the light of their present-day importance: (a) Political, legal, economic, scientific, agricultural, social, educational, and youth problems connected with European integration.

(b) European civilisation (philosophy, history, literature and the arts). Candidates must normally be nationals of a member State of the Council of Europe or of a State which has acceded to the European Cultural Convention. Refugees from European countries which are not members of the Council, legally resident in the territory of a member State, are also eligible for awards.

Application forms, which must be returned before September 4, 1961, may be obtained from the Universities Department, The British Council, 65 Davies Street, London, W.1.

#### UNIVERSITY OF MELBOURNE

LECTURESHIPS IN ECONOMIC HISTORY

Applications are invited for the following positions in the Department of Economic History:

(1) Lecturer in the Economic History of Europe and (or) in the History of Economic History (one Lecturer).

(2) Lecturer in the Economic History of Asian Countries.

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.

Applications close, in Australia and London, on August 31, 1961.

#### UNIVERSITY OF OXFORD

Notice is given that the Directors intend to proceed to an election to the newly established PROFESSORSHIP OF ECONOMICS. The duties of the professor will be to lecture and give instruction in Economics with special reference to mathematical economics and econometrics. The salary will be £3,000 a year plus children's allowances. Applications are invited in nine copies, naming three referees but without testimonials, to be received not later than June 30, by the Registrar, University Registry, Oxford, from whom further particulars may be obtained.

APPLICATIONS invited from single men in age 27-33 group for appointments for trade country work with large group in Eastern Europe. Starting salary approximately £1,800 rising over period of years to £3,500. Service carries pension and gratuity benefits and usual home leave arrangements. University device desirable and previous experience in Trade Association or similar work an advantage. Reply Box 1504.

#### REPUBLIC OF THE SUDAN

The Ministry of Commerce, Industry and Supply requires the services of a Cost Accountant, preferably with experience in the sugar industry, to be responsible for the installation and management of the costing system in the new Mechanized Sugar Plantation in the Sudan.

Appointment will be on contract for three years, subject to extension to five years. Salary is in the range £S.1,800 — £S.2,100 (with bonus). (F.S.1. = £100. 6d.) Starting salary will be fixed according to age, qualifications and experience. A cost of living allowance, which is reviewed every two months, is payable. An initial outfit grant of £S.50 is payable on appointment. There is no income tax in the Sudan at present.

Holiday leave, with free air passage, accrues at the rate of seven days for each completed month of service.

Application should be made in writing, giving full particulars of age, qualifications and experience, together with copies of two recent testimonials, to the Appointments Section, Sudan Embassy, 3 Cleveland Row, St. James's, London, S.W.1, quoting reference 43105.

Closing date: June 15, 1961.

on December 1, 1960, a total of 21 per cent for the year. The amount required to pay this higher rate of dividend is covered by net income 1.16 times, which is slightly higher cover than (in accordance with our declared policy) we usually aim for. There is every indication that in the future we should at least be able to pay out the same amount in dividend.

#### GENERAL

Towards the end of our financial year we formed a wholly-owned subsidiary Company—Whittingdon Securities Limited—for the purpose of undertaking certain classes of financial transactions in which the Parent Company, as an Investment Trust, cannot participate. This Company was only in operation for some six weeks before the end of the financial year and a trifling loss was sustained, which you will notice in the Accounts; that loss at the time of writing has turned into a profit, but, of course, no real view can be taken of this operation until the Subsidiary has been in existence for a full year, and we are hopeful that it will make a contribution towards the Parent Company's income.

Our thanks are due to the Manager and his staff for the success of their operations, and the hard work they have put in during the year.

#### BONUSES TO POLICYHOLDERS

In the Ordinary Branch surplus of £2,401,000 was allocated to policyholders to provide a bonus on with-profit policies at the increased rate of £2 6s. 0d. per cent on the sum assured in respect of each year's premium due in 1960 and paid. This bonus is the highest paid in the Company's history.

In the Industrial Branch the total surplus allocated to policyholders was £2,280,000. A reversionary bonus at the increased rate of 34s. per cent on the sum assured has been granted on premium-paying policies which were in force on January 1, 1961, subject to completion of one year's premium payments. The scheme for granting paid up policies to whole life assurances at advanced ages has been made permanent, so that all policies whenever they were issued will now receive the same treatment in this respect.



## Financial Analyst

for the Comptroller's Department at Coventry.

University Degree or professional qualification in Accountancy essential plus at least 2 years' industrial or commercial experience.

Age range preferred 24-30.

The post is pensionable and a good salary commensurate with age and qualifications will be paid.

Applications quoting H64/P1 to the:

Personnel and Industrial Relations Manager,  
Massey-Ferguson  
(United Kingdom) Limited,  
Banner Lane, Coventry.

## SCHOOL OF ORIENTAL AND AFRICAN STUDIES

UNIVERSITY OF LONDON, W.C.1.  
Applications are invited for RESEARCH FELLOWSHIPS in the study of the Economics and History of South and East Asia. Fellows will be required to carry out individual research with an existing research group of historians and economists. Appointment will be initially for three years, with possibility of extension or of transfer to a permanent post at the School. Candidates must be graduates with high honours and preferably with a higher degree in history or economics. Specialised knowledge of the area is not essential, but candidates should have conducted research in their own field and be prepared to develop a long-term interest in some aspect of the modern Economic History of Asia. Training in an Oriental language will be provided, and part of the Fellowship may be spent on study leave in the area of the Fellow's specialisation. Salary will be fixed within the range £1,000—£1,500, according to qualifications and experience with entitlement to F.S.S.U. benefits. Applications stating age, qualifications, experience and the names of three referees should reach the Secretary of the School by June 1, 1961.

## UNIVERSITY COLLEGE OF THE WEST INDIES

Applications are invited from persons suitably qualified in Economics, Statistics or Sociology, for appointment to the post of (a) Junior Research Fellow, (b) Research Fellow, or (c) Senior Research Fellow in the Institute of Social and Economic Research. Persons hoping to graduate in 1961 may be considered for appointment to (a). Appointees may be asked to undertake investigations in any part of the British Caribbean Territories. Duties to be assumed as early as possible. Salary scales (a) £800 x £50—£1,350 p.a., (b) £1,050 x £50—£1,400 x £75—£1,850 p.a., (c) £1,500 x £75—£2,425 p.a., plus local allowance of £250 p.a. (pensionable). Child allowance £50 p.a. Unfurnished accommodation at rental of 10 per cent. of basic salary. Up to five full passages on appointment and terminal gratuities. Applications should be sent to the Secretary, Inter-University Council for Higher Education Overseas, 29 Woburn Square, London, W.C.1, from whom further particulars may be obtained.

Esso

In Marketing, Research and Statistics Department  
Marketing Economics

A young man between 20 and 26 is required to fill a vacancy in the Marketing Economics Section of Esso Marketing Research and Statistics Department. He should possess a degree in economics or a similar qualification, or he should have experience in work connected with economics in commerce or industry.

Please apply in writing, giving brief details and quoting ref.: 318/E to the Manager, Recruitment and Training, Esso Petroleum Co. Ltd., 16 Charles II Street, London, S.W.1.

MIDDLESEX COUNTY COUNCIL  
EDUCATION COMMITTEE

EALING TECHNICAL COLLEGE  
Principal: Dr. O. G. Pickard, B.Sc. (Econ.), B.Com., F.I.O.M.

Applications are invited for appointments in the newly created Division of Marketing of the School of Business at Ealing Technical College, duties to commence on September 1, 1961.

The Division will specialise in marketing education and will be one of the first of its kind in the country. The courses to be offered will be based on first hand experience and on research, to be carried out in the Division, into British marketing practice and problems. Successful applicants for the posts advertised will have the opportunity of making significant contributions to British marketing education.

**SENIOR LECTURER.** The successful applicant will be responsible for planning a programme of courses and lectures, the practical work of the new Division, and the supervision of its research programme. Applicants should have had at least 5 years' experience in marketing or marketing research, a good degree and/or professional qualification of high standing, and preferably have contributed to the serious literature of the subject. Permission will be given for consultancy work to be undertaken.

**ASSISTANT, GRADE "B".** Candidates must hold suitable Graduate or equivalent qualifications, and preference will be given to those who have specialised knowledge of marketing research, or overseas marketing, or marketing problems of a particular industry. **TWO RESEARCH ASSISTANTS.** To carry out research into marketing practices under the supervision of the Senior Lecturer. Applicants should preferably have had some experience in marketing research and have a good degree in one of the following subjects: Economics, psychology, or mathematics. The duties attaching to the posts may include a limited amount of teaching. The appointments in the first instance are limited to three years but there will be opportunities for joining the teaching staff of the Marketing Division as the work expands.

Salary within the range: Senior Lecturer, £1,580 to £1,801 per annum; Assistant Grade "B" and Research Assistant, £738 to £1,486 per annum. (These salaries are at present under review.) Application form and further information on application to the Principal (S.A.C.). Closing date two weeks from the date of this advertisement.

C. E. Gore, M.Sc., Ph.D.,  
Chief Education Officer.

## ECONOMIST

\$8,120 — \$9,800

A university graduate in Economics, Commerce or another related field is required immediately to undertake studies related to the analysis and development of Canadian Unemployment Insurance for the

UNEMPLOYMENT INSURANCE COMMISSION  
AT OTTAWA

Candidates must be Canadian Citizens or Foreign Subjects with five years' residence in Canada. For details and applications write to the CIVIL SERVICE COMMISSION, OTTAWA, and ask for Information Circular 61-2256.

## EXPORT RESEARCH ASSISTANT

The Cement Marketing Company Limited requires an assistant for economic intelligence unit, Export Department. Duties include reading and making abstracts from various publications, preparation of statistical reports and surveys. Applicants should be graduates (honours or good general degree) with a qualification in Economics and some experience in similar type of work. Knowledge of French and German useful. Apply in writing giving full details of personal qualifications to Women's Staff Supervisor, Portland House, Tothill Street, S.W.1.

## AUSTRALIAN NATIONAL UNIVERSITY

INSTITUTE OF ADVANCED STUDIES  
POST IN INTERNATIONAL RELATIONS

Applications are invited for an appointment as SENIOR FELLOW in the Department of International Relations, Research School of Pacific Studies.

The Department of International Relations has studied chiefly the contemporary international politics of the Indian, the South-East Asian and the Far Eastern regions, and has also published in the field of international political theory.

Candidates should have had considerable experience in post-graduate research in international politics. The salary range of a Senior Fellowship is from £A3,000—£A3,550; increments are £A90 per annum. The successful applicant will, in the first place, be appointed at a salary and an incremental limit fixed by reference to his standing and experience. Appointment is made for an initial period of five years; thereafter it may be made permanent. The Senior Fellow will be entitled to one year's study leave on full pay plus a contribution towards travel and other expenses, in every six years.

Reasonable travel expenses are paid, and assistance with housing provided. Superannuation is on the F.S.S.U. pattern. Further details are available from the Secretary, Association of Universities of the British Commonwealth, 36 Gordon Square, London, W.C.1. Applications close, in Australia and London, on June 9, 1961.



PERSONNEL ADMINISTRATION LIMITED  
MANAGEMENT CONSULTANTS

## STATISTICIAN

The Directors of a leading and old-established Company engaged in the large-scale manufacture and distribution of foodstuffs, have decided to create a new and important Head Office appointment in order to enlist modern statistical techniques as an aid to management. There are five well-equipped factories, research units, an up-to-date laboratory and a sales organisation covering the whole of the United Kingdom. The total number of employees is approximately 3,000. The successful applicant will be responsible for introducing and operating statistical services wherever these can be productively employed and for generally advising the Board on their use. The essential qualification for this post is a good Honours degree in Mathematics or a formal qualification in Statistics, preferably coupled with some years of practical experience. A knowledge of linear programming would be particularly useful. The salary will be attractive, depending on calibre and experience, and is expected to be in the range of £2,000/2,500. The work will be interesting and varied and there will be prospects of advancement for a man who can justify them. There are generous pension arrangements and help will be given with removal expenses. (Ref. 3604/TE).

The identities of candidates will not be revealed to our clients without prior permission. Applicants should forward brief details, quoting the reference number, to:—

Personnel Administration Limited Appointments Division, 2, Albert Gate, London, S.W.1.

Regional Offices: GLASGOW · MANCHESTER · BRISTOL · BIRMINGHAM · DUBLIN · LEEDS · NEWCASTLE

## CONTROLLER OF EXCHANGE

BAHAMAS

Appointment on contract for three years. Salary £2,300 per annum. Free passages; rent allowance; no income tax. Candidates who must be over 50, should have had previous experience in banking and formation of companies and preferably some experience in exchange and supplies control. Apply, in first instance with summary of personal particulars, to Director of Recruitment, Colonial Office, Sanctuary Buildings, Great Smith Street, London, S.W.1, from whom further details may be obtained. Please quote reference No. BCD 406/27/02 A3 and state full name.

## UNIVERSITY OF AUCKLAND

New Zealand

SENIOR LECTURESHIP AND LECTURESHIP IN HISTORY

Applications are invited for the above mentioned posts. The main teaching requirements are the history of modern Europe, and the history of European expansion and of colonial movements, especially in the 19th and 20th centuries; but special knowledge in other fields may be an asset. It is desirable that one or other of the appointees should be specially qualified in at least one of the following fields: 18th century European history; European history since 1870; a branch of Asian history.

The salary scales are: Senior Lecturer £1,750 per annum, rising to £2,000; and Lecturer £1,250 per annum rising to £1,700. Commencing salary within the appropriate scale will be determined according to qualifications and experience. An allowance is made towards travelling expenses.

Further particulars and information as to the method of application may be obtained from the Secretary, Association of Universities of the British Commonwealth, 36 Gordon Square, London, W.C.1.

Applications close, in New Zealand and London, on June 23, 1961.

## INDUSTRIAL ESTATES MANAGEMENT CORPORATION FOR SCOTLAND

Applications are invited for the post of GENERAL MANAGER to the Corporation. The General Manager is responsible to the Corporation for the organisation and execution of all the duties applicable to the office.

At present, the Corporation owns some 20,000,000 square feet involving 340 tenancies of factories on 21 industrial estates and 40 individual sites in Scotland, and operates 21 canteens. It also has a large technical and maintenance department among whose duties it is to provide space heating and process steam for most of the factories.

The essential qualifications for the appointment are a wide administrative experience and proved organising ability. Technical qualifications of a specialised nature are not essential, but administrative experience of industrial estates would be a considerable advantage.

The commencing salary for the post will be £3,400 rising to £3,900 per annum. The successful applicant will be required to join the Corporation's superannuation scheme.

Applications, containing full details of the candidate's age, qualifications, record and experience, together with the names and addresses of three referees, should be submitted in six copies to the undersigned, not later than May 31, 1961.

The Chairman,  
Industrial Estates Management Corporation for Scotland,  
1 Woodside Place,  
Glasgow, C.3.

ECONOMIC PLANNING  
and  
RESEARCH

An important and expanding Industrial Organisation requires the services of a Director for its Economic Planning and Research Department, with the following qualifications:—

Degree in Economics.

Minimum of five years' experience in economic research. This should be broad in nature and practical rather than theoretical. If possible it should include experience in International Trade (Trade Agreements, Tariffs, Transportation), Currency, Labour (Unemployment, wage rates, productivity) besides general experience in Economics and Statistics.

Ability to make objective analyses, and to supervise the preparation of clear concise reports.

Administrative and organising ability, and experience in the direction and control of senior staff.

Ability to co-operate with other Department executives and to work with a minimum of direction within the framework of policies laid down for the department.

Apply in strict confidence to:—

European Director,  
Jamaica Industrial Development Corporation,  
23 Albemarle Street,  
London, W.1.

## THE LONDON SCHOOL OF ECONOMICS AND POLITICAL SCIENCE

Applications are invited from graduates in the Social Sciences, or holders of honours degrees in Economics, or holders of honours degrees in the Social Sciences, for appointment as Research Officer or Senior Research Officer. The Research Officer will be responsible for the collection, collation and analysis of data, and the Senior Research Officer will be responsible for the collection, collation and analysis of data, and the Senior Research Officer will be responsible for the collection, collation and analysis of data.

Applications, with the names of two referees, should be sent to the Secretary, The London School of Economics and Political Science, Houghton Street, London, W.C.2, from whom further particulars may be obtained.

ADMINISTRATION  
MANAGER

Floyd's Insurance Brokers with Large London Head Office and Branches require a man with outstanding administrative ability. He will be directly responsible to the Managing Director for:

Staff Control and Recruitment Policy.

Departmental and Branch overall expenditure.

The initiation and supervision of organisation and methods work.

The maintenance of good management in all Company affairs.

In itself this is an important and progressive position commanding an initial salary of not less than £2,000 per annum. However, if in addition to the necessary qualifications the successful applicant is a Chartered Accountant, then this appointment would lead to an even wider responsibility. (Secretarial and Finance).

Applications will only be entertained from men under 40 years of age.

Please write giving full details to Box No. 1507.

## LEADING firm of Stockbrokers requires experienced INVESTMENT SALESPERSON

preferably, but not necessarily, with previous stock exchange qualification. Good references and working experience. Write details on separate sheet, enclosing curriculum vitae, to: The Firm, 10, Abchurch Lane, London, E.C.4.

AUSTRALIA  
THE UNIVERSITY OF NEW SOUTH WALES  
SCHOOL OF ECONOMICS

SENIOR LECTURERS

The School of Economics at the University of New South Wales has two hundred and forty students, specialising in economics, statistics, and business administration. Courses are also provided for some students in the faculties of Arts and Science. There is at present a staff of six Senior Lecturers, Lecturers, and Honorary Lecturers. We are seeking to recruit a Senior Lecturer in the field of economic problems. The University intends to increase the staff of the School by appointing:

One Senior Lecturer or Lecturer in statistics, with an interest in econometrics or mathematical economics.

One Senior Lecturer or Lecturer in industrial relations and labour economics.

One Lecturer in economics, with an interest in micro-economics and macro-economics.

One Lecturer in economic history or the history of economic thought.

Economists who are interested in these positions should have the following academic qualifications:

Senior Lecturer: a higher degree or equivalent, and a degree with honours or equivalent.

Lecturer: a degree with honours or equivalent.

At Senior Lecturer and Lecturer may be required to supervise the work of post-graduate students, special interest in research would be particularly valuable.

Salary: Senior Lecturer, £A2,586 (range £A3,036 per annum); Lecturer, £A1,706 (range £A2,471 per annum). Commencing salary is determined by qualifications and experience. After passing a medical examination, the successful applicant will be eligible to join the State Superannuation Scheme.

Successful applicants should be prepared to accept a five-year term of office, with the possibility of extension. The School is located at Kensington, an inner suburb of Sydney.

For further enquiries about the work of the School may be addressed to the Head of the School of Economics, Kensington.

Four copies of applications should be lodged, together with the names of two referees, with the Secretary, General Manager, University of New South Wales, Kensington, New South Wales, by air mail to the Appointments Section, Box 1, Post Office, Kensington, New South Wales, by air mail to reach there before June 30, 1961.

MAKERERE UNIVERSITY  
COLLEGE  
EAST AFRICA

Applications are invited for: (a) Lectureship in Political Science, (b) Lectureship in Political Science, (c) Lectureship in Political Science. Salary scale: £1,250—£2,151 p.a. Entry point according to qualifications and experience. F.S.S.U. Child allowance £50 p.a. per child maximum £150 p.a. Passages for appointee and family (up to five adult passengers) on appointment, termination and leave three months every 24 months. Rent according to quarters provided. Inclusive salary, depending on experience, in scale £1,221—£2,448. Contract gratuity 25 per cent. of total substantive emoluments. Local income tax. Free passages. Generous home leave and education allowances. Free medical attention.

## AUSTRALIA

THE UNIVERSITY OF NEW SOUTH WALES  
NEWCASTLE UNIVERSITY COLLEGE

DEPARTMENT OF ECONOMICS

The University of New South Wales wishes to appoint Lecturers in Economics at Newcastle University College.

The Department offers part and honours courses in Economics to students in the Departments of Arts and Commerce. Approximately two hundred and ten undergraduates are taking these courses in 1961, and there are a number of candidates for higher degrees. Applicants should have a good honours degree, and/or post-graduate experience. The University may give preference to those with special interests in mathematical and theoretical economics, economic statistics, applied economics, or international economics. Salary scale £A2,586—£A3,036 per annum. Commencing salary is determined by qualifications and experience.

For further enquiries about the work and facilities of the Department may be addressed to Dr. W. P. Hogan, Newcastle University College, Newcastle, New South Wales.

Four copies of applications, together with the names of two referees, should be lodged with the Secretary, General Manager, University of New South Wales, Kensington, New South Wales, by air mail to reach there before June 30, 1961.

Successful applicant will be eligible to join the State Superannuation Scheme.

Four copies of applications, together with the names of two referees, should be lodged with the Secretary, General Manager, University of New South Wales, Kensington, New South Wales, by air mail to reach there before June 30, 1961.

## EDUCATION AND COURSES

## EUROPEAN FREE TRADE ASSOCIATION

A course on *The Future of the Seven*, May 1961, at the Piccadilly Hotel, Piccadilly, W.1. Organised by the Federal Office and British in Europe. Further information from the Course Secretary, Federal Trust, 10 Wyndham Place, W.1. Telephone: PADDAHAM 601.

## STAFFORDSHIRE EDUCATION COMMITTEE

THE STAFFORDSHIRE COLLEGE OF COMMERCE, WEDNESBURY

Principal: H. Hartman, B.Com. Telephone: WED. 1831-2.

As an introduction to a career in business the College conducts a One-Year Course of:

PRELIMINARY BUSINESS STUDIES

For boys in the age group 16-18 years.

An admirable course for learning the principles of accounting and business administration. Those with sound ability to embark on a business career would be well advised to obtain further particulars from the Secretary, 49/51, Broad Street, Birmingham, B.1.

Business College of Commerce, Wood Green, Wednesday.

## BUSINESS AND PERSONAL

## ECONOMIC AND FINANCIAL

ADVISORY SERVICES: Investment counselling, reports, surveys and analyses on economic situations, finance, marketing, etc. (FREE) SERVICE: short courses (in terms own offices) on Business Economics, Investment and Finance, Marketing, O and M, etc. Write: BARRON ASSOCIATES LTD., 250 Crawford Street, London, W.1.

## GOVERNMENT OF TANGANYIKA

An Economist/Statistician is required in the Tanganyika Treasury. Candidates, who must be under 40, should possess a good Honours Degree in Economics. Some knowledge is desirable of statistical methods, and of experience of work in Government or a commercial, economic or statistical organisation or post-graduate research in economic analyses. Duties will consist of the analysis and interpretation of economic trends, and economic research. Appointment on contract for one or two years of 24-27 months in the first instance. Scale £1,221—£2,448. Contract gratuity 25 per cent. of total substantive emoluments. Local income tax. Free passages. Generous home leave and education allowances. Free medical attention.

For other appointments see page 733

ADVISORY: Assistant Statistician required for service in London. Applicants must be British subjects and possess either 1st or 2nd Class Honours Degree in Maths or Economics with Statistics as a Special Subject. London salary scale £95 to £1,282. Starting pay depends on experience. Superannuation applies to Member of Staff. Appointment 4 weeks 2 days plus public holidays. While serving area, full details of qualifications and experience should be sent to the Ministry of Labour, Professional and Executive Register, Atlantic House, Larnham Street, London, E.C.4. Only those candidates selected for interview will be advised.

## APPOINTMENT REQUIRED

INTERNATIONAL TRUST. Banker experienced in tax, trusts, companies and business analysis. First class background in accountancy. Languages: English, French, German, Italian, Spanish, Portuguese, Russian, etc. Desires senior appointment with international foundation or trust. Free November or December. London area. Prepared to travel world wide. Box 1506.

## TUITION FOR BSC ECONOMICS

Wobley Hall, Oxford, provides Postgraduate Course in a wide range of subjects. Two examinations for London Univ. B.Sc. Econ. (three if entrance is included at moderate fees). £431 Wobley Hall students pass London Univ. B.Sc. Econ. exams. 19-60. Tuition also for G.C.E., Law, Statistics, other exams. Prospective (written) examinations from E. W. Snow, Wobley Hall, Oxford. Director of Studies, Dept. P.17.

## WOOLLEY HALL, OXFORD

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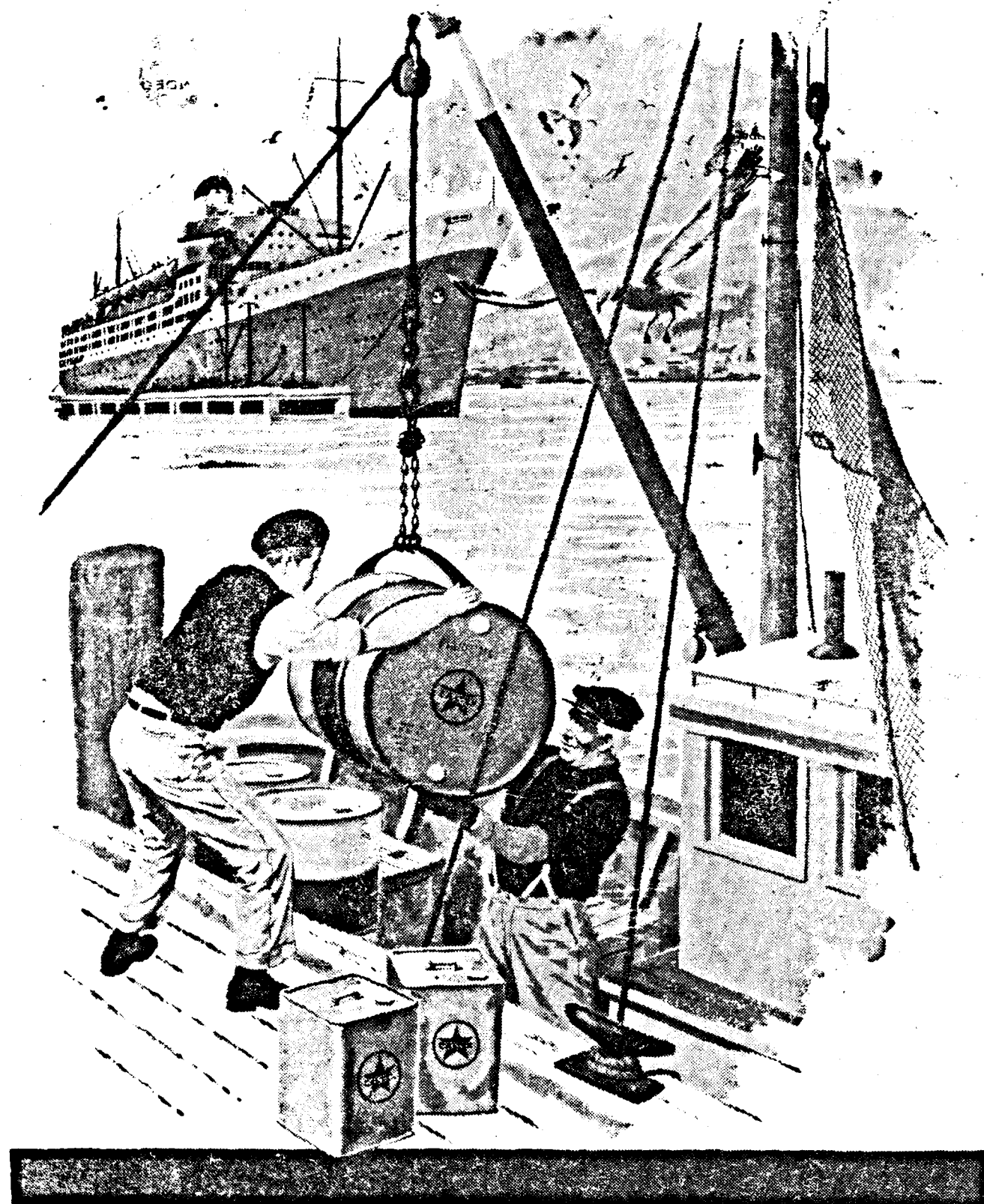
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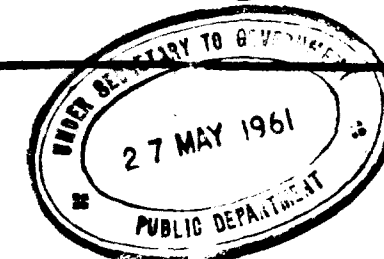
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# The Economist



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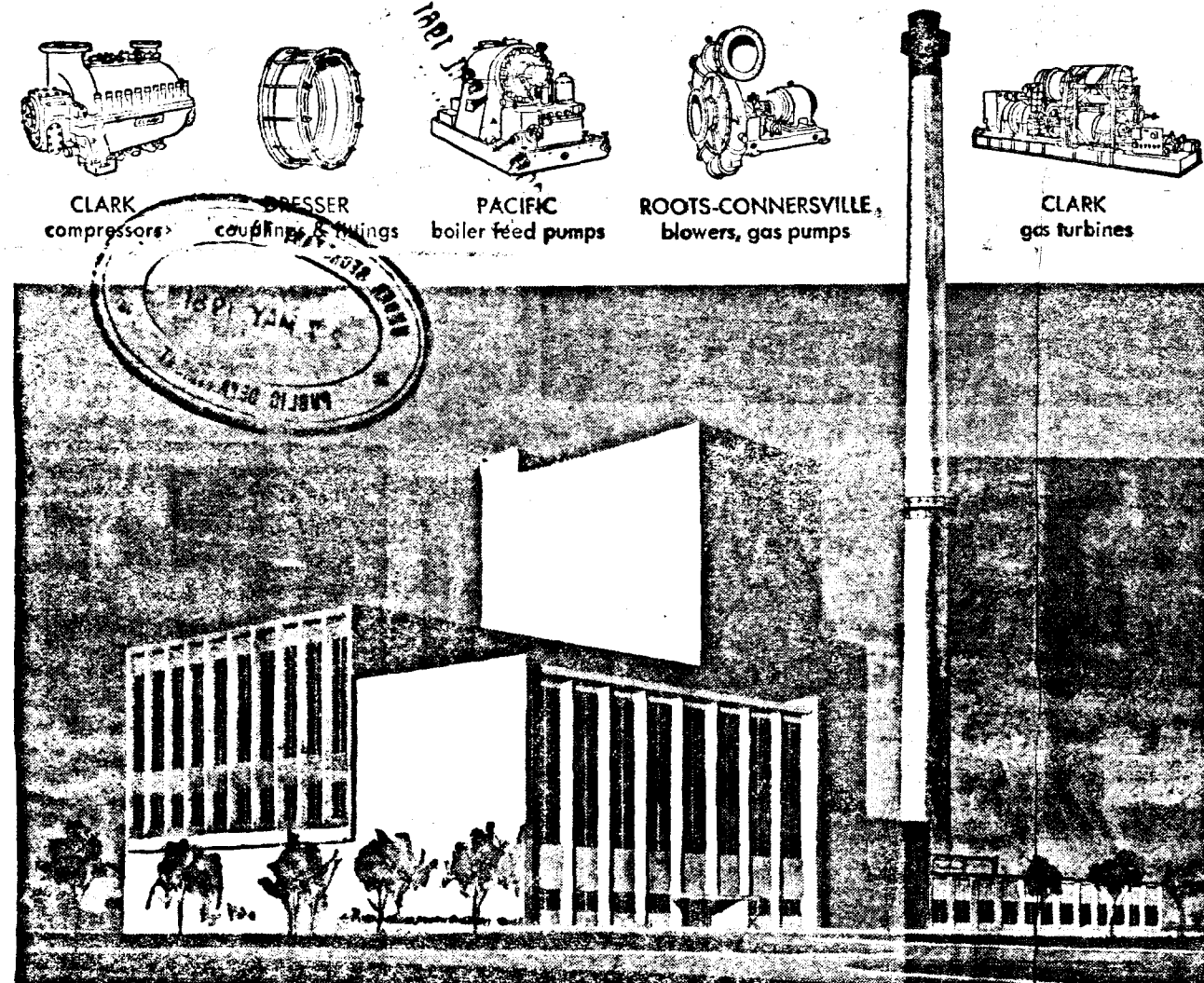
**ALGERIA:**  
WHITE FOR PEACE?

**GOVERNMENT:**  
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**THE COMMON MARKET:** Is Agriculture an Obstacle?

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## In The Economist this Week

May 20, 1961

### INTERNATIONAL

#### EVE OF EVIAN

This week many roads lead to—and from—Evian, where the Franco-Algerian peace talks start on Saturday:

**Peace.** The end of the Algerian war would relieve France, and its allies too, of an incalculable burden. The negotiations will be hard and long; only if they succeed will France be able to turn to its other problems (p. 753).

**Politics.** The health of the Fifth Republic is dangerously dependent on the solitary majesty of General de Gaulle. No provision has been made for the day when France will have to do without him (p. 757). The French communist party hopes to profit when the gaullist tide recedes, and M. Thorez, unlike the general, has taken the precaution of appointing a crown prince (p. 788).

**Economics.** The successful French mixture of free trade and planning provides a lesson for Britain (p. 758).

#### Brink of Europe

Mr Heath has told Parliament why Britain should join the European common market, but has still not committed the Government to the plunge (p. 760).

*Is agriculture an obstacle?* (p. 754).

American views on Asia's sale of textiles, and on African exports of food, may help Britain to solve its difficulties with the Commonwealth if it joins the Six (p. 761).

#### Brief Encounters, and Less Brief

If Mr Kennedy and Mr Khrushchev meet in Vienna they will have avoided the usual summit build-up—and may therefore avoid the usual summit let-down (p. 760).

Mr Kennedy has used his ceremonial visit to Ottawa to sound out the Canadians on their Latin American policy (p. 787).

### HOME

#### Polling

Labour's recovery is confirmed by the borough council elections (p. 796); but the party has slipped in Birmingham, and been justly deserted in Nottingham (p. 797).

#### Packing

##### On the bench

Local governments' selection of their aldermen rests not so much on sharp practice as on shaky tradition (p. 755).

##### On the ground

Scotland's newest new town shows a dangerous trend towards overcrowding (p. 798).

#### Prying

The Radcliffe inquiry into security will have to tread warily on the shifting ground of civil liberties (p. 762).

Erring Health Service doctors need not be publicly named; but they can be privately boycotted (p. 766).

A United Nations Association canvass on disarmament may light a fuse under Mr Gaitskill (p. 765).

Sluggishly and discordantly the Laos conference at Geneva has at last got off the ground, but American reluctance to rub elbows with the Chinese is a reminder of how embarrassing these international encounters may be (p. 785).

General de Gaulle's visit to Bonn may lose some of its glamour to loftier encounters (p. 787).

Twenty African countries have agreed to co-operate (p. 766).

#### American Recovery

The United States economy is recovering with more ebullience than had been expected and a new boom is perhaps in the making (p. 777).

The improvement in the balance of payments has given the Administration an opportunity to make changes in the laws affecting the gold reserves (p. 778).

Trade unions have been holding up work on missile bases (p. 783) and on railway mergers (p. 783).

★  
**Settlers' Fears:** Kenya settlers have no confidence in Whitehall. Mr Macleod's dilemma is to know how many European farmers will stay on in Kenya and how many might be acceptable (p. 788). But unless a compensation scheme is proposed soon, there may be renewed trouble (p. 766).

★  
**Middle Eastern Change:** The change of government in Persia has brought the hope that genuine reform may follow. But familiar difficulties remain (p. 786). The loss of a government in Lebanon may save the skin of a British institution (p. 765).

★  
**Eastern Defence:** Both Siam (p. 791) and Australia (p. 792) are concerned over developments in Laos and their effect on Seato. But both countries probably believe that their ultimate security lies in unilateral agreements with the United States. The change of regime in South Korea reveals the country's basic problems (p. 761).

#### Status Symbols

Sterling: The Bank lets exchange rates slip (p. 805).

Bernstein on Triffin's plan for payments—*Letters* (p. 769).

Motors: Pressing problem for Rolls-Royce (p. 810). Low line for Ford (p. 812).

#### Likely Openings

• **Plastics:** Wide horizons but thin margins ahead for poly producers (p. 801).

• **Brewing:** Some brewers cannot withstand the round of mergers in isolation (p. 809).

• **Banking:** Doors open earlier, but still close too soon (p. 814).

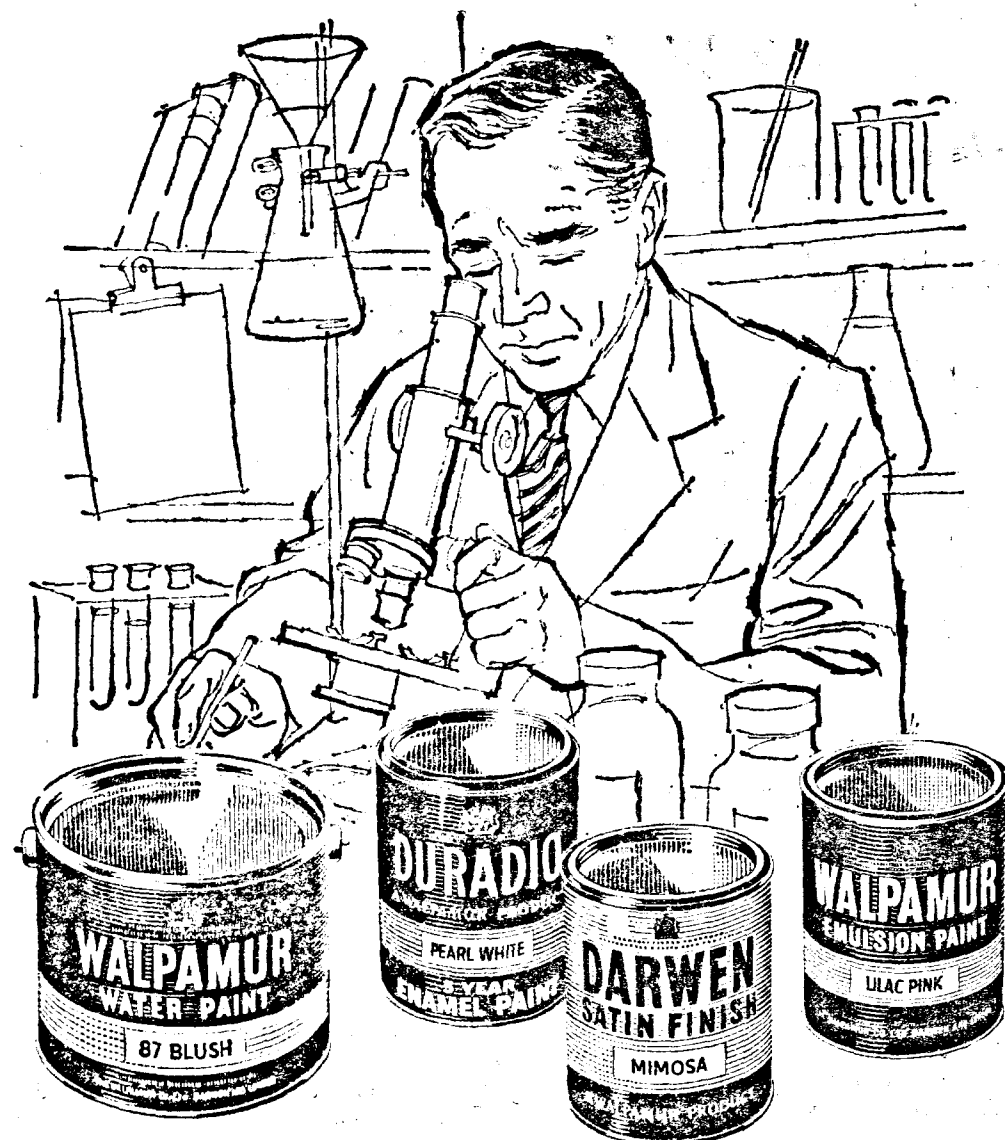
#### Possible Closures?

Airlines: Bush fliers are buzzing up the business of established Canadian carriers (p. 803).

Coal: Dr Tugendhat adds some fuel to the controversy over sources of energy (p. 809). *Mr Robens' target—Letters* (p. 769).

Television: No room for medium-sized producers (p. 812). A divergent view on colour vision (p. 811).

Detailed contents on page 753



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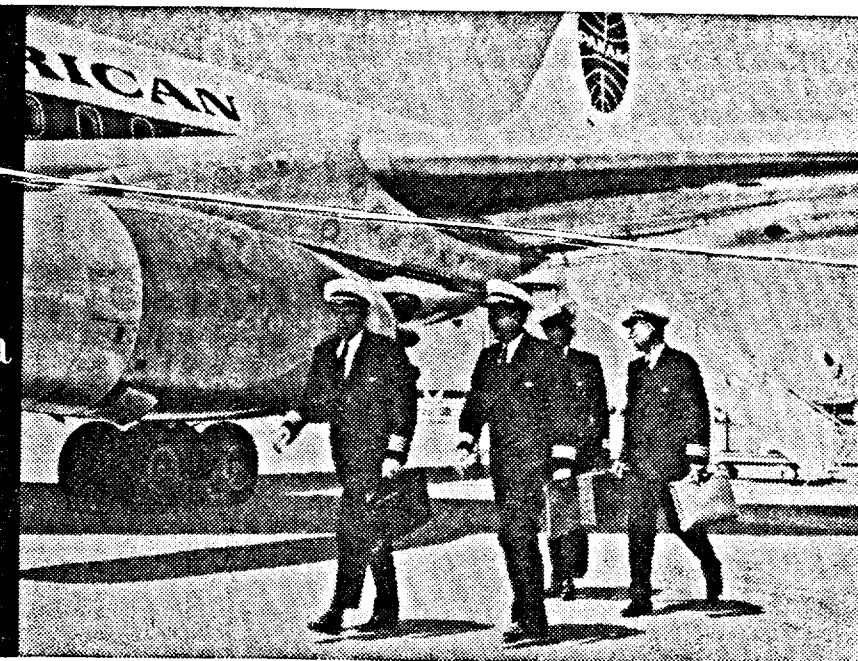
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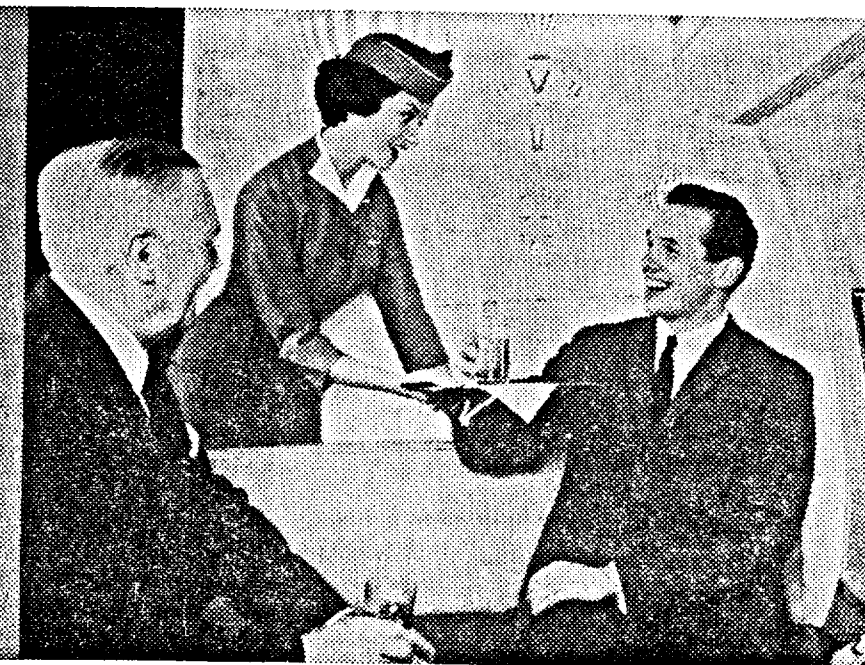
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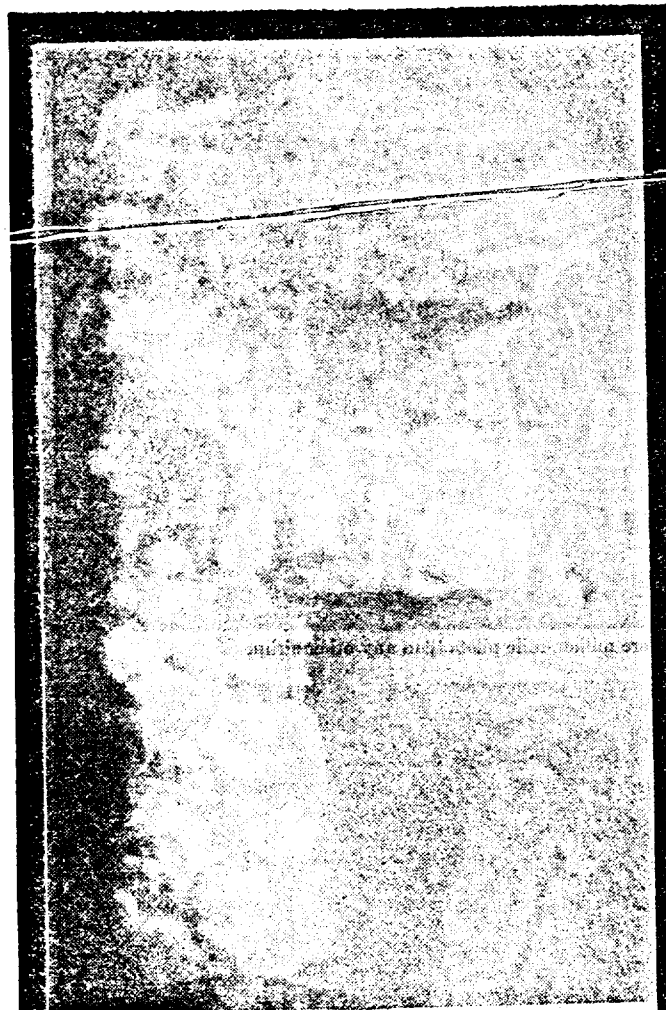
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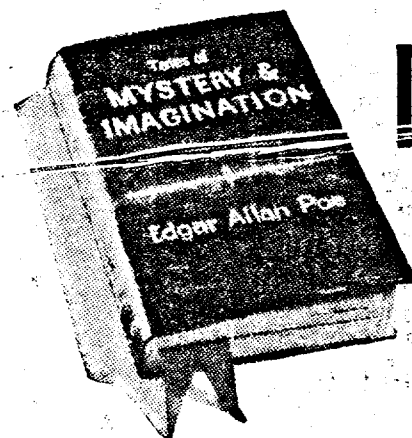
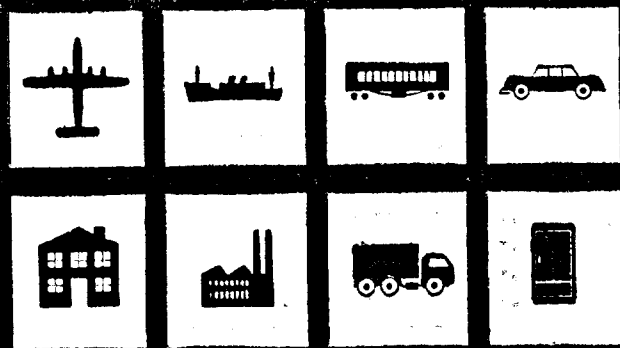




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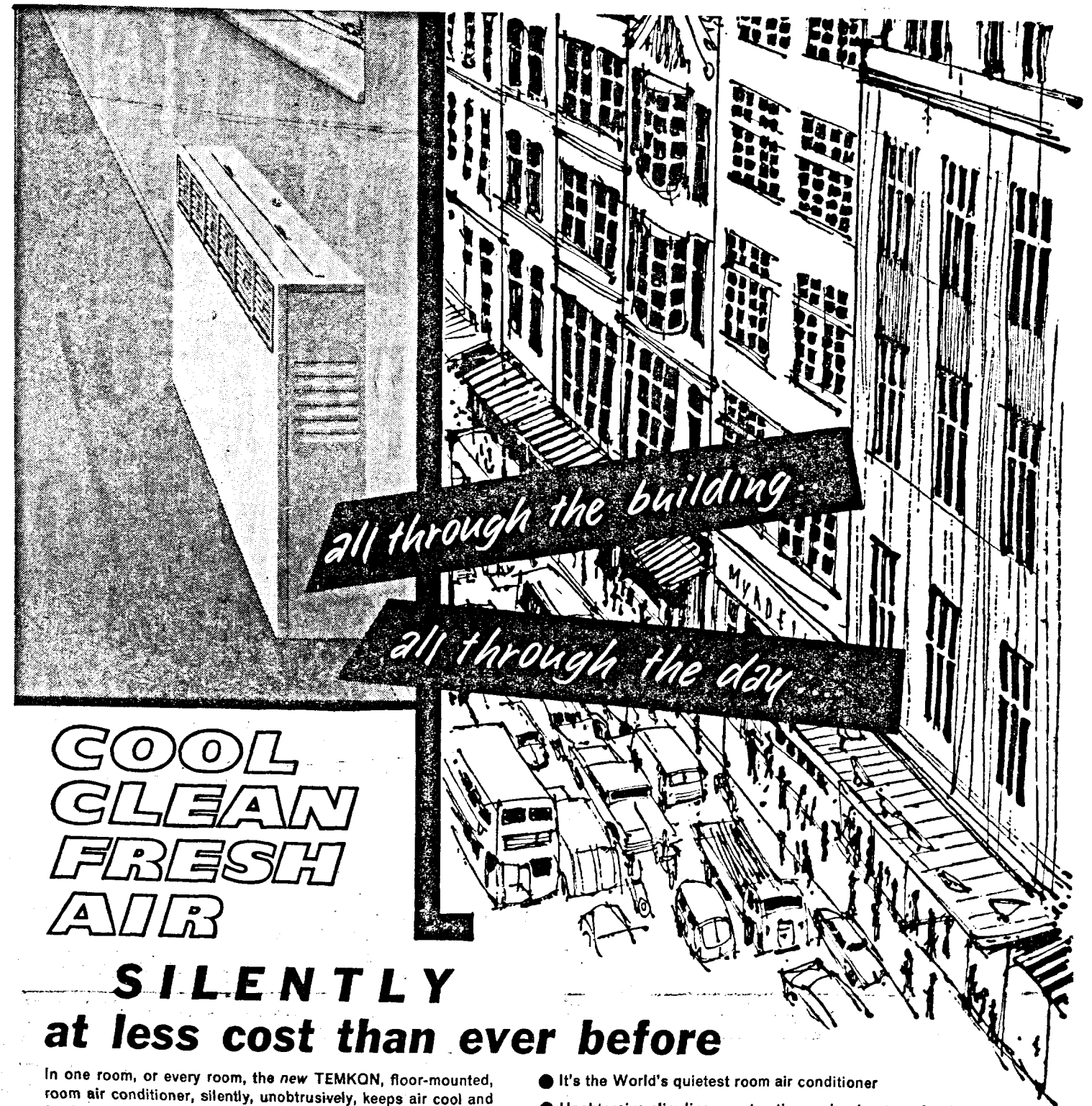
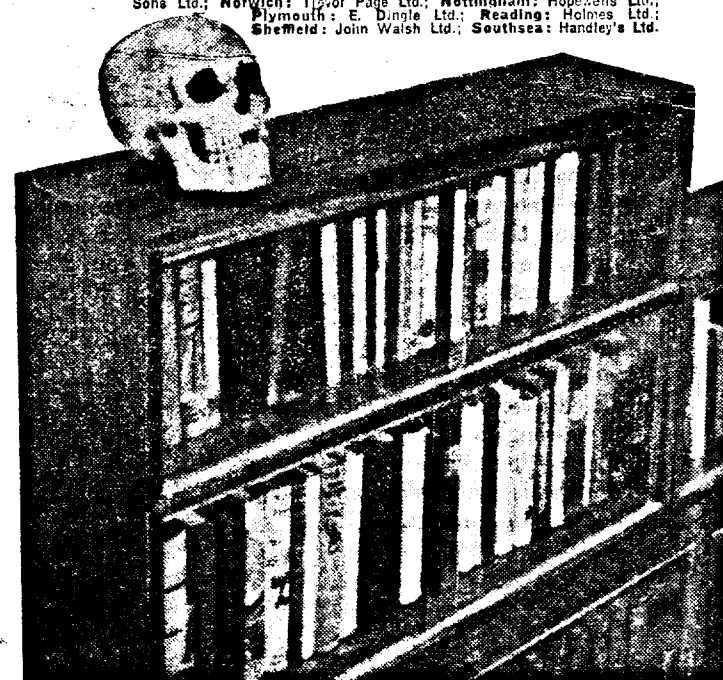
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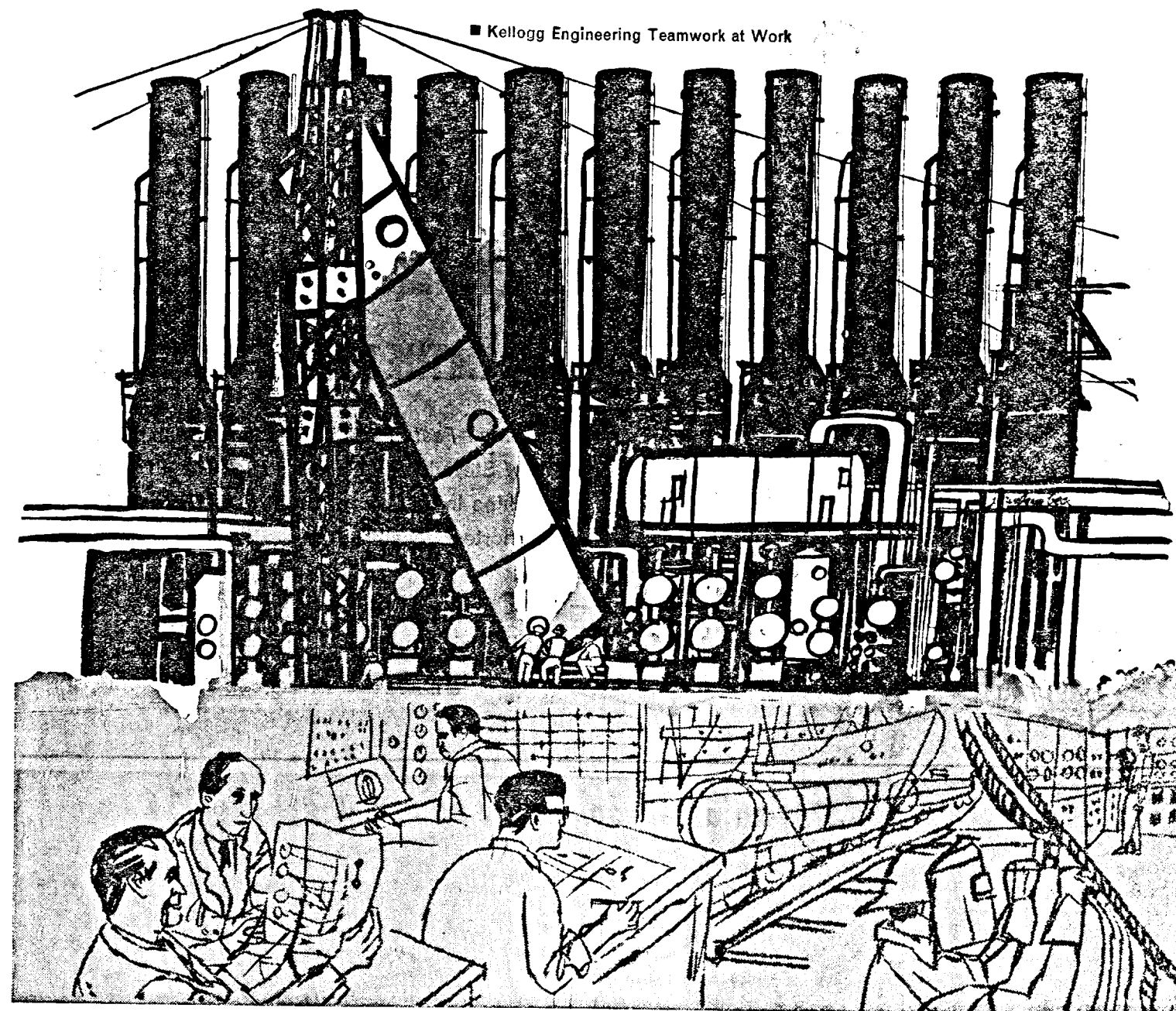
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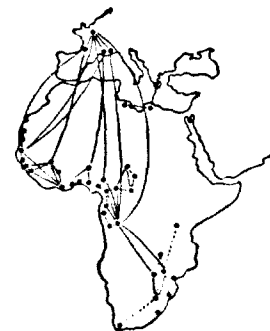
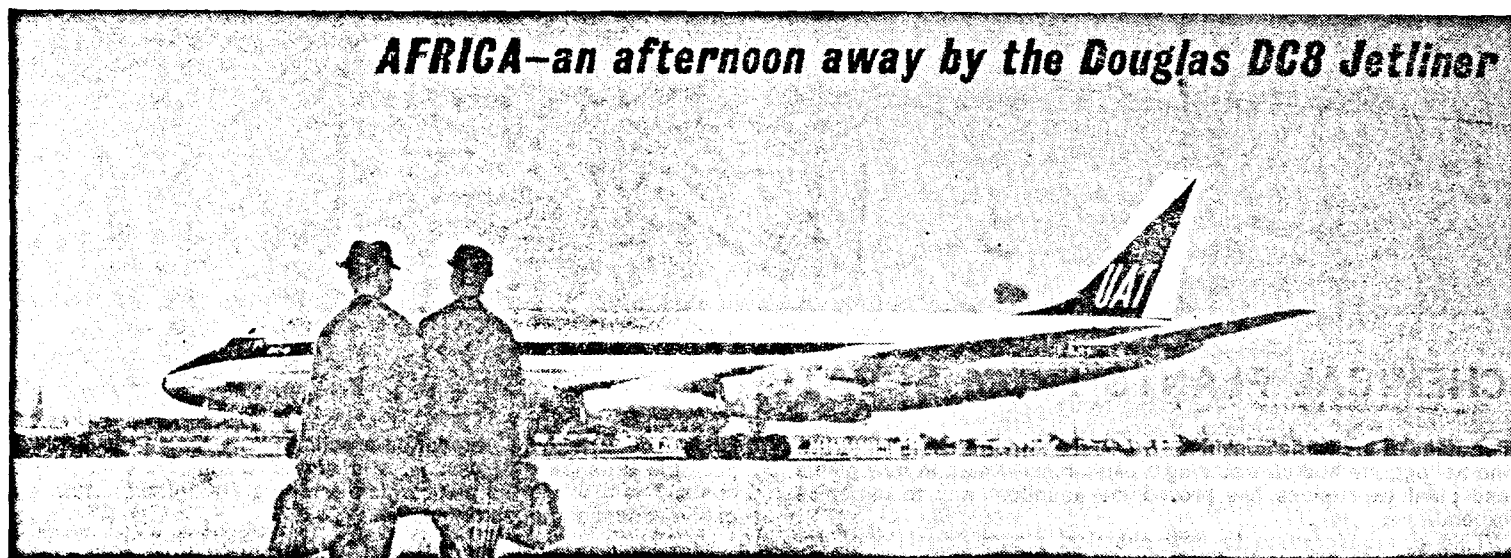
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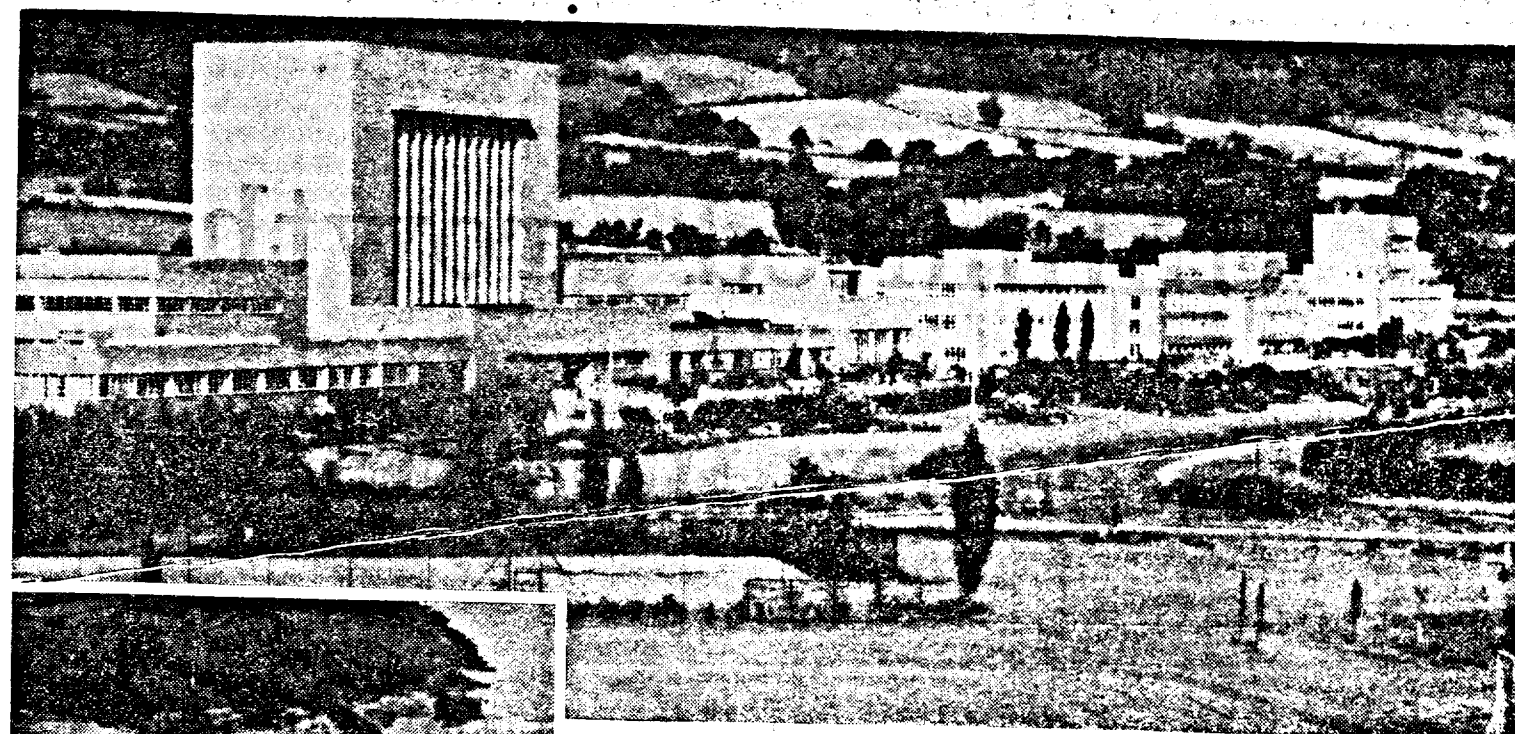
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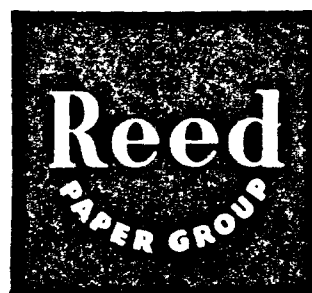
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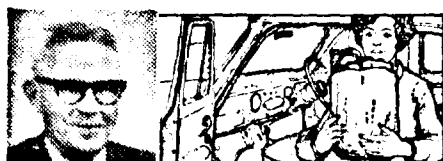


Reed Paper Group's growth into world markets

# Unlimited growth in paper markets

## WHICH ARE THE COUNTRIES TO WATCH?

### AUSTRALIA EXPECTS "50% increase in next 10 years!"



Mr. Ray Z. de Ferranti, Chairman of Reed Paper Products (Holdings) Ltd, says:

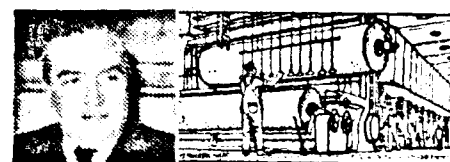
"Australia is a nation with an exploding population. About 7½ million in 1945, it has now reached 10½ million and, if present trends continue, in ten years' time will be nearly 13 million people. More than half of these will be under 30 years of age.

"To keep pace with the needs of this growing population, Australian manufacturing industry has spent more than £880 million on new equipment in the last 5 years.

"Growth has brought prosperity and high living standards. Australians have a personal disposable income of £352 compared with £293 in the United Kingdom.

"Figures tell only part of the story. There have been big changes in merchandising. The growth of Self Service Stores—they handle more than half of all grocery sales though they represent only 5 per cent of stores—has stimulated the presentation of consumer goods in colourful well designed packages. This has lifted paper sales. Australians are now using about 800,000 tons of paper and paper products a year. Over the next ten years consumption is expected to increase 40 to 50 per cent."

### ITALY SAYS "Demand may double by 1970"



Dr. Luigi Bruno, President of La Centrale Finanziaria Generale S.p.A. of Milan, Italy's leading finance corporation, says:

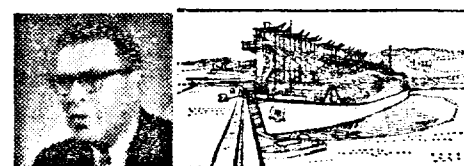
"In answer to the challenge of a market of 170 million people, brought about by the Common Market, Italian industrial output, although still at a lower level than that of the other member countries, is now making more rapid progress than the rest of 'The Six'.

"Largely because of the demand for industrial and consumer packaging, the Italian paper and board industry has been growing at the rate of about 12 per cent each year.

"The Italian today uses on average only 60 lb. of paper and paper products compared with the average for the rest of the Common Market of about 140 lb. This emphasises the vast potential for the Italian paper industry, mainly in connection with the industrialization of the South which will bring about a further improvement of the standards of life for people living in those areas—together with a widening of business opportunity.

"It is to meet this demand—that may well be doubled in ten years—that we have jointly established SICAR with the Reed Paper Group to create a vertically integrated packaging organization."

### CANADIAN OUTLOOK "Huge market potential"



Mr. Bill Soles, President of Anglo-Canadian Pulp and Paper Mills, says:

"Canada, supplying a strong and growing domestic market, is also the world's largest exporter of pulp and paper. It is, after the U.S.A., the second largest producer of these commodities. Abundant supplies of pulpwood and power, and proximity to the large U.S. market, have led to the development of an industry equipped with large modern plants and utilizing up-to-date techniques.

"In addition to a huge market potential in the highly developed economies of the North American continent, Canada is well placed to supply a major part of world requirements. This is particularly true of the Western hemisphere, where the Latin and South American markets are expected to mirror the vigorous growth experienced in Europe.

"In estimates recently prepared by the U.N. Food and Agriculture Organization, it is anticipated that demand will double in

these areas in the 20-year period, from 1955 to 1975. In total volume the increase in North and Latin America will be twice that in Western Europe. Our Company (which is part of the Reed Paper Group) serves all these markets, and plans to participate in their growth to the fullest possible extent."

### BRITAIN STATES "Britain's prospects are bright"



Mr. Hector G. Paul, Chief Executive and Director of the Paper and Board Division of the Reed Paper Group, comments:

"Last year, on average, each of Britain's 52 million people used two cwt. of paper products. Demand today for paper and board is 96 per cent higher than 10 years ago. This rate of increase will be maintained and indicates a bright future.

"Last year the output of the British paper industry increased by 11 per cent as against only marginal rises in other industries. Increased demand for packaging by the clothing and food industries more than offset the temporary fall in demand by others—such as domestic electrical appliances.

### "NEARLY £30 MILLION INVESTED OVERSEAS—SO FAR"

says Mr. Philip G. Walker, Managing Director of the Reed Paper Group.

"The Reed Group is already anticipating a surge in demand for paper, board and packaging products over the next ten years as forecast by our experts—for instance 50% in Australia, 25% in Canada and 100% in Italy.

"In Australia we are one of the leading makers of packaging products.

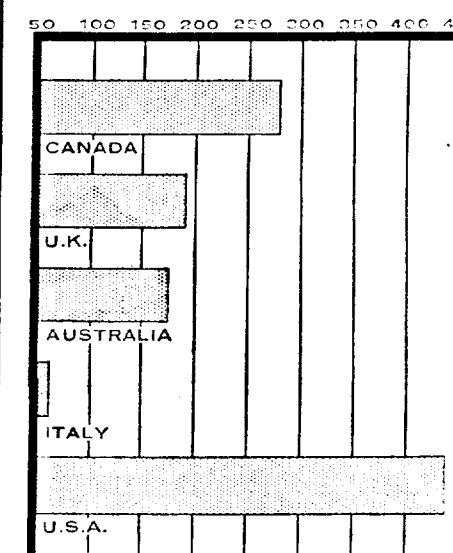
"Anglo-Canadian Pulp and Paper Mills Limited, valued at \$65 million (approximately £24 million), is one of the largest pulp and paper manufacturers in Canada, most of its products being exported to the U.S.A.

"In Italy we are in partnership with La

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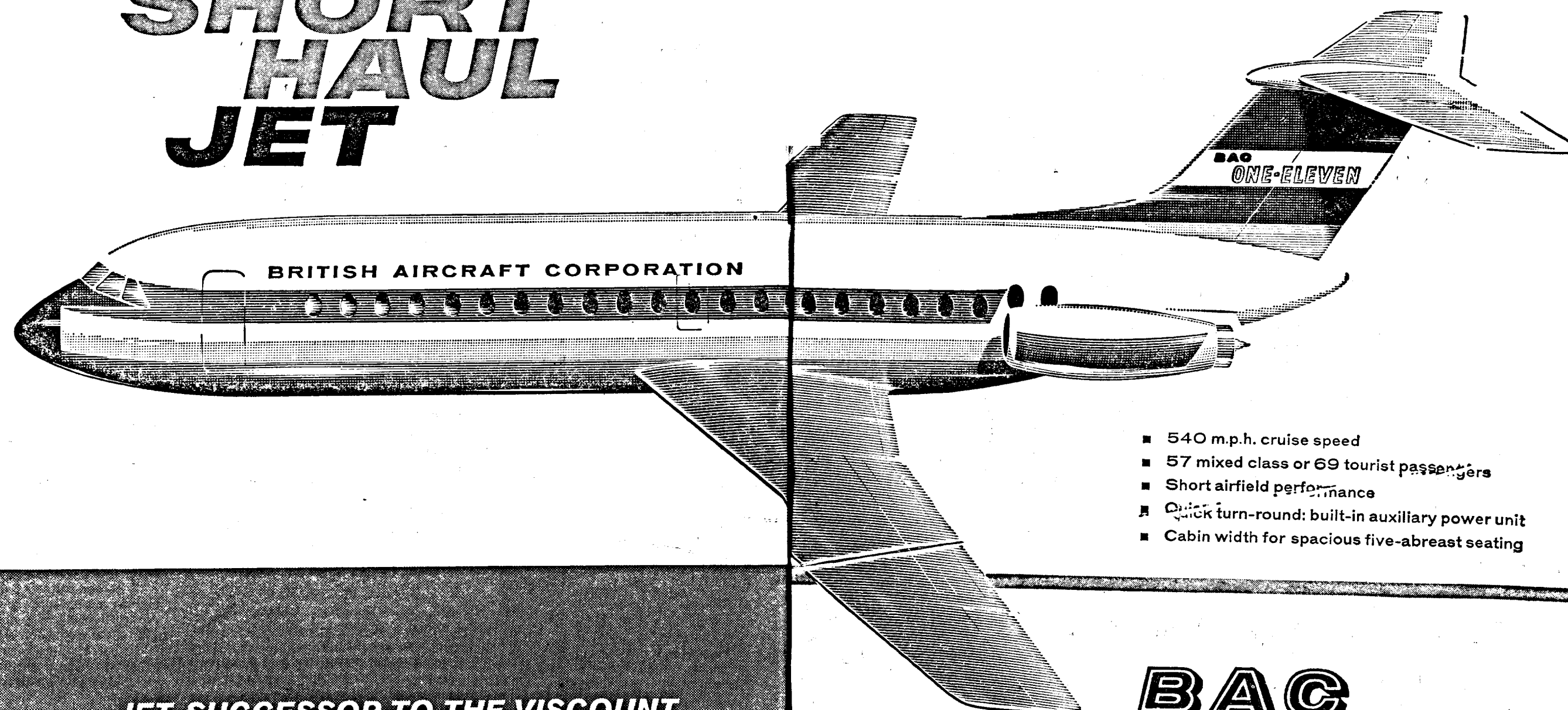
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## The Economist

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## Barbary Dove



IF the negotiations which open at Evian this Saturday end by bringing a visible peace between the French and the Algerians, it is impossible to exaggerate the benefits that might flow from the settlement. The wheel of colonial history, which has already come full cycle in Asia, will have reached the penultimate turn of the spoke in Africa, too; with the French renouncing the pretence of *Algérie Française*, it will be a matter of time—and not much time—before the last of Europe's remaining colonies move on to independence. The poison that the seven-year-long Algerian war has instilled into the politics of France itself, and into the western world's dealings with brown and black people everywhere, would be dissipated. General de Gaulle could address himself without distraction to the questions of domestic politics and economics discussed on pages 757 and 758. Mr Kennedy could settle down to talk to Mr Khrushchev—starting next month, it is firmly forecast—without fearing that one of his allies was perpetually about to fall apart.

Since the beating of doves' wings over Evian raises these many hopes, it is necessary to sound two notes of caution. In the first place, the fact that the French and the Moslem nationalists have agreed to negotiate does not mean that they will agree on anything else. To the alternatives that General de Gaulle is apparently offering Algeria—either association with France or else partition—the rebels have replied with what looks like a flat contradiction: they demand both independence and territorial integrity (enshrined in the phrase, "the people is one"). But between these rock-like positions a crack of light is visible. The rebels might reflect that the concept of "association" is elastic. If they look to Eire, for instance, they see a country that endured a form of association with its ex-ruler for many years after it had achieved independence, until the elastic eventually became so thin that it snapped. If the rebels were willing to accept a similarly loose link—an exchange of tariff preferences, say, a little joint economic planning, an agreement to consult together at regular intervals—the French might, for their part, be willing to accept a form of protection for the million Europeans in Algeria that did not violate the Algerians' sense of national integrity. One solution might be for the new nation's constitution to embody a number of guarantees for the European community similar to those the new constitution of Cyprus provides, precariously maybe, for the Turkish minority.

The other cautionary word concerns the effect of peace—if peace comes—on France's relations with its allies. The homecoming of the French army, with no imperial dreams left to hanker after, could ease one of Nato's problems by making it possible to create an allied force large enough to guard western Europe without recourse to nuclear weapons. There is no reason, however, to think that it would relieve the alliance's other problems. General de Gaulle, fresh from the triumph of doing what no other French leader has been able to do, would go on insisting the more on what he believes to be essential: the preservation of French sovereignty within the alliance, and the strapping of nuclear weapons to France's belt as a plain token of its return to greatness. The solution of the greatest of France's postwar troubles, even if it could not have been achieved without the general, does not solve the other troubles in the alliance that the general has brought with him. Nevertheless, between a France bled raw by the Algerian war and a France free of imperial delusions and restored to military obedience, the choice is obvious; let Evian prosper.



# Is Agriculture an Obstacle?

What would British farmers really have to fear if Britain joined the European Economic Community?

**A** PARTNERSHIP for Europe consistent with our duties to the Commonwealth, to agriculture, and, of course, to our partners in EFTA." This is how Mr Macmillan has been formulating and reformulating the Government's aims for the past three weeks. There need, therefore, be no apology for returning here to what has become Britain's major domestic political question of the day: are the interests of our farmers really such a stumbling-block to this partnership, and should they be allowed to remain so?

British agriculture is a source of many enigmas. Although it instinctively asks for "protection" from almost every country under the sun, it is very far from being technically or economically inefficient. The productivity of British farmers and farm workers is considerably higher than that of their potential competitors in Europe—with the significant exceptions of the Dutch (inside the common market) and the Danes (outside it). In terms of their equipment, their methods, and standards of husbandry, the top third of British farmers are well placed to meet competition from any quarter. The bottom two-thirds present Britain with something of a "small farmer" problem, but it is a small one indeed compared with that of most European countries. In Germany, Italy and Belgium at least 70 per cent of farms are below 25 acres, while in Britain almost half the farms are at any rate above 50 acres. In the last decade surplus labour has moved out of agriculture in Britain more swiftly than most people realise: the departure of 170,000 regular farm workers, about a quarter of the total labour force, bears witness to the increased mechanisation and productivity of British farms.

**A**t the same time, however, British farmers and farm workers have become used to much higher standards of living than most of their European competitors. The average British farmer earns about £1,200 a year; even if allowance is made for interest on his working capital, his true earnings are about £900. (Within this "average," it is true, about a half of all farmers expect and get only the equivalent of a farm worker's wage, but this serves to underline the point that most of the larger and better ones are fairly affluent.) Farm workers still earn about 30 per cent less than workers in industry, but their cost of living is somewhat lower. It is a fair summary that British agricultural earnings are at least within hailing distance of those of urban occupations, so that farm workers can regard it as a just and sensible goal to try to push towards "parity"; in most of Europe any such idea would seem ridiculous, because an enormous gap between the standards of town and country still exists there. A large part of the British farmer's superiority is the legitimate result of his greater efficiency; but some part at least comes from the more generous and comprehensive system of state support that prevails here.

The same point applies to rural services. Miserable hovels still exist in the English countryside, as they do in English

industrial towns. But the general level of rural services has been brought up to (and in some cases above) the urban level with the aid of generous subsidies. The urban consumer subsidises the rural user of electricity, transport, and postal services. Agriculture is relieved of rates, and government makes good the loss in equalisation grants to rural local authorities, as well as subscribing generously for rural water supplies, roads, cattle-grids, and other special purposes. This situation is accepted as his natural right by the English farmer and countryman, and any deficiency in the arrangements is vigorously publicised; but it is a source of surprise and not a little puzzlement to continental visitors, who are not used to a deliberately civilised countryside.

**I**F Britain were to become a full member of the European Economic Community, there would be no reason why Britain should not continue these subventions for rural services; indeed there might be a case in fairness for increasing them. But Britain's system of supporting actual farm prices would have to be gradually, but drastically, altered in three principal ways. First the cost of agricultural support would need to be largely (although not necessarily wholly) shifted from taxpayers to consumers; we would have gradually to go over to the Community's system of supporting agriculture by import levies and similar devices instead of by taxpayers' subsidies. This would be equivalent to setting free resources for direct tax reliefs (or for higher social security payments) by imposing an indirect tax on food. It is not necessarily the sort of tax switch that one would recommend *in vacuo*; but farmers would be less affected by it than consumers.

The second consequence of succeeding in joining the Community is that support to British agriculture would have to become looser and more flexible. The range of guaranteed products would be reduced. Instead of precise guaranteed prices, some commodities would be protected by looser "target" prices (supported by the purchases of European market organisations) and others by variable import duties and quotas. The £100 million a year paid out in special grants and subsidies to British producers—such as the acreage payments made to British farmers who grow cereals for feeding to their own livestock—would come under attack as a form of unfair competition.

Nevertheless, the initial consequences for British farmers would not be at all unfavourable. To judge from the present level of supported prices on the continent, British farmers should get slightly better prices for their fat cattle and wheat if we joined the European Economic Community; and they would probably do as well as they do now with barley and pigs. For eggs and (especially) potatoes the prices they could expect would probably veer downwards. Liquid milk prices need not necessarily be affected, for milk cannot be exported from other European countries to Britain; the Government's

new milk quota scheme—wildly undesirable though it is on other grounds—will allow liquid milk prices here to be gouged up to any level that the consumer will stand, without increasing the supply of British milk for manufacturing butter and cheese (and the latter is the only point with which continental countries would be concerned). If Britain went into the European Community, competition for British horticulturists would be considerably increased, but this increase is bound to happen anyway.\*

**T**HE third consequence for British agriculture is the one which most alarms farmers and particularly the National Farmers' Union. As a result of a changed support system, the cosy conventions of the annual price review would go by the board. No doubt annual negotiations between the Government and the union would continue to take place, but many of the critical decisions would be shifted to a European plane. To be effective, the union would have to join up with the German farmers, who share many of the same interests, and with other European farm groups. It would become a much smaller fish in a wider and more troubled sea.

The British union has fought hard and successfully since the war to shield farmers from overseas competition. It is therefore natural that the mere mention of "partnership" should make it fearful of an upsurge of European competition, against which it feels that it would be unable to protest effectively. The opposite possibility—that British farmers might successfully invade European markets—is instinctively discounted by it as less probable. But it should not be discounted. Basically, Britain's efficient farmers are well placed to compete anywhere

\* Some of these points about relative farm prices in Britain and the continent are admirably lucidly discussed in an article by Mr Graham Hallett on "British Agriculture and Europe" in a supplement to the Spring, 1961, issue of *Crossbow*.



## Aldermanic Attitudes

The abuse of aldermanic votes to determine the control of local councils calls out for a change in the law

**T**HIS year it has been Birmingham's turn to contrive a dead-heat between the parties in the local elections. The usual manipulations over the control of the Lord Mayor's casting vote, the packing of the aldermanic bench, and the breach of hitherto gentlemanly arrangements have since been in train. As our Birmingham correspondent reports on page 797, an agreement has now been cooked up between the party leaders that will allow Labour to cling to effective power. This kind of rumpus excites one major council or another every so often: there was a dead-heat in the West Riding of Yorkshire and Staffordshire in 1958 and two *causes célèbres* shook London and Glasgow in 1949. Smaller authorities have the same record, although their jiggery-pokery seldom gets beyond the local newspaper. It is by no means

in Europe—provided the market is not rigged against them. This last proviso is vital. The EEC has not yet worked out its policy for agricultural competition in any detail. If Britain is to influence that policy in sensible directions, and ones that will not be disadvantageous to us, it would be wise to jump in and join the club pretty quickly.

This is not to deny that special measures should be taken at home to help British agriculture to make the necessary adjustments. There are at least three fruitful possibilities, all of which ought to be within the rules of the club. One is to devise a much more effective small farmers' scheme than the present one, of a kind that would provide a real incentive to the union of uneconomically small holdings. A second possibility is the development of capital and credit facilities at lower rates of interest, in partial replacement of the numerous special grants. The third desirable development would be a greater measure of aid for farmers' marketing organisations to enable them to develop facilities on a commercial basis, instead of relying on statutory powers of regulation.

All three of these suggestions are directed at overcoming major structural weaknesses within British agriculture as it is. They would help to make all British farmers, not just the best ones, sufficiently efficient to earn their present incomes. And this, in the end, can be British agriculture's only real and acceptable guarantee of prosperity. If Britain joins the European Economic Community, its agriculture will be faced with considerable transitional difficulties—and some considerable long-term opportunities. If Britain stays out, in order to coddle a few particular parts of its own agriculture against any competition, British farmers will have cause to rue the day. For they will then gradually become much less capable of earning their superior standards through superior efficiency than they are now.

unknown for local parties with an actual minority of elected councillors to hang on in office for three more years because they have enough aldermen to swing the vital votes.

Whichever side wins in the clinches, the outcome is invariably a deal of petty recrimination, a resolution by the losers to exact indiscriminate revenge whenever their chance comes, and a determination among precarious majorities elsewhere to grab all the aldermanic seats they can in case a dead-heat ever happens to them. The Liverpool Tories, back in power this year, are likely to follow their opponents' practice and dismiss twenty Labour aldermen, including the redoubtable Mrs Bessie Braddock, at one stroke. Cannot the worst of these struggles and vendettas, which do local government no good at all, be avoided by a change in the law?

At present, aldermen are elected by the local councils in England and Wales for six-year terms: half the aldermanic bench comes up for re-election every three years. When a new council meets, its first duty is to elect the mayor or, in counties, the chairman. Those aldermen who are not due for re-election that year are entitled to join the popularly-elected councillors in voting for the chairman. It is this aldermanic power which can lead to the worst abuses. The dodge is that if the chairman is taken from outside the council, his party can thereby gain both his ordinary vote and, if necessary, his casting vote as chairman. These, in turn, can then be used to secure a majority for packing the vacant aldermanic seats with the party's nominees. In 1949 the Labour party in the London county council retained control in this way, although it had only 64 councillors against 64 Conservatives and 1 Liberal. (The Liberals had done much the same thing in 1895 and the Conservatives in 1910.) In the same year the Glasgow Conservatives used two *ex-officio* seats on the city corporation (Scotland has no aldermen, but its city councils have their own anomalies) to overturn a Labour majority of 1 in elected councillors.

In the face of these two-way squabbles, the Labour and Conservative central offices have been content to leave policy to the local parties themselves—although there have been occasional warnings that too patently sharp practice brings the party as a whole into disrepute. Official Liberal policy is simply to abolish aldermen altogether, on the ground that they have outlived their function, which was to provide a core of experienced local governors whose council seats would not be at the mercy of a fickle and demanding electorate. Some councils have come to local arrangements, under which aldermanic seats are divided in proportion to the parties' strength in elected councillors—a system that usually breaks down when it comes to the bit.

THESE reforming impulses often have their own drawbacks. If aldermen were abolished altogether, it would become even more difficult than it is now to run councils where the ruling party has a majority of only one or two; it is in fact desirable that a party which has won fairly and squarely, if narrowly, should have the opportunity once every three years to take enough aldermanic seats to make its control effective (instead of making it dependent on whether one councillor gets 'flu). Moreover, however great the criticism directed at the quality of some present day aldermen, these co-opted members still often have a real and valuable function to perform. In any large council, like Birmingham's, there is a great difficulty in attracting men of suitable calibre in both parties who can afford the time (and the prospects of promotion and earnings in their jobs) to take part as elected councillors in the multiplicity of committees and sub-committees that exist. Most councils, in fact, stand in need of the financial and other expertise that well-chosen aldermen can provide. The fact that too many Aldermen Bloggses are on the bench now, because no one has the heart to vote the old warhorse off, is an argument against the parties' methods of selection, but not against the system itself. There is something to be said for the various suggested devices that would effectively restrict aldermen to two consecutive terms of office.

Proportional representation for aldermanic elections would

leave most of these problems unresolved. It would also be meaningless in non-political councils and difficult to work in places where Independents, Liberals and Communists secure seats against the big parties. But four lesser reforms, in particular, would seem both simple and sensible:

(i) Aldermen (and in Scotland *ex-officio* members) should not take part in elections for mayor (or provost) or chairman. This would end the scandal whereby some parties with a minority of one can vote themselves into power.

(ii) In the event of a dead-heat after a borough election during a year when aldermanic re-elections are due, perhaps the party previously in control should continue (using the casting vote of the outgoing mayor—or, where the mayoralty is purely formal, of the effective chairman). But it should not be empowered to bolster its position for three more years by electing as many aldermen as it wants. The aldermen who were otherwise due to retire (or their parties' nominees) should continue for one year, when one-third of the councillors will again be due for re-election and the electorate will have another chance to make its wishes felt.

(iii) In the counties, where councillors are elected *en bloc* at three-year intervals, the same procedure could be followed as under (ii), to allow by-elections (which are more numerous than the public realises) to settle the issue.

(iv) The normal (renewable) term for aldermen should be reduced to three years. This would prevent some of the most long-standing illogicalities of the present system, and it might also attract more able men who now balk at an obligatory six years: a sufficient carry-over of conciliar experience can usually be relied upon among the councillors themselves.

These suggestions are not ideal, but they embody principles which seem to be worth further consideration. Another requirement is a new local approach to the criteria governing the selection of aldermanic nominees. For the sake of the sagging reputation of local government the worst abuses of the aldermanic system need to be tackled now, promptly and purposefully.

## The Economist

MAY 18, 1861

### UNIVERSITY REPRESENTATION

THE University of London received a definite pledge from Lord Grey's Government, at the time at which it was first founded, that it should be in every way placed on a basis of equal privilege with the Universities of Oxford and Cambridge. This pledge has yet to be fulfilled by giving to the University of London that right of parliamentary representation which has so long been possessed by its elder sisters. And now that it numbers a body of men quite large enough to qualify it for a public duty of this class, Her Majesty's Government seem to feel, as Lord Granville intimated on Wednesday in his speech to the University, that this pledge ought to be fulfilled. But, besides this, there is a far wider reason why it is exceedingly important to give the London University a parliamentary representation. It is the only University in the kingdom which can claim to speak, not merely in the name of Liberal Education, but in the name of Educated Liberalism. Our readers know that it was long the only University in which English Dissenters and English Catholics, and men of all classes who object to commit themselves to the authority of the National Church, could take degrees; and that it is still the only one where differences of religious creed are carefully ignored. Now, as a natural result of this distinction, the London University represents chiefly the most liberal shade of educated thought. It is true that the section of English-Roman Catholicism which it includes does throw in a certain tinge of conservative feeling, but not enough to affect the University at large. On the whole, the London University represents the intellectual tendencies of cultivated men with far less admixture of traditional prejudices than any other University in either England or Ireland. And it is eminently desirable that such a body should be able to make its voice heard in Parliament.

## Charles the State

VICTORY, like other heady drinks, leaves a hangover. General de Gaulle's triumph over the army rebels in April was no exception. In a way even his prisoners in the Santé must be something of an embarrassment. They must, of course, be punished; but how, and to what end? It cannot be easy for him to decide whether rigour would appear vindictive or salutary, whether magnanimity would seem evidence of strength or weakness—especially in view of the visible resentment against him in the armed forces. But the major difficulties facing the French president, though the same in kind, are in scale far more staggering than worries about what to do with ex-generals and ex-colonels. They, too, proceed from the general's victory and its completeness; but they imply more profound doubts about the future of his regime than were ever raised by General Challe.

Simply stated, these doubts stem from the fact of the general's present indispensability. He and the reluctant conscripts ditched the mutiny between them, and it is highly unlikely that any comparable attempt in the future would succeed any better, especially now that the government has had a thorough fright; but a successful assassination attempt, leaving the state headless, would almost certainly plunge France into an anarchy from which only the extreme right wing or the communists could benefit. Such an attempt must be feared for a long time—just so long as it takes for the Moslem nationalists to establish their control over Algeria. At any time until then it may seem that to cripple France politically by murdering the president is a feasible way of keeping Algeria French. No republic that is so vulnerable to a single death can be called a good life.

This is merely the most concrete expression of the dilemma of the Fifth Republic and its creator. If words mean anything, the general himself recognises that it is important, and proposes to do something about it; what, is unclear. But it is merely a symptom of the fundamental weakness of the regime in all departments. It was not the constitution, it was not the majesty of the French Republic that outfaced General Challe and his allies; it was the majesty, the legend, the character, the height and the nose of General de Gaulle (and the natural reluctance of the conscript to play the condottiere). A nation-state can, of course, as the British delight to say, exist very well without a formal constitution, if its parts are sufficiently well integrated with each other, and if its parties can tolerate a defeat or work for a genuine (that is, a sincerely accepted) compromise. But in France these conditions do not exist; no defeat is accepted as final, either by the supporters of the Fourth Republic or by the supporters of *Algérie Française*, and, with too few exceptions, nobody regards any action to reverse the verdict of events as unthinkable.

In such a country it is therefore not unreasonable from time to time to do as the French did in 1946 and 1958, and tear up the old constitution to make way for a new one. True, this disrupts the continuity, the sense of habit, without which no state can thrive; but it dramatically signals the need for reform, and provides a programme behind which forces of

FRANCE Having crushed the military challenge to the Fifth Republic, General de Gaulle has to find ways of depersonalising his regime without undermining it

reform can gather. The tragedy of the Fourth Republic was that its constitutional programme, as enshrined in its constitution, was a programme of inaction, of defence against gaullism and communism but no more; within the ranks of its defenders there was bitter dissension over almost all political questions. Only the rise of the European community furnished a characteristic and positive note to the frustrated enthusiasms of the period. When M. Mendès-France attempted something more, he was ejected from office and eventually from influence; leadership of the Left devolved upon the gravedigger of the Fourth Republic, M. Mollet, who in his first month of office fled decisively before the tomatoes of the Algiers mob to survive longer in office than any other premier of the Fourth Republic, to launch the Suez expedition, but to achieve nothing positive in a country that desperately needed it.

The same, at least, can hardly be said of General de Gaulle. But although he has left his unmistakable impress on colonial policy and on French diplomacy (his allies are entitled to be happier about the former than the latter), his achievements in these fields are still in jeopardy from his failure to organise support for his constitutional programme or to interest the politically somnolent—a failure as striking as that of the system that preceded him. Sure of his views and certain of his strength, he has refused, except in the ritual "*Françaises, Français, aidez-moi!*", to try to gather strength from the opinions and support of others, for to do so would imply some adjustment to their views. His neglect nearly cost him his power when the generals rebelled; no warning had reached him from Algiers, or, at least, had been heeded. Sometimes self-confidence goes too far.

AT the heart of the president's political thought lies the conviction that a strong executive, "the State" that is not at the mercy of pressure groups but can attend solely to the needs of France, is essential. It is a view which can be reasonably defended, so long as democratic liberties are preserved. But, so far, the gaullist executive has had a chiefly paper strength, except in certain clearly defined places. Personal liberties are preserved, but they are not the whole of a democratic system; and the other parts are, at the least, not over-cherished. Yet, if it is hard to see how the regime can live without modifications of this kind, it will be hard to persuade General de Gaulle to make them.

He has never seen himself as a mere politician or leader of a party; he has often shown himself to be too content with verbal solutions. Twenty years on his own special pinnacle have led him into the habit of believing what he wishes to believe, not necessarily, in spite of his veneration for "*le bon sens*," what is true. And he is elderly, and impatient. "Details" (like the exact prescriptions of article 16 of the constitution) cannot be allowed to hamper his freedom of action. He is sure of his own unique value to such an extent that he cannot really imagine that France will one day have to do without him; so he does not make proper provision for



the necessary day. The tragedy is that France has neither a crown prince, even a Professor Erhard, nor a self-generating political life that might make crown princes redundant. The general's rule may, indeed, be government of, and for, the French people, but in no full sense can it be said to be government by them.

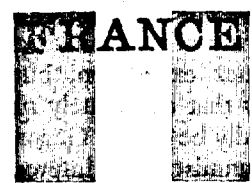
Two extremes of presidential government ought to be avoided. In one extreme the president's freedom of executive action is excessively constricted by the opposition of political parties speaking through the legislature; sometimes it seems that the United States edges dangerously close to this extreme. At the other end of the spectrum is a system in which the president unnecessarily cuts himself off from the flow of ideas, of helpful criticism and of moderating advice that wells out of a healthy political life. It is now General de Gaulle's task

(remembering that criticism, irritating though it is to men of grandeur, is inseparable from good advice) to steer his course between these two extremes.

Perhaps the general has never shaken free from his vision of the national leader whom he described earlier in his thinking on this subject as

the man the people will follow, the man who will take up the burden with his own arms though they should crack, and place it upon his own shoulders though they should break under the strain.

The sentiment is moving in its self-sacrifice; but it is not in the interests of France that one man should carry its future. The problem today is to prepare a broadening of the shoulders that will take up the burden; then, perhaps, it will be possible to see who, and what, will succeed him.



## FRANCE According to Plan

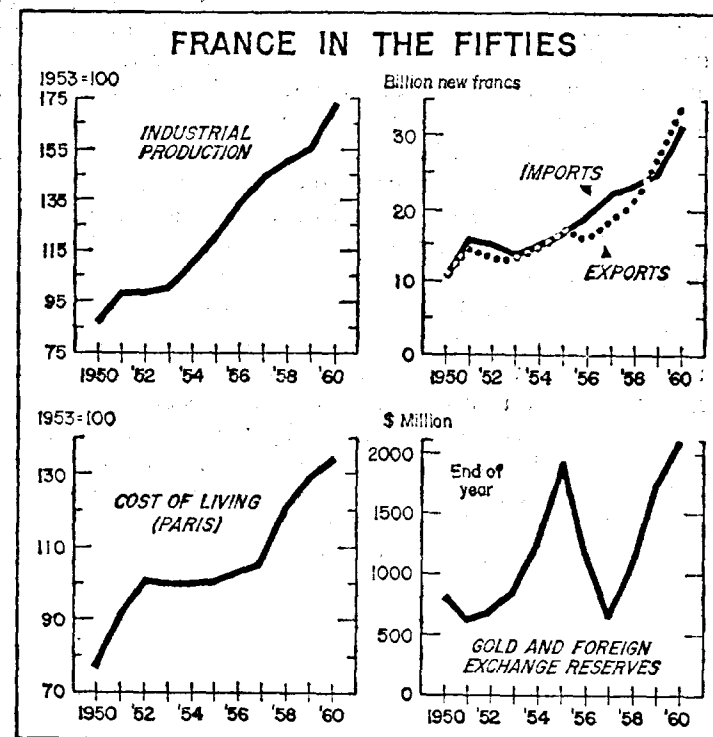
The French economy is already undergoing the "gigantic renewal" called for by President de Gaulle

FOUR years ago a unilateral cut in France's customs tariffs looked as unlikely as a trip to outer space. Now the incredible has happened in French economics as well as in cosmonautics. President de Gaulle's government cut the French tariff on imports from the common market by 5 per cent on April 1st—with larger (10 per cent) reductions on textiles, chemicals and cars, and no reciprocal concessions. The cuts were accompanied by lesser tariff cuts for non-common market countries and by a bonfire of all but two of the remaining quantitative restrictions on imports of industrial products from western Europe and the dollar area. These were only the latest of a series of economic measures which in just over two years have brought seventy years of deep protectionism to an end.

The April cuts were startling not just in size but in character as well. Ever since the war the major industrial powers have recognised that tariff cuts could be useful as bargaining weapons to get barriers to their exports down. But that is a far cry from cutting tariffs as evils in themselves. Now France has followed the example set by Dr Erhard in west Germany and recognised that tariff cuts can be a valuable instrument of domestic policy—holding prices down and stimulating investment in the right place at the same time. The 5 per cent cut, it is true, was an anticipation of reductions that France was due to make in any case at the end of the year. But the voluntary acceleration represents a radical change of attitude in France just the same. The French government has recognised that the nineteenth-century doctrine of free trade has relevance for twentieth century governments seeking the magic combination of growth without inflation.

A formidable change in the attitudes of French industry has followed this recognition. The same industrialists who were bitterly resisting the common market four years back are busily defending it now that they have experienced the pains and opportunities of a 30 per cent cut in the members' tariffs. Even the pill of a 20 per cent cut in the notional external tariff of the common market, itself well below the old French tariff,

has been swallowed after an initial gulp. Today the *patronat* (the association of French employers) is educating its members on the need for a further step towards free trade—a systematic enlargement of quotas on imports of cheap manufactures from the developing countries. The change in everyday attitudes, even in small firms, is remarkable. French business men are travelling more; they have a new "window on the world." Small textile manufacturers who never gave a thought to the comparative costs of different lines or to the possibility of competing in the German market are doing so. The wind of competition and the psychological magic of the common market are forcing French industry to look outward as never before.



The new liberalism would not have been possible without other radical reforms. When France entered the common market in January, 1959, the French government recognised that it had no alternative but to make the economy competitive by tackling the domestic inflation which had blighted it since the war. President de Gaulle's presence gave it the authority to do so. The devaluation of December, 1958, was the first since the war to be carried out not as an emergency rescue operation but as part of a systematic programme of economic reform. Financial retrenchment cut the budget deficit from 10,460 million new francs in 1957 to 6,280 million in 1959. Devaluation plus real financial discipline at last gave French exports a competitive edge which was not blunted, like the benefits of previous devaluations, by a new inflationary slide. The healthier competitive position in turn made free trade possible; free trade in turn kept prices down. A new confidence brought French capital home *en masse*.

Between the last quarter of 1958 and the last quarter of 1960, French exports rose by 38 per cent, bringing, at last, a comfortable trade surplus. Industrial production rose by 18 per cent in the same period, with much of the impetus provided not by inflated home demand, as in the past, but by exports. Gold and convertible reserves have risen by just over \$1,000 million. The familiar cycle of inflation, protection and devaluation has been decisively broken; it has been succeeded by a cycle of stable prices, freer trade and sound economic growth.

France still has its economic worries. In recent months the rate of industrial growth, as elsewhere in the common market, has been slowing down. In the next three years there may be a noticeable tightness in the labour market. But the dazzling process of rationalisation released by the common market and by freer trade has by no means exhausted itself yet. There are, for instance, great possibilities of higher productivity in the distribution system. The government is just settling down to the task of implementing a second Rueff report, this time on expansion, which recommends a new drive for technological education and a bonfire of the restrictive practices which grew up in the stagnant economic climate of the 1930s. Much, of course, still depends on whether a peaceful settlement in Algeria can be achieved. But after 1963 a new stimulus will come from the growth of population, which is expected to add 750,000 to the labour force in industry and services between now and 1970, quite apart from the steady drift of labour from the land. The increase of 4 or 5 per cent in the national product expected this year, and again next year, may not be out of reach in future years as well.

THE policies that have worked the French "miracle" in the past two years have much in common with west Germany's; indeed there has been some conscious imitation. Free trade has stimulated higher productivity; exports have been encouraged by a mild under-valuation of the currency and disciplined financial policies. Low direct taxation provides incentives, while indirect taxes are relatively heavy. But anyone looking for the reasons for France's economic health—to see, for example, if any lessons can be learnt by Britain—must look behind the clean-up of the past two years and the orthodox liberalism that has effected it.

The recent boom has been only one spectacular episode in a much longer period of growth which has seen French industrial

output double in a decade. Most economists would recognise that this expansion owes something to the Monnet plans in the postwar years that built up the basic industries—steel and electric power. Postwar reconstruction played a part, too, making the French railways, for example, the most advanced in Europe. The investment in this reconstruction phase on the continent generally shares one interesting feature with the current investment boom stimulated by the common market. Investment in reconstruction was driven on, not merely by pressing human needs, but by great rewards in higher productivity, giving a high return on the capital invested.

INVESTMENT in the repair of electric mains, or a permanent way, or a single piece of machinery which brings a whole production line back into operation, obviously brings fat rewards in higher productivity. So, it seems, does the investment in rationalisation impelled by freer trade. Last year's French statistics certainly bear out this picture. Investment did not rise. Yet industrial production rose by 10.7 per cent. It all provides an interesting comment on the current controversy in Britain between those who advocate a larger quantity of investment and those who want investment to be better judged. The high rate of investment in Europe's post-war and common market booms was itself the result in part of irresistibly high yields.

French investment does, however, have one characteristic that sharply differentiates it from the rest of Europe. Since 1946 the economy has been guided by a series of plans covering periods of between three and six years; and though the *Commissariat du Plan* obviously does not have powers in any way comparable to those of the planners in eastern Europe, the tradition of Colbert is still very much alive. The French state effectively controls 60 per cent of the country's investment and has a big say in much of the rest of it, less through interest rates than through direct control of the credit system. Nationalised industries get their loans very cheap; private industrial investments supported by the planners get loans only slightly dearer, with a Treasury guarantee; other private schemes have to find their money expensively in the open market. The planners' priorities are decisive; and even where no new money has to be raised, the targets set for the basic industries and the advice given by the planners provide guidance which private industrialists often find it expedient to accept. In his speech on May 9th President de Gaulle emphasised the importance of the Plan in the life of France.

France's planners seem to have made two outstanding contributions to France's economic growth. Their first has been to ginger up weak sectors of industry which might form bottlenecks in the way of growth. The forced pace in the basic industries, when M. Jean Monnet headed the *Commissariat du Plan*, has been followed by a successful attempt to ease the balance of payments by developing indigenous fuel supplies, and an effort in the machine tool industry, as its key place has been recognised. A mixture of cajolery and financial incentives has now brought French machine tool makers to the stage where they are beginning for the first time to find markets abroad. In the common market special incentives of this kind will no longer be possible. But the hope is that the French machine tool industry is becoming strong enough to stand on its own feet.

The second main achievement of the French planners—

one of which they are very conscious—has been to provide industry with a yardstick for its own investment plans and to create a habit of growth. The setting of five-year targets for expansion and the knowledge that the French government has given high priority to their fulfilment have gradually persuaded industrialists to plan for expansion themselves. The planners have also done a lot by simply talking to industrialists. France's recent export successes, in particular, owe much to the efforts of the planners in conversation with industrialists up and down the country, to show them the neglected opportunities of, say, the German market. "When we told industrialists about the first plan in 1946," one of the planners remarked, "they were incredulous and thought us too ambitious. Today, we find them too bold."

THE detailed methods of the French system are in many ways inapplicable to Britain—and, perhaps, uncongenial as well. Quite apart from general arguments about the wisdom of a Big Brother economy, France's large measure of self-

sufficiency makes it easier for its government to plan the economy and plan for growth. French imports and exports are together equivalent to some 20 per cent of the national product, compared with 32 per cent in Britain, 31 per cent in west Germany, and 79 per cent in the Netherlands. With no sterling problem lurking in the background, France has been able to concentrate on expansion.

Yet the French example does contain some morals, not only in its liberal features, but in its elements of planning. The high priority given to expansion, the setting of targets to serve industrialists as a guide, the efforts to invigorate weak key sectors, like machine tools, all provide interesting object lessons. And the French themselves answer the criticism that a trading nation cannot plan with the retort that the common market, and indeed the West as a whole, will be compelled, more and more, to plan together for economic growth and to back growth up by suitable new machinery of international payments. Over-investment in the European motor industry is one outstanding example that is often cited to show the need for co-ordination, if not for a common guiding plan.

## NOTES OF THE WEEK

### EAST-WEST

#### Without a Congress

VIENNA, the mooted rendezvous for Mr Kennedy and Mr Khrushchev two weeks from now, is still stamped on the world's mind as the site of a massive congress that danced its stately course a century and a half ago. Geneva is an all-purpose place; other Swiss lakeside resorts are strongly associated with the more intimate, not to say furtive, forms of diplomacy; the UN glasshouse on Turtle Bay in New York lends itself, for all Mr Hammarskjöld's efforts, mainly to "open" diplomacy in the modern manner, with all the wired apparatus of our age of mass media; but the Austrian capital is, for all time, the waltzing floor of the Congress of Vienna.

Clearly—and mercifully—what Mr Kennedy now has in mind is a good deal less spectacular and grandiose; possibly a bit less genial, too. The Viennese waltz, after all, can be danced by a solitary couple, and without any close embrace. After the sorry experience of the four-power "summits" of 1955 and 1960, the world has become wary of that kind of lumbering diplomatic juggernaut, with its build-up of great expectations followed by a let-down which, whether slow (1955) or supersonic (1960), is in either case a fresh obstacle to progress. America's friends and allies should welcome, not suspect, the President's action in proposing a day at short notice for a *tête-à-tête* which will

presumably have no formal agenda nor any other restricting formalities.

Mr Kennedy's proposal is a bold, and seemingly effective, rebuttal of the argument that "summit" encounters must always be preceded by success in making straight the way at lower levels. Indeed, it is thought that one of his main motives, at a time when the co-existence caravan has been travelling a decidedly bumpy road, is to leave Mr Khrushchev in no doubt about western resoluteness. It is certainly important that the Soviet leader should not, after Cuba and Laos, entertain the dangerous illusion that a disoriented American Administration can now be simply pushed around.

Whether anything more positive than a healthy clearing of the air, and a personal appreciation of each leader by the other, could emerge from their meeting largely depends on how seriously Mr Khrushchev himself takes the recent toughness of Soviet diplomacy. The latest of his periodic rumblings about Berlin has already received a firm answer from the Nato council at Oslo (echoed, as far as concerns Britain, by Mr Heath in the Commons on Wednesday). At the Geneva talks on nuclear tests, once regarded as the main touchstone of Soviet sincerity about disarmament in general, the raising of new difficulties by the Russian reneging on the agreed formula on the proposed inter-

national executive had already soured the atmosphere. On Monday came a threat of resumed Soviet testing if French test explosions were not halted. But is this anything more than a not very clever propagandist gambit? The Russians not only know that America and Britain cannot turn President de Gaulle from his chosen course; they know that the relatively primitive devices he is testing in the Sahara are of no interest to a more advanced nuclear power; above all, they have publicly said that they have nothing to gain by resuming tests—whereas the Americans have a real technical interest in resuming, and would be set free to do so if Russia led the way. This particular Soviet "threat" hardly makes sense—even to Russians.

### EUROPE

#### Going, Going...

THE Government appears to have accepted the necessity for Britain to make an application to join the common market. This was the ineluctable conclusion from Mr Heath's opening speech in the two days' debate on foreign affairs which opened in the Commons on Wednesday. If the implications of Mr Heath's reasoning were historic, the speech itself was anti-climactic, partly because, although it rehearsed all the reasons for early entry into the European Community, it failed to draw this conclusion—and partly because Mr Heath, who was an uncommonly good Chief Whip, is now vying closely with Mr Watkinson to establish his claim to be

the Government's most pedestrian speaker.

In the circumstances Mr Heath's accusation, in a speech that was little better, that the Lord Privy Seal had "over-dramatised" the issue, was grotesque. So was his complaint that the Government had smuggled a long statement on Europe into the course of a foreign affairs debate, which Mr Heath seemed to be suggesting should be reserved for insoluble cosmic problems rather than for those of a more tractable character. His reproach that the Government had failed to provide a special debate on the common market was even more disingenuous, since this is the last thing the Opposition wants. It would reveal Labour to be even more divided and confused than the Tories on the issue.

Mr Heath's speech may have been dull but it was highly significant, in effect an elaborate and carefully argued academic lecture on why Britain should make an early attempt to enter the common market. Mr Heath's Peelite plea of national expediency did not warm the hearts of the handful of fervent Europeans sitting behind him. This was not important since it was not directed at them, but at the uncommitted and anxious backbenchers of the party. He was following Mr Macmillan's speech earlier in the day to the 1922 Committee, which was told that the common market and Africa presented the country with the two greatest problems of the century—adding that the Government felt no need to consult the electorate on how to solve them. (Mr Macmillan has evidently learnt Mr Baldwin's lesson on tariff reform.) Mr Heath went much further than the Prime Minister on Tuesday, whose references to "amendment" and "protocols" to the treaty of Rome exhibited a linguistic flair which a logical positivist might have envied. The Prime Minister clearly approved his boldness and, having listened carefully to his protégé, parted him warmly on the back as he sat down.

Mr Heath not only accepted the principle of a common industrial tariff but also declared that, since British agriculture was competitive (an observation that fell singularly flat), it had nothing to fear from participating in a common agricultural policy and competing on equal terms. He even foreshadowed the end of the European Free Trade Association, though he assured the House that nothing would be done without the fullest consultation with our partners. We should not abandon them, he added in an unintended Butlerism, "in that way," and had hastily to add "or in any other." He even seemed to be welcoming, although in an extremely vague manner, the political implications of the Rome treaty, which should be cheering news for Professor Hallstein if not to Tory backbenchers. Their mood remains one of anxiety, and Sir Anthony Hurd expressed forcefully the apprehensions of the agricultural lobby. Mr Heath was heard in respectful and attentive silence by his party, and there seems little doubt that if the Prime Minister is really prepared now to give a lead his supporters will be ready to follow.

### WORLD TRADE

#### Mr Ball's Weaving

INDIRECT help on two of the problems facing the Commonwealth if Britain joins the common market—African agriculture and Asian manufactures—seems to be coming from across the Atlantic. On Tuesday Mr George Ball, the under-secretary of state for economic affairs in the State Department, paid his second visit to London in two months. This time he was here to discuss, not aid, but the trade side of President Kennedy's drive for closer economic organisation of the western world. In particular, he has been preparing the way for the world conference on the textile industry which President Kennedy has summoned.

Ever since new Japanese factories, with their cheap labour, began to break into world markets between the wars, the textile industry in Europe and North America has been pressing, fairly effectively, for protection against the newcomers. Yet the young industrial countries must somehow be enabled to export, if only to pay for their imports of capital equipment and the money they borrow. The problem lies behind the current argument between Lancashire and Hongkong over quota restrictions, and colours the continental view that Britain cannot enter the common market and maintain tariff-free entry for products from the Commonwealth countries in Asia at the same time. Somehow the rich Atlantic countries have to adapt themselves to a new division of labour in the world—concentrating themselves on capital-intensive industries (say, engineering) requiring a high degree of skill and leaving the labour-intensive industries (toys and textiles) more and more to the developing nations.

President Kennedy's conference will not be able to make this change entirely painless; it certainly ought not to try to stop it. But it might make the change a little less fearful if it could inspire a common western approach to the problem. When toy or textile or camera industries in Japan, India or Hongkong are given sales outlets in only one or two limited markets, the downward pressure on prices and the temptation to dump is great. This is the case at present; Britain gives outlets to Hongkong and India but shuts out Japan, and the United States and Germany help Japan but treat the other two worse. If the nations of Europe and North America could agree to move forward together, gradually enlarging and ultimately removing quotas on the new Asian exports, they might find the problem of adaptation easier than they find it on their own.

#### African Melting Pot

NEW thoughts on trade in Mr Kennedy's Administration are not confined to textiles; they extend to Africa as well. Press reports implying that the Americans

have taken a new initiative to get rid of all the remaining preferential links between Europe and its African ex-colonies may go a little far, but there is no doubt about the Administration's distaste for these remnants of colonial attachments. It has made this plain to both the Six and Britain.

The view is certainly right. As the new African states emerge to independence, the economic and political case for a merger of the British and French preferential systems inherited from the past becomes overwhelming. Yet such a merger would obviously be bad if it meant a new and high wall of tariff preferences in Europe against imports from the tropical countries of South America or, say, the Commonwealth countries in Asia. As Africa hives off from Europe, it may have to be helped less by tariff preferences than by new kinds of non-discriminatory aid. A cut in European excise taxes on products like coffee might help to raise consumption. Commodity stabilisation plans, like those used in Ghana and the French community, might be discussed jointly. A new aid effort by Europe and America to some joint African body might help to foster the unity of which last week's conference of African states in Monrovia was an augury.

Ideas of this kind are exercising minds in both Washington and Brussels, where it is recognised that the independence of most African countries, actual or imminent, requires a new kind of relationship, based on equality, to be worked out between the common market and its African associates. Thinking in Whitehall has not gone so far. A recent British memorandum to the Six confined itself to the suggestion that the French and British preferences be merged and reduced. In the current atmosphere of rethinking in Brussels the initiative was well timed but hardly bold in conception. The French (and some of their former colonies), who inevitably attach more importance to preferences than the other members of the common market do, may not be easily persuaded to remove them unless Britain can think up a replacement that has imaginative appeal.

### KOREA

#### Chang or Change?

BEHIND the revolution in South Korea on Tuesday which replaced Dr Chang, the elected prime minister, with General Chang, the leader of a military junta, lie the three basic facts of South Korean politics. The first is the decisive power of the army. The world's fourth largest—600,000 strong in a nation of only twenty-two million—it can, if united, overthrow any government. It has not done so in the past, partly because ex-President Rhee used to keep its eyes riveted on the possibility of a "march north" to occupy North Korea, and partly because it was inhibited by the presence of two American divisions



and an American general commanding the combined force. This inhibition has now snapped, and the American commander, General Magruder, echoed by the State Department, has been left faintly—and on Thursday afternoon still ineffectively—telling General Chang that he ought to let Dr Chang back into office.

The second point is that the scope for reform open to Dr Chang, the overthrown prime minister, when he replaced ex-President Rhee last year was simply not enough to make a dent on the country's problems. The change gave the South Koreans, for once, a reasonably free election. But the perpetual economic crisis—the fact that South Korea lives on American aid and spends so much of the aid on its vast army—is no nearer an end. In fact, the recent devaluation of the currency (though technically necessary) coupled with a poor crop has increased hardship in both the towns and the countryside. Nor has Dr Chang managed to root out corruption in an army and a civil service in which badly paid men are surrounded by tempting goods paid for by American cash. The combination of poverty and corruption has produced in Seoul the beginning of what might become a genuine social revolutionary movement, dedicated to austerity, honesty and self-denial; but old habits die hard.

The third basic fact is that neither of the other two problems is likely to be solved while Korea stays divided. The two halves of the country—the north rich in natural resources and equipped with heavy industry, the south fertile in agriculture—fit together as naturally as a plug and a socket. So long as they are cut in two, their wasteful armies will go on glaring at each other; and in South Korea, the change from Dr Rhee to Dr Chang, or even from Dr Chang to General Chang, will be unable to produce economic self-sufficiency. Some of the students who overthrew Dr Rhee last year have recently (but unsuccessfully) been calling for contacts with North Korea. If the new military regime survives, the most interesting question will be whether it encourages, or suppresses, this trend.

## POLITICS

### Revolts Contained

MR PAUL HILL, businessman and biographer of the sex murderer Neville Heath, with the slightly guarded support of some Conservative MPs—but alas with no saving sense of irony—has now launched his Anti-Violence League; its professed aim is to secure 5 million members at half-a-crown each, pledged to work for the return of birching and the extension of capital punishment to poisoners, sex murderers, and accessories in murders where violence is used. This is the sort of reaction that *The Economist* feared would result from the resumption of national agitation by the

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Campaign for the Abolition of Capital Punishment. Fortunately for the Government, the league has not had a very propitious send off. Its committee had hardly been formed when the House of Lords decisively rejected Lord Ferrers's clause to reintroduce corporal punishment, by the surprisingly large margin of 88 votes to 31. The vote was all the more significant because Lord Ferrers's motion was comparatively moderate, calling not for indiscriminate flogging but for caning for those under 17 and birching for those between 17 and 21 who had committed a second or subsequent violent offence. The debate on the subject was moderate too, perhaps partly because Lord Teviot was closedured by Lord Jessel.

The fact that only 31 peers bothered to turn up to vote for the birch is important for Mr Butler, who would have been in a very hot spot if the Lords had mobilised a majority against him on this issue. So, incidentally, would the whole issue of House of Lords reform. Mr Butler must still fear that the Conservative party conference in October will pass a specific motion in favour of flogging, but Labour has taught the Tories what to do with party conferences.

In this latter respect, Mr Gaitskell's position continues to go from strength to strength. At this week's meeting of the Parliamentary Labour Party, only a tiny handful of Labour MPs voted against him on a motion that was meant to criticise his disciplining of left-wing rebels. Mr Gaitskell has also managed to shunt off consideration of Labour's coming (and potentially frightening) home policy statement into a committee that ought to spend at least a month watering it down. Altogether, this has been a good week for party leaders in their battle to secure control over their extremists.

## RADCLIFFE INQUIRY

### Some Curtailment?

THERE is a real need to watch out lest this spring's spy fever should have permanently adverse effects on Britain's free society. The Opposition has hugely enjoyed hounding the Government about the Blake and Lonsdale cases, and has now hounded it into a wide-ranging inquiry. Labour may not realise what it has done. During the eagerness of pursuit, and grasping firmly at the wrong end of the stick, Mr Pannell spoke of a

suspicion, particularly among industrial workers who may have even a rather tenuous association with the Communist party, that if they are suspect at all they are quietly got out through the gate . . . in contradistinction to the closing up that takes place in . . . the civil service.

In fact, anybody who knows anything about these matters knows that security checks on industrial workers in defence

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industries are at present much looser than those within the civil service.

The danger is that, after the Radcliffe inquiry, the ferreting out of people with unorthodox left-wing views in both fields may be carried much further. In answer to Mr Pannell, the Prime Minister said:

It may well be that in all walks of life men who have anything to do with the public service or the secrets affected have a greater degree of responsibility, and that greater—what shall I call it?—curtailment of their thought and statements will have to be made.

When that happens, it will be right for guardians of civil liberties to ask questions.

Is it really true that, in what Mr Macmillan called "the new kind of battle we have come to," the security net needs to be cast ever wider? Much of the "top secret" scientific work in progress nowadays is so complicated that it relates to weapons that could not be ready for several years anyway, and will not certainly be relevant even then. It is not facetious to



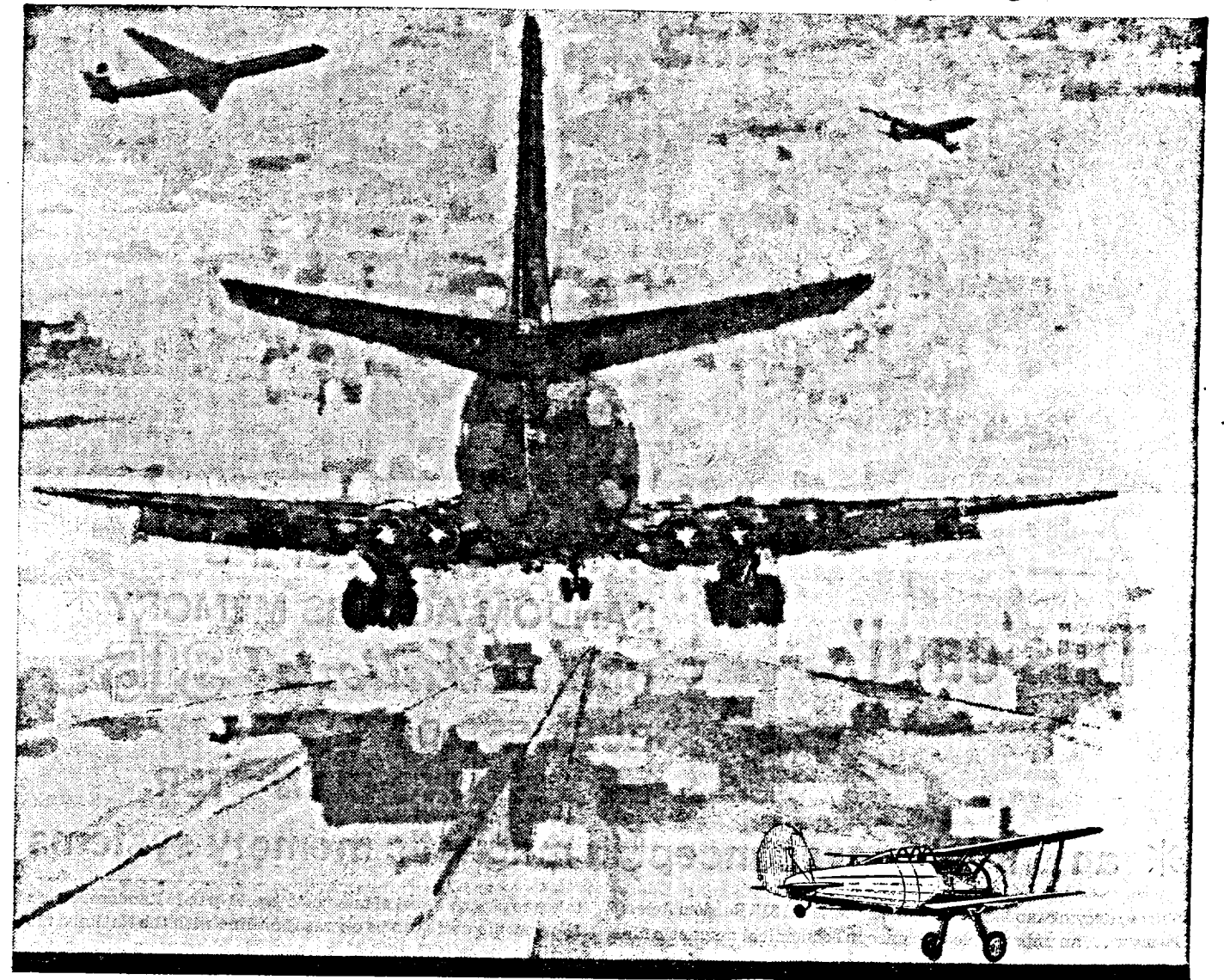
Lord Radcliffe: no McCarthyism

point out that if the Russians five years ago had had a widespread espionage service of communist shop stewards, reporting on the new component parts being made in every British defence factory, the Kremlin would merely have become as badly misled about the probable shape of Britain's actual defence effort in 1961 as the British government of that time itself proved to be.

Our own advice to the Radcliffe committee would be to define the range of real top secrets very narrowly (obviously it should include details of Britain's own espionage service such as Blake apparently betrayed), and to tighten security checks only around them. The unhappiest outcome of the inquiry would be a growth of industrial McCarthyism up and down the country—during a wave of emotion engendered partly by the security service's ruffled feelings after it has been under political attack, and partly by Britons' national addiction to thrill to the reading of Agatha Christie sort of stuff.

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## In Stalin's Land

CENTRAL Asia seems to be the main target for the current Soviet spring-cleaning. Last month, the whole leadership of the Tadzhik republic was swept aside; this month the broom has been turned on the leaders of Kirgizia. Mr Razzakov, who had been party secretary in Kirgizia for eleven years, has been removed from his post and Mr Dikambayev has been expelled from the premiership. In the latter's case, the accusation was the now fashionable one of turning a blind eye on people who had been swindling the economy. But the fact that the purge is particularly drastic in the Moslem republics of Central Asia supports the guess that it is probably not unconnected with nationalist troubles.

While the purge was going on in Kirgizia, Mr Khrushchev was travelling in another traditional hotbed of nationalism, the Caucasus. Visiting Armenia and Georgia, he spoke on foreign affairs in comparatively mild terms, suggesting that he would welcome a meeting with Mr Kennedy, particularly on subjects such as disarmament. But



he also spoke of home affairs and of the past. On each occasion he stressed the part played in the revolutionary movement by that well-known native of the Caucasus, Joseph Vissarionovich Djugashvili—and each time Stalin's name was apparently greeted with applause. Mr Mikoyan was a notable absentee from these celebrations. Himself an Armenian, he has quite a record in the Caucasian communist movement. Mr Mikoyan is reputed to have prompted Mr Khrushchev's famous "secret" indictment of Stalin's crimes. His absence need not mean that Mr Khrushchev is now changing allies. It is, nevertheless, interesting that the latter prefers to forget attacks on the cult of personality when going into Stalin's home territory.

## LEBANON

### Lack of Discretion

A GOVERNMENT job for all is not, the Lebanese have discovered, the answer. On Tuesday, the 18 members of Lebanon's cabinet admitted the unwieldi-

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ness of so large a government for so small a country by handing in their resignations. For the time being they will stay at their jobs until a new government, probably smaller but again led by Mr Saeb Salam, is formed. The difficulty in Lebanon, with its intricate constitutional system of checks and balances, is to find a government large enough to represent the various communities and religions and at the same time cohesive enough to govern. The cabinet that has just resigned was formed after the elections last July; it was splendidly representative but far from cohesive. The simple formula of placing political opponents side by side on the government benches did not prevent their public disagreement.

One of the most forceful critics of his own government was the Druze leader, Mr Kamal Jumblatt. As minister of education, Mr Jumblatt picked as one of his targets the Middle East Centre for Arab Studies (Mecas), an Arabic language school run by the British Foreign Office at Shemlan, a small village high in the mountains above Beirut. The fact that Mr George Blake, the recently convicted spy, was a student at Mecas, when he was brought home to London for his trial might have provided the school's critics with an unlooked-for weapon. In the event, the prime minister's statements about closing the school have been comfortably contradictory, most of the Lebanese comment has been surprisingly moderate, and, by the time a new government is formed, there seems to be a fair chance that Mecas will avoid becoming an additional, and lamentable, casualty of the Blake case.

Mecas is primarily a school in Arabic language and history for the British foreign service, but it also accepts employees of British firms, mainly from oil companies and banks, members of the armed services and, when there is room, private students from the Commonwealth and elsewhere. It was set up in Jerusalem in 1944, but moved to Lebanon in 1947, and has been there ever since except when it was briefly closed during the Lebanese insurrection in 1958. Its tuition is excellent, but as a foreign institution on Lebanese soil its position is bound to be vulnerable. Whoever it was who made the decision that Mr George Blake should learn his Arabic at Shemlan was not greatly gifted with tact.

## UNIVERSITY ENTRANCE

### The "S" Men

THE examination for the advanced level of the General Certificate of Education will be revised after next summer in two ways. There will be a uniform system of grading passes (A to E), which should give the universities and employers a better standard measure than the differing procedures and quirks of the various examining bodies. There will also be special, or "S," papers designed to test, not simply know-

ledge, but the candidate's "intellectual grasp and capacity to think about his subject": these will replace the state scholarship papers that are due to disappear (with the scholarships) next summer.

There has been much to-ing and fro-ing between the Secondary School Examinations Council and the universities over these changes, but the schoolmasters seem to have come out on top. This is reasonable enough in the basic "A" level examination, which crowns the normal sixth-form career. But the dons have cause to complain that Sir David Eccles's acceptance of the SSEC case on the "S" papers, whose chief function is to pick out the swans from the geese among university applicants, means that the examination will be of rather less use to the universities than it might be.

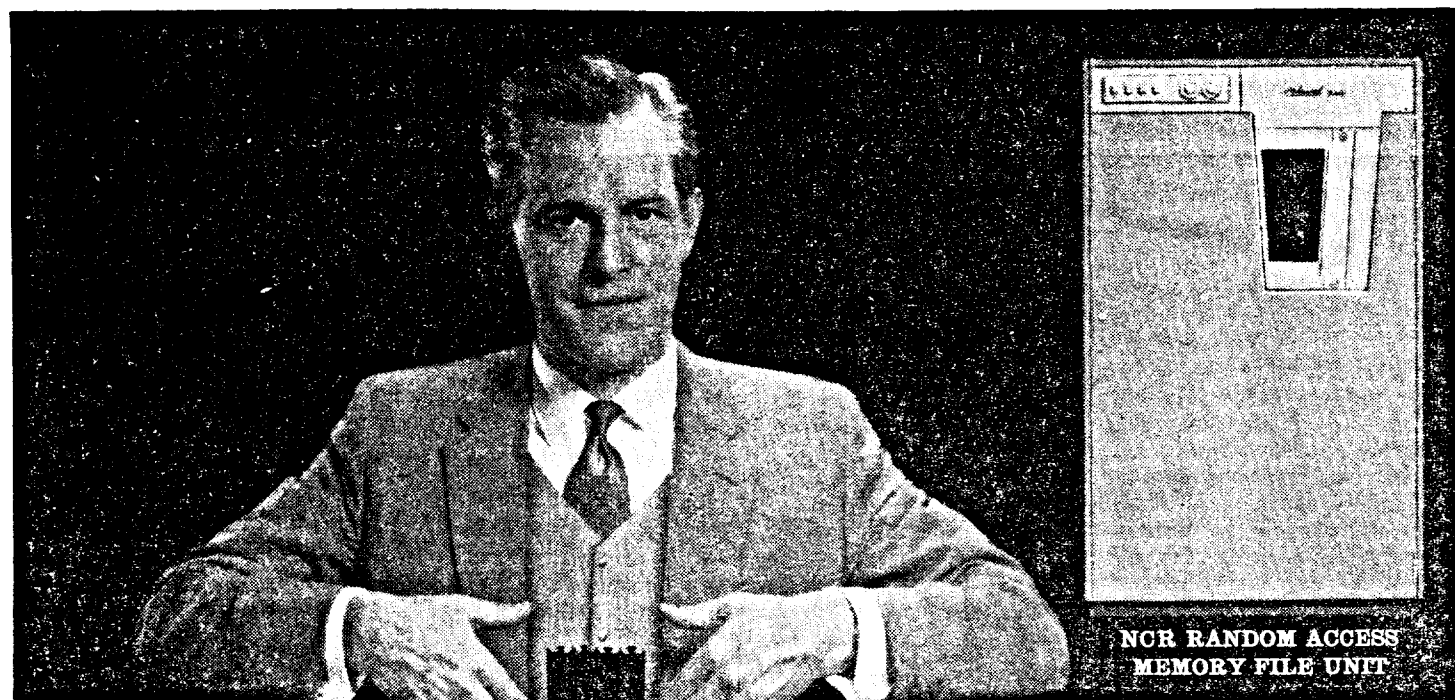
In an attempt to discourage the weaker brethren, only those pupils who are likely to get a "distinction" or "merit" in the "S" papers are to be allowed to attempt them at all—and "S" results will be announced only for candidates in the top 35 per cent (A, B and C grades) in the basic "A" level examination. This exclusiveness could be hard on the unusual mind, sometimes worth a university place, that might not show up in the normal examination. As a palliative, the SSEC has now agreed to let the universities have privately the marks of all "S" candidates.

The universities' second complaint (voiced by the Principal of London University last week) is that the results only become available in mid-August, when they are often too late to help in deciding places. London suggested that the "S" papers—confined to the candidate's best subject and following the "A" level syllabus—should be taken on a single day earlier in the academic year, possibly early in the second term. This would certainly help the dons (and thereby reduce the candidates' uncertainties about where to get in). Would it really be intolerable in the well-ordered sixth form?

## UNITED NATIONS ASSOCIATION

### Naïvely Disarming

WHEN putting questions to the public, it is important to be sure not only that the questions are the right ones, but also that the answers will be put to the right use. The United Nations Association may not have borne this firmly enough in mind when organising its current inquiry into public attitudes on disarmament. The association, through 200 of its local branches and through affiliated organisations such as trade unions, is sending out some 700,000 copies of a questionnaire containing seven yes/no propositions. They range from "Are you in favour of general world disarmament, including the total abolition of all nuclear weapons, under United Nations inspection and control?" (what, incidentally, if you are in favour of it but couldn't care less who does the inspecting and controlling?)



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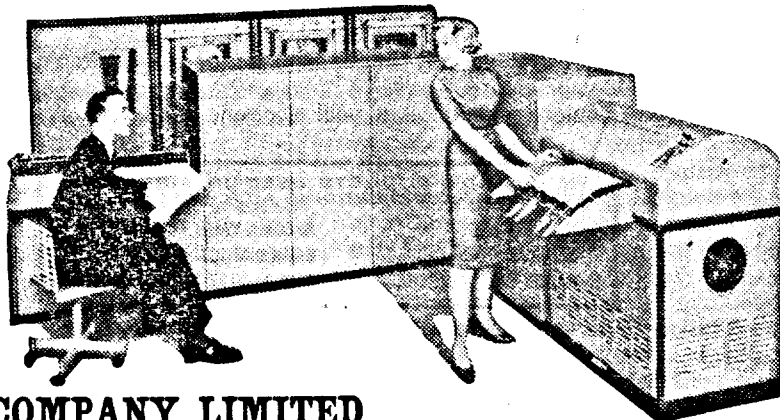
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to "Do you think that, as national armaments are cut down, the United Nations should begin to build up an international force which would be strong enough to keep the peace in a disarmed world?" In the middle are two more pungent questions, on unilateral disarmament and on the admission of China to the UN.

The aim of the association, in framing its heavily loaded questions, has obviously been more to persuade than to elicit already formed opinions. The one question on unilateral disarmament is also the only one framed in a completely neutral way. The answers suggested by the wording of most of the other questions would not be likely to cause dismay in the chancelleries of either the east or the west (although, even here, the questions about whether disarmament should concentrate first on missile-launching sites, and whether the west should accept some risk that inspection systems in Russia might not be watertight, are preceded by an explanation of why the respondent should answer "yes"). But the real danger is that those who bother to reply—and particularly those in the more left-wing of the unions which are distributing the questionnaire—may tend to give a certain type of answer, with the unilateralists heavily over-represented. The results, however carefully handled by the UNA, could provide splendid ammunition for leader-writers and orators with a grievance against Mr Gaitskell. He should be glad that the campaign will be going on until the end of September, so that its results will not be out before the Labour party conference in October.

#### KENYA

### On Edge

MR IAIN MACLEOD said this week, "There is damn well not going to be another Congo in Kenya." He was speaking to two farmers from Kenya, Mr Philip Scott and Mr David Broatch, who had come to London to urge the Government to do something to protect the lives and property of Europeans in rural areas. They allege that there is "a subversive build-up of hatred among the Kikuyu" and, to make matters worse, a lack of liaison between police districts. The murder of two European women in the last fortnight, coupled with the escape from prison of some ex-Mau Mau convicts, has naturally led the European community to assume that a second Mau Mau movement is well under way. Their suspicion is strengthened by the open hostility of the largely Kikuyu Kenya African National Union to the government of Mr Ronald Ngala, which it has refused to join. Mr Macleod has said that there is no evidence whatever to connect the murders with a neo-Mau Mau conspiracy, and has emphasised the ample size of Kenya's military and security forces. But whether or not the settlers' fears are

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justified, their resentment against the Government in London is mounting.

In these circumstances there is a special argument why the Government might be well advised to shore up its policy by making a well-publicised move towards establishing an adequate fund or compensation scheme for European farmers, as suggested in *The Economist* of March 4th. There is a danger that if this is not done, and if Mr Macleod continues to rely on optimism and sweet reason, some sections of the European community in rural areas will demonstrate their feelings by provocative actions. The consequence would almost certainly be a genuine renewal of African terrorism and the collapse of Mr Ngala's government. The prospect of political equilibrium might then be lost forever.

#### AFRICA

### The Co-operators

TWENTY African nations (fifteen of them represented by their heads of state) conferred amicably and without melodrama at Monrovia last week. They included the twelve former French colonies of the Brazzaville group and three English-speaking West African states, Nigeria, Sierra Leone, and the host country, Liberia. Sir Abubakar Tafawa Balewa, the prime minister of Nigeria, proved himself a most able conference man, at least a match for the chairman and host, President Tubman, or the two French-speaking magnates, Mr Houphouët-Boigny and Mr Leopold Senghor.

The conference rejected the idea of pan-African integration in favour of co-operation between governments. It agreed that countries should refrain from interfering in each other's affairs, except in the case of colonial territories—especially Angola. On current affairs, the delegates smoothly avoided controversy. They agreed on im-

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mediate sanctions against South Africa, but only mildly condemned France's nuclear tests in the Sahara. They supported the presence of the United Nations in the Congo, disapproved of Mr Gizenga and Mr Tshombe, but deleted a resolution condemning Mr Lumumba's assassination. Nobody slung mud at former colonialists or present neo-colonialists.

Last week's conference aroused the wrath of the so-called Casablanca powers (Ghana, Guinea, Mali, the United Arab Republic and Morocco), who refused to take part when it became clear that the others were unwilling to put off the Monrovia conference until the Casablanca group had produced their "African charter." Dr Nkrumah has roundly accused the twenty nations of betraying Africa because they lack the courage to pool their sovereignty. The opposite point of view was put by Mr Houphouët-Boigny on his return to Abidjan. Saying that the unity which has been "caressed throughout the ages" would not be made in a day, he declared that Africa should lay the foundations of co-operation "without going as far as political integration." It looks as if the advocates of co-operation, as distinct from unification, have the advantage in numbers and weight at the moment. Even among the Casablanca powers, it is reported that Mali may return to the fold of the Monrovia group when it meets in Lagos to set up an inter-African secretariat.

#### DOCTORS

### Anonymous Shortcomings

PRESSURE was put upon the Minister of Health in the House of Commons this week to publish the names of doctors and dentists who have been fined by executive councils of the health service. If a complaint is made against a doctor or dentist, it is first investigated by a service committee of the executive council, consisting of an equal number of lay and professional members with a lay chairman. If the committee considers the complaint proved, it reports its findings to the local executive council, together with its recommendation on what the penalty should be. The executive council may fine the practitioner, or warn him, or take no action, and both practitioner and complainant have a right of appeal from the council's decision to the Minister, who himself acts only upon the advice of an *ad hoc* committee. Should the executive council decide that the case is bad enough to warrant the dismissal of the practitioner from the health service, it forwards its recommendation to the health service tribunal. The practitioner has a right of appeal to the Minister if the tribunal decides to dismiss him; if it decides not to, there can be no appeal by the complainant.

The name of the doctor, or dentist, is published when it has been removed from

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the health service list. This, of course, can be regarded as a shutting-the-stable-door procedure, and it is arguable that the public has a right to know about a doctor's inefficiency even when it does not warrant his dismissal. But, as Mr Powell emphasised in the House of Commons, the proceedings in the service committees and executive councils are primarily concerned with breaches of contract to perform certain services. They are not conducted like courts of law; the penalties may be imposed, not for bad doctoring, but for not keeping the rules; and even when the breach of contract is apparently serious (such as failure to visit a patient) the doctor's defence, which would not necessarily be published (and sometimes for a patient's sake could not be), may throw a very different light on the charge.

In any case, the health service proceedings are not the end of the matter for serious cases. Such cases are reported to the General Medical Council, the proper body for investigating professional conduct. Patients themselves can take civil action to obtain redress, and their best sanction against inefficiency lies, not in indiscriminate publication of names, but in the exercise of the consumer's right to change practitioners, after they have found out whether a particular doctor measures up to their own needs.

#### GUILDFORD CATHEDRAL

### The Unexpected Dean

THE diocese of Guildford has had its share of controversy ever since it was carved with its twin diocese of Portsmouth out of Winchester in the nineteen-twenties. Sir Edward Maufe's massive Gothic edifice, which won an open competition in 1931, has not commended itself to all as the ideal form for a modern cathedral, and its imposing but inaccessible site on the summit of Stag Hill has been another source of lively dissension. At the consecration of the cathedral this week the diocese was still reverberating with the



Not the ideal edifice

acrimony generated by the latest Guildford contretemps, the Boulton affair.

Until this year Mr Boulton was both vicar of Holy Trinity (the pro-Cathedral) and provost of the diocese. Provosts are found in the Church of England in those dioceses where the cathedral is also a

#### NOTES OF THE WEEK

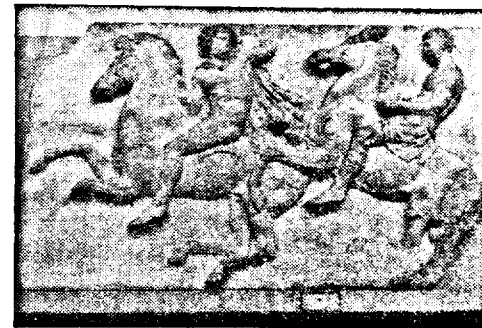
parish church; the parochial duties are discharged by the provost and the administrative ones by the dean. The statute of Guildford cathedral provided that on the cathedral's completion Mr Boulton should resign his provostship. He voluntarily relinquished the incumbency of Holy Trinity as well. Mr Boulton had enjoyed a highly successful ministry at Guildford and it was generally assumed in the diocese that his resignation would be no more than a technical preliminary to his appointment as dean.

In fact, the deanery, which unlike the provostship is a crown appointment, did not go to him but, as was announced on Tuesday, to Dr Clarkson, the bishop suffragan of Pontefract. Dr Clarkson has undoubtedly had far wider administrative experience than Mr Boulton, but the whole affair has been ineptly handled by Downing Street, and is a fine example of the shortcomings of the system of crown appointment to ecclesiastical offices. No account was taken of the strong local opinion that Mr Boulton not only would but should be appointed dean, or of the intention of at least some of the drafters of the cathedral statute that the provost should succeed automatically to the deanery. Given these factors Mr Boulton should only have been denied the succession if he was manifestly unsuitable. No such suggestion has ever been made. The long delay between informing Mr Boulton that he would not succeed and the announcement of Dr Clarkson's nomination allowed all the Boultonite forces to gather and to become vocal in the erroneous belief that they could influence an appointment which had already unofficially been made. Mr Boulton is now temporarily in limbo, an uncomfortable position for him, and one calculated to cause the maximum discomfort and embarrassment to the incoming dean.

#### ELGIN MARBLES

### Put Them Back

DURING the Greek War of Independence, some quarter century after Lord Elgin removed the sculptures from the Acropolis, one of his successors at the embassy at Constantinople had grave fears that the Turks were going to destroy most of the remaining antiquities in Athens. He wrote, "In this event the danger of being classed with the Goths and Elgins of other times would not deter me from offering" to buy the caryatids and the remaining reliefs on the Parthenon. The mixed feelings towards the problem of preserving Greek antiquities that are reflected in these words of Mr Stratford Canning have again been stirred up by a parliamentary question on the future of the Elgin marbles put by Mr Francis Noel-Baker last week. In reply Mr Macmillan was non-committal, but he rightly acknowledged that this was a very important matter.



Athens in Bloomsbury?

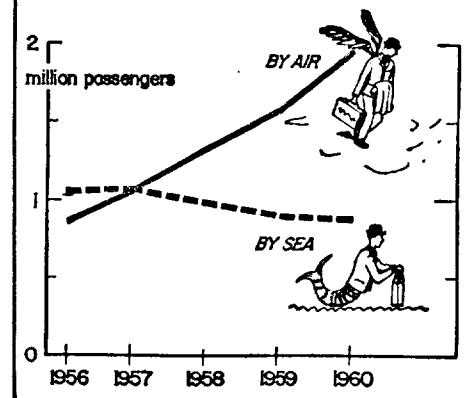
a museum in Athens than in the halls of the British Museum. And of those who take the trouble to go and see them in Bloomsbury an ever-increasing number are able to visit Athens.

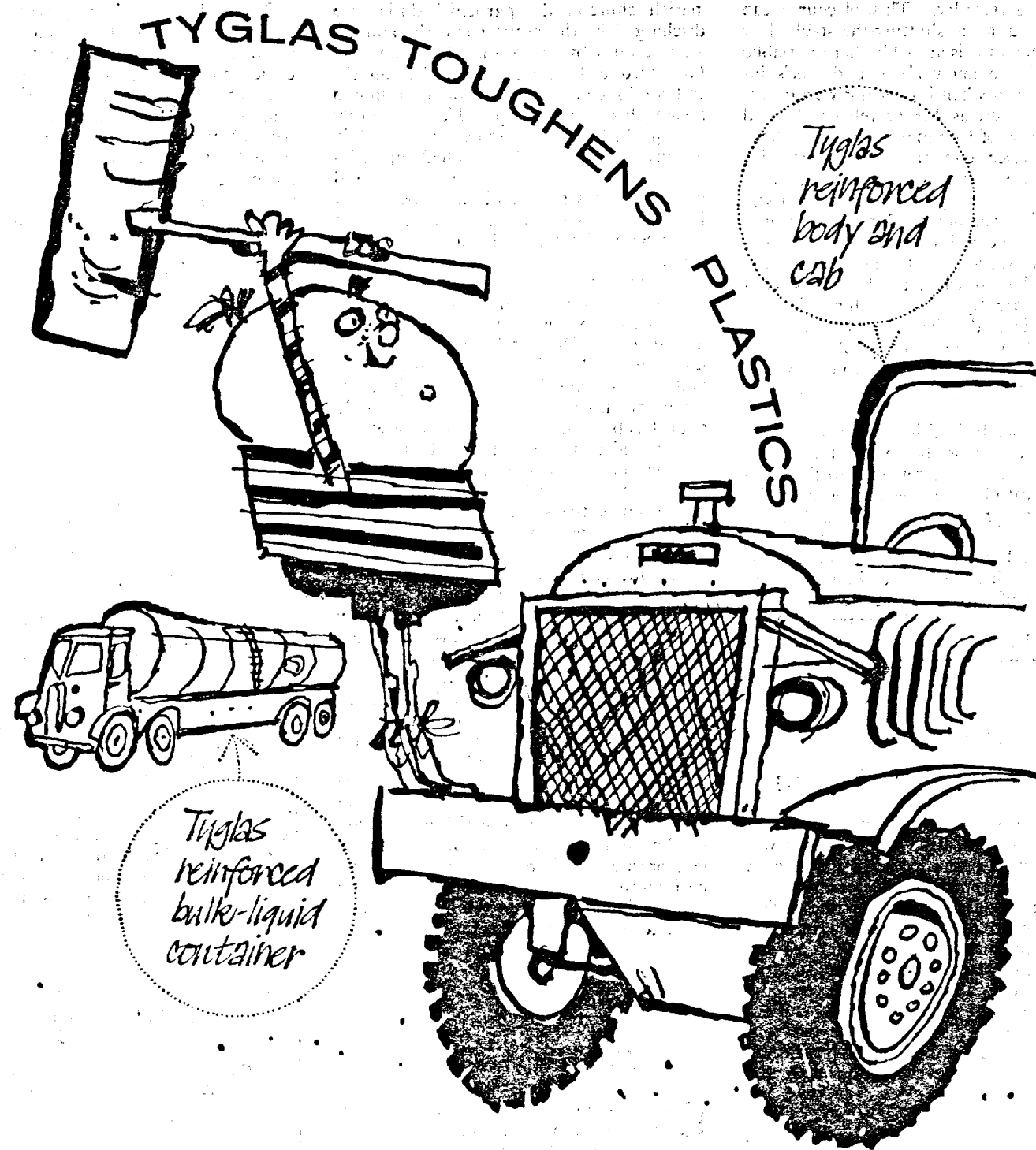
One need not maintain that the modern Greeks have a prescriptive right to the treasures of ancient Greece; or that works of art should always remain permanently in their country of origin. But in this particular case, it is possible to hold, for reasons that have nothing to do with moral judgments, or legal rights, or political advantage, that the Elgin marbles should be returned to Greece simply as a gracious and generous gesture.

#### NORTH ATLANTIC PASSAGES

Twice as many people flew the North Atlantic last year as crossed it by sea.

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## LETTERS

### Bernstein on Triffin

SIR—I believe that your article of May 6th, “Bernstein, Triffin, Stamp . . .”, does not provide your readers with the information they need to judge the merits of my plan for reforming the International Monetary Fund.

My proposal consists of two parts: (1) To integrate the present quotas of the members of the IMF with their working reserves; (2) to finance capital movements and the conversion of currency balances by having the great trading countries undertake in advance to lend the IMF stated amounts of their currencies for this purpose.

The first part of my proposal would require the IMF to permit members to draw freely on their quotas, without prior approval, to meet balance of payments deficits. At the same time, it would enable the United States and the United Kingdom to draw on the IMF as a matter of course whenever they use their own reserves. It should be noted that the United States has never drawn on the IMF and that the United Kingdom has drawn on the IMF only in the crises of 1947 and 1956.

You say that my plan would not increase total world liquidity. On the contrary, my plan involves a substantial increase in liquidity now. Consider what it would mean if the reserves of the United States and the United Kingdom were regarded as including the \$5.7 billion and the nearly £900 million which represent their net creditor positions plus their quotas in the IMF. For the future, it should be possible to have a more frequent review and revision of quotas.

By contrast, the Triffin plan is highly deflationary. It would start by converting the net position of the United States, \$1.6 billion, and the United Kingdom, £180 million, into deposits with the IMF. At the same time, it would make them large debtors of the IMF, the United States for about \$3.5 billion and the United Kingdom for nearly £1 billion. These enormous debts would be funded, but they would have to be repaid over a period of 20 years. Furthermore, any dollars or sterling acquired by other countries hereafter would be converted by them or the IMF into gold.

While the IMF, under the Triffin plan, would have the power to create reserve credit for its members this could be far more difficult than is generally recognised. That is why Professor Triffin would have his proposed institution empowered to buy securities in the New York and London markets when this is necessary to increase reserves. With a balanced pattern of world payments, these operations, even if they could avoid disrupting the money

markets, would impose on the United States and the United Kingdom a far greater burden of providing reserves for the rest of the world than they have now under the gold exchange standard.

Some critics of the Triffin plan are concerned that it will become an instrument of inflation. My own fear is that it will become an instrument of deflation. It is impossible to give an international institution the credit-creating power of the Triffin plan without imposing on it a responsibility for policy that is much more likely to be exercised for restriction than for expansion. I cannot see how the Triffin institution could avoid being the ultimate judge of the fiscal and credit policies of all of its members, including the United States and the United Kingdom.

I am disturbed by the prospect that the Triffin plan would eliminate the United States and the United Kingdom as reserve centres. This is not because I attach great importance to the foreign exchange earnings of Wall Street or the City. Rather it is because the capacity of the United States and the United Kingdom to finance international trade and investment and to maintain efficient markets in exchange, commodities and international securities would be impaired if they were to cease to be reserve centres. Incidentally, I have made the point that it would be helpful if additional reserve centres were to emerge in the next few years.

The IMF is a useful institution. The practical approach is to modify its arrangements as new conditions arise. This requires a moderate degree of foresight and understanding. In 1952 I wrote a memorandum for the Managing Director suggesting that the IMF secure commitments from the great trading countries to buy its interest-bearing debentures if additional resources should be needed. In 1953 and 1954, I wrote two memoranda on the factors that determine which currencies are drawn from the IMF, with special reference to the dollar and sterling. In 1958, in a speech at Harvard, I presented a full statement of my present plan. On a number of occasions since then I have urged the United States and other Governments to act promptly to meet the problem of the reserve centres. I have not been alone in this. My former colleague, Professor Triffin, has presented his plan in an imaginative way. My friend Governor Zolotas of the Bank of Greece in 1957, and again in 1958, urged on the IMF a plan similar to mine for the provision of additional resources through standby arrangements with creditor countries.

Finally, while there is nothing reprehensible in being fairly conservative, this classification cannot properly be applied to me. I have been discussing monetary policy for over 25 years and it would be difficult to cite anything I have said or written that has not been based on a liberal view of the needs of the world economy and the responsibility of the great trading countries to meet these needs in a generous way.—Yours faithfully,

EDWARD M. BERNSTEIN  
Washington, DC

### Robens on Coal

SIR—“Coal Without Protection?” in last week’s issue had the qualities usually to be found in *The Economist* surveys of this kind: it was objective, stimulating and constructive.

May I point out one inadvertent error, however? You quoted me as having talked about a *guaranteed* market for 200 million tons of coal.

This case has been argued by other people, but not by me. I have always said that this was about the size of the annual market the coal industry ought to be able to win for itself in competition with other fuels. *The Economist* can safely give this aim its support.—Yours faithfully,  
ALFRED ROBENS  
National Coal Board, London, SW1

### Agony in Angola

SIR—I feel that the article in your issue of May 6th calls for one or two comments.

It contains not the slightest expression of horror at, or condemnation of, the pitiless slaughter of white, black and mixed-race men, women and children that is being perpetrated by savage bands of terrorists instigated from outside Angola by organisations the source of whose inspiration and finance is surely not in doubt.

The only condemnation is for the reaction of the Portuguese. It would be interesting to know how, in the conditions of terrain and resources in men and equipment, your correspondent would conduct operations in Angola against the terrorists. Or is one to presume he would take no action and allow them to chop men, women and children to pieces to their hearts’ content?

It is really a little sickening to see now some people, believing all the hearsay reports served out to them, close their eyes and their minds to reality and take up a “holier than thou” attitude, devoting themselves to the doubtless congenial task of denigrating those who object to being chopped up and are determined to do something about it.

Unfortunately, such people do not even realise that on their shoulders must rest a share of moral responsibility for the suffering and bloodshed which, by their utterings, and by their implied or overt support, they have helped to make possible.

Another point which I noticed about the article was the absence of any reference



to the six-year development plans which the Portuguese government launched some ten years ago both in Portugal and in the overseas provinces, the second of which is at present being implemented.

Perhaps the omission is understandable. After all, your correspondent was out to have it believed that the situation in Angola is static, and it would not do to refer to anything that would tend to show that it is not.

The implementation of these plans is creating conditions of increased prosperity through improvements in the fields of agriculture, industry, transport, communications and social advancement. Indeed, encouraging results are already visible, and it may well be surmised that those who have fomented, organised and launched the present wave of terrorism knew that if the plans were allowed to come to fruition the opportunity would be lost to exploit discontent and to stir up trouble.—Yours faithfully,

A. POTIER  
Press Counsellor

Portuguese Embassy, SW1

### Vive Les Armées

SIR—It was 30-odd years before poor old Military Intelligence discovered that the British Army had been taking on the French Combined Services when they played *l'armée française* at rugby. I am surprised, however, that your own correspondents still make the same mistake and translate *l'armée* by "the army," a mis-translation shown to be particularly misleading in the current Algerian situation. *L'armée* is, in fact, an abbreviation for *les forces armées* sometimes known as *les trois armées, de terre, de mer et de l'air*.—Yours faithfully,

T. F. H. HUDSON  
Whitchurch Hill, Oxon

### Katanga

SIR—You say Mr Tshombe (May 6th) was "egged on by the Belgian mining companies" to take the lead "in starting the

fragmentation of the Congo." Katanga, the size of France, is hardly a "fragment." With communications as poor as they are in this huge sprawling territory, it is difficult enough to control the remoter parts of Katanga (where the Baluba battles have been continuing for a century) let alone rule the whole of the Congo. That Belgium should have succeeded in its administration for so long is, on reflection, miraculous.

As one who has met Mr Tshombe on more than one occasion I can only say (perhaps naively?) that had the Belgian mining companies egged him on to any particular course of action, he would probably have chosen an alternative. He has no great love for his former masters (what recently independent country has?), but he is a realist and does acknowledge that he needs at least one generation before he can hope to extend his take-over bid.

The sooner Mr Tshombe is released the sooner the chances of stability returning to the unhappy Congo.—Yours faithfully,  
Oxshott, Surrey KENNETH MASON

either the behaviourists or the Marxian determinists.

In respect of method he makes only one important modification. He tries, while demurely apologising for his narrowly classical education, to answer the critics who charged him with using only an "Hellenic" model as the pattern beside which to set all other civilisations by toying with the experiment of applying the "Sinic" model of successive states of dissolution and unification. He emerges with a compound Hellenic-Sinic model to which, as he somewhat perfunctorily demonstrates, other civilisations either do or do not conform in varying degrees.

As to his conclusions it may be said that reconsideration has led him more often to restatements than recantations. Often he adopts the formula: "If I have done what my critics have said I have done, I have erred, but..." Nevertheless there are one or two points about which he confesses to have been taught the truth. He no longer regards the western and Byzantine Christian civilisations as affiliated merely to Hellenic civilisation but as being the joint offspring of both the Hellenic and the "Syriac." The recognition of the function of the Near East in the formation of Christendom does not, however, lead him to any recantation of his harsh views about the Jews and Zionism, which are reaffirmed in this volume at some length. Secondly he has taken account of the revolutionary work done by archaeologists in America to reduce the number of his pre-Columbian civilisations in America to one. The bare ten pages on Russia have no significance for the development of Dr Toynbee's thought, which is not surprising, for he still sees communism as merely another inconvenient Christian heresy.

The last part of this volume is about Pro-

fessor Toynbee, a subject in which he is as much interested as are his critics. He takes his classical education and the happy accident of his having been born neither earlier nor later than 1889 as the theme for a discourse on his own advantages and shortcomings. There is also in this volume the sermon he has led us to expect; it is characteristically entitled "The next ledge" and exhorts us to saintliness, a sense of responsibility and love for our fellow men.

So ends a great work, our modern *Civitas Dei*, unique in this century for its size, stimulation and confident courage. Its twelve volumes have increased our knowledge of history, for none of its readers can have been so well informed as Dr Toynbee on so many chronologically and spatially disparate topics. Whether it has added to historical knowledge is a different question. It has given us another pattern in which past and present human relationships may be arranged, and a new arrangement is a creative act. This one has the great merit of having stimulated a lot of people to think about history.

### Change and Recurrence

An Economic History of England, 1870-1939

By W. Ashworth.

Methuen (1960). 447 pages. 36s.

THIS is the concluding volume, but the second to appear, of a five-volume economic history of England edited by Professor T. S. Ashton. It is essentially a university textbook. Learned monographs are easy to write; textbooks are quite a different matter. The author must be abreast of his subject, but he must not on the one hand simply regurgitate other men's facts and opinions, nor on the other depart too far from the consensus of opinion in pursuit of his own bright ideas; he must give a feeling of the complex depths of the subject, but must also provide enough generalisation to prevent the student sinking. Professor Ashworth handles with considerable success the opportunities and limitations of this difficult genre. He seems to have mastered all the literature worth reading, and though he has quarried facts and ideas from a wide range of sources they are cemented together by his own good sense, sound scholarship and independent judgment.

His qualities show to best advantage when he is dealing with specific and limited topics, and his chapters on government policy, labour problems and transport and banking developments are shrewd and well balanced. When he attempts to discuss the course of economic change over the whole economy, his touch is less certain, and some of his generalisations seem not to have been fully thought out. He is also more successful in the period before 1919 than in the inter-war period. For these latter years there is a superfluity of explanations for the course of events, and what the reader most needs is a clear order of priorities.

Professor Ashworth is too eclectic; he gives us an intelligently compiled anthology of most of the relevant factors without much attempt to establish their relative importance. His style is not particularly bracing, and the general approach is on occasion aridly statistical; there is a great deal about trends, conditions and influences and not enough about specific individuals. In particular one would have liked more entrepreneurs to have appeared in person. Nevertheless, when all is said and done, Professor Ashworth has written an extremely useful book, the first systematic attempt to make some sense of these critical years. It will be a godsend to teachers and students alike.

For the general reader the book would have been more attractive if it had included the second world war and its immediate aftermath, a period which Professor Ashworth is unusually well equipped to cover since he wrote one of the best of the civil histories of the last war. Even so, it sheds a good deal of light on the historical origins of contemporary economic problems. For example, one cannot fail to be struck by the constant recurrence of concern about the British balance of payments, by the strong family resemblance between current anxieties about export prospects and those of the 1880s and 1890s and the interwar years. Are these merely signs of periodic bad luck? Or do they indicate deep-seated and persistent habits, which impede Britain's economic performance? For the failure of British exports to do as well as those of their main rivals before 1939 there were plausible explanations: for historical reasons Britain concentrated on exporting to primary producing markets types of export, particularly textiles, for which world demand was expanding least rapidly. But since 1939 we have been moderately successful in tailoring our own basic industries to meet the changes in the world economy; and yet our anxieties persist. One cannot help feeling that the explanation all along lay not in the fact that Britain had an industrial revolution to liquidate but in the social habits of an old and stable society, a society much less open and acquisitive than the American, and not galvanised by the ravages of war as were many continental countries. Like most English economic historians, Professor Ashworth prefers economic to sociological explanations. But influences of a sociological kind are surely crucial to the general performance of an economy over long periods of time.

### Victorian Proconsul

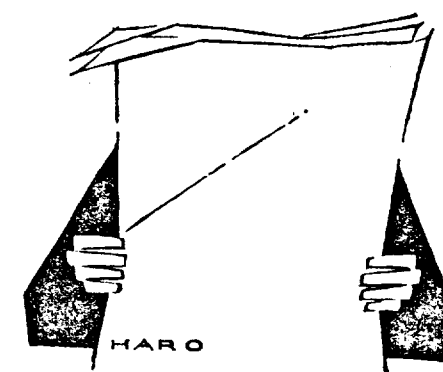
Sir George Grey, KCB, 1812-1898:

A Study in Colonial Government

By J. Rutherford.

Cassell. 726 pages. 84s.

IN one sense Sir George Grey was a Victorian proconsul *par excellence*. For a quarter of a century—from 1842 to 1867—he held office as governor, first in South



## Did you expect war in Cuba?

IT is now officially and widely believed by the Cubans that the United States intends to destroy their revolution. They believe that the Central Intelligence Agency in Washington is financing a counter-revolution based on Miami to repeat their Guatemalan success of 1954".

This was Patrick O'Donovan writing in The Observer last February, over two months before the invasion of Cuba. He went there at the beginning of this year and wrote three articles about the island's mood that even today give a deeply revealing insight into the character and ideas of the men in power.

If you saw O'Donovan's articles, neither the fact of invasion nor its failure came as a surprise to you. And such ahead-of-the-news reporting is very characteristic of the paper.

### Khrushchev and Mao

Sometimes this can have spectacular results. As for instance when Edward Crankshaw, for many years The Observer correspondent on Soviet affairs, gave the full facts about Russo-Chinese discord, and the bitter exchanges between the two leaders.

Crankshaw's report was recognised as being of diplomatic importance. It was taken up and broadcast right across the Western world.

Recently, The Observer published exclusively in Britain the tremendous exchanges between Khrushchev and Walter Lippmann, America's leading diplomatic reporter. This was a fascinating document, and an important revelation of Khrushchev's aims, intentions and beliefs.

So much for the recent past. What and where next? I don't know; but I am sure that these journalistic feats are not isolated flashes. They are the result of a great deal of thought and care.

All over the world there are men from The Observer placed strategically to see what is going to happen, as well as what is happening. Often they arrive at political nerve centres well before others have realised that those nerves are jangled. You can read the results of their probings in The Observer this and every Sunday.

J.B.L.  
ADVT.

## BOOKS

### End of an Enterprise

A Study of History, Vol. XII: Reconsiderations.

By Arnold J. Toynbee.

Oxford University Press for Royal Institute of International Affairs. 740 pages. 45s.

WITH this volume Professor Toynbee brings to an end the great enterprise on which he embarked forty years ago. Much history has been made and much written since he drew up his first draft in 1921 and it is natural that he should want to examine his work in the light thereof. He is not indeed here much concerned to analyse and correlate with his pattern the new societies that have grown up since then in eastern Europe, Germany, the United States, the Middle East and China, for he regards them not as new "civilisations" but as deviations or filiations from older ones; but he is concerned with what has been written, not so much by historians, but by archaeologists, sociologists and "metahistorians," and particularly by the motley array of critics whom he has, much to his delight, provoked to praise or blame.

The primary interest of this volume is the extent to which Professor Toynbee has thought fit to modify his assumptions, method and conclusions.

It is hard to see that he has modified his assumptions to any significant extent. He still believes that the truth about human relations can be ascertained only by the pro-

cess of analysis, comparison and classification. He claims that no other process (for example by narration) is legitimate because no other can possibly produce results, which seems an oddly pragmatic argument for seeking a body of truth that, after all, may well be non-existent or unascertainable. He is equally firm in sticking to his thesis that there exists, besides what is knowable through the senses and ratiocination, a body of "metahistorical" truth ascertainable by some extra-rational perception, intuition or inspiration. This higher knowledge is vouchsafed to man through the "higher" religions, whose place in Professor Toynbee's scheme is even more honourable and influential in this reconsidered version than it was in the earlier volumes. Indeed one of the few major modifications he has been led to make is to explain the higher religions, those "attempts to put individual souls into direct communion with absolute spiritual reality," not, as he first did, as mere factors within and part of civilisations, but as independent and creative elements in the historic process. He makes no attempt to consider communism as one of the higher religions, well qualified as it would seem to be in virtue of its generality, its claim to uniqueness and its proselytism. Another assumption about which Professor Toynbee will make no concession is that of man's freedom to choose. So assured is he that freedom is necessary if there is to be any understanding of history that he crosses no sword with

Australia, later in New Zealand and South Africa, and finally in New Zealand again. Still more unusual, seven years after he stopped being a governor he became a member of the New Zealand Parliament, where he sat for another twenty years, during two of which he was Prime Minister. In fact, however, his career was considerably more chequered than this brilliant record suggests. In 1859 one exasperated Colonial Secretary (Bulwer-Lytton) recalled him from South Africa. Eight years later he avoided dismissal by another (Buckingham) only "out of respect to his long service and because the expiration of his government was so near as to render it needless." His latest and most judicious biographer is constrained to describe his period as Prime Minister as "a fiasco." Nor was his private life unclouded: just after he took up his first governorship, his only child, then five months old, died. Whether or not his later estrangement from his wife, whom he seems to have held responsible, began thus early, they finally separated in 1860 and lived apart until just before their deaths in 1897.

To write a life of such a man is, indeed, a daunting prospect. So much of the political and social history of the three very different countries in which Grey's career was spent must be reconsidered if his own contribution is properly to be appraised. Grey's determination to have his own way and his conviction that he was always right (common enough characteristics in pro-consuls) were, moreover, associated with a peculiar skill in presenting his own case, which led an embittered Colonial Office clerk to observe: he "throws out such a cloud of words that it is difficult to know what he does assert and what he does not." The problems Grey had to handle included most of those fundamental to imperialism. The basic conflict between native peoples and settlers eager to acquire their lands; the question whether the economic and social assimilation of such peoples to western models is either desirable or practicable; the impracticability (so evident to us, but not to Grey) of any such programme without large scale aid both in men and resources; the reconciliation of colonial democracy and imperial unity—all these and many others of the problems central to the impact of people of one society on those of another surrounded Grey throughout his life, and have made his governorships a subject of still lively controversy.

Professor Rutherford has been engaged

## INDEX

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for years on this truly monumental study, which is not only the definitive life of Grey but also a major contribution to the history of the three countries concerned.

## Consul and Ambassador

**The Camels Must Go: An Autobiography**  
By Reader Bullard.

Faber. 300 pages. 25s.

ONCE upon a time—from 1876 to 1936—the Foreign Office kept a poor relation called the Levant Consular Service. Its consuls formed the hard core of British expertise on the Middle East, but the highest posts normally open to them were the ministerships in Albania and Jedda and the oriental secretaryship at the embassy in Cairo. Sir Reader Bullard was one of those who soared beyond this level. He spent the last six years of his service, which were the war years and the year of Soviet experiments in pressure on the Middle East (1946), as ambassador in Teheran.

There, he handled high policy and the highest politicians ("the stream of purposeful visitors provided us with constant stimulus"), but much of his service was given in posts where self-stimulus was a necessary recourse. Long spells were passed among poor communications and in bad climates, and one is struck by the amount of time these caused him to spend apart from his wife and family. In this respect the lot of his generation compares ill with that of the mid-century diplomat endowed with air-conditioner and cheap air fares for his children in the holidays—a fact worth noting by all who lament the good old days in Arabia.

This Sir Reader never does. He is infinitely adaptable, and one of the charms of his endearing book is its evidence of a capacity for making the most of odd situations and out of the way places. He is almost alarmingly observant, and never misses the implications of a scene or gesture, whether moving (as when a tear leaves Ibn Saud's eye and runs slowly down his worn cheek as he speaks of an execution in Palestine) or comic (as when King Hussein, leaving the Hedjaz for exile on board the government steamer, cables his successor, first, "Your steamer has run aground" and, immediately afterwards, "Our steamer has floated off again."). To read the book is to understand why so many colleagues recollect that, whenever Sir Reader was in charge of reports from Jedda or Moscow, they opened these in pleasant anticipation of entertainment as well as interest.

Another of the book's attractions is the good sense that it exudes. No matter what happens, one must get on with life, wear its harness and keep the wheels turning. Readers will discover why the title signifies this home truth, and how the job can be done with pleasure and dignity all the way from a humble home in Walthamstow to the mellow glow of the Bodleian and the coal fire in the senior common room.

## The Period of "Total Victory"

**Documents on German Foreign Policy, 1918-1945, Series D, Vol. XI: The War Years, September 1, 1940—January 31, 1941**

Her Majesty's Stationery Office. 1,361 pages. 45s.

VOLUME XI of Series D of the German Foreign Office Documents covers a period in which Hitler was kept extraordinarily busy explaining to all the world that he had won a total victory although the British were so blind as to be unaware of it. During these five months he in turn harangued Mussolini, Pétain, Franco, Molotov and Antonescu (among others). The first four presented him with little but vexation. His brother in arms and ideology, the Duce, launched his catastrophic attack upon Greece towards the end of October, 1940, thus cutting across Hitler's plans and undermining the fantastic prestige which the collapse of France had brought to the Axis alliance. In a letter of December 13th, Pétain, of whom Hitler had at first approved as a "more spiritual Hindenburg," eloquently thanked the Fuehrer for "bringing the mortal remains of the Duke of Reichstadt to the vault of the Invalides," but at the same time announced his dismissal of Laval. Unwillingly Hitler began to agree with Mussolini that the Marshal was not to be trusted. Franco with superb obstinacy refused to join the Axis powers in the war or to agree to allow them to seize Gibraltar. Lastly, Molotov, when he saw Hitler in Berlin on November 12th and 13th, maddeningly demanded that the Germans should define their terms and failed to appreciate the Axis guarantee of Roumania's diminished frontiers, which had been coupled with the German occupation of the Roumanian oilfields. Only the Roumanian Conducator, Antonescu, who began by shouting Hitler down over Transylvania, proved a true friend. But it had been the German move into Roumania that provoked Mussolini to the invasion of Greece.

In fact the documents show, as the accompaniment to all these abortive conversations, the signature of a series of German secret military directives. No. 18 on November 12th included preparations for action against Russia "regardless of what results these discussions will have"—the conversations about to begin on the same day with Molotov. Directive No. 19 followed on December 10th for Operation Attila or "the speedy occupation of the still unoccupied area of metropolitan France." This again preceded, this time by three days, the offending French action of dismissing Laval, but was not to be carried out for nearly two years. On December 13th, the day that Pétain wrote to Hitler, directive No. 20 for Operation Marita was signed, that is, for the assembling of a German force in southern Roumania to be employed "via Bulgaria for the taking of the northern coast of the Aegean and—



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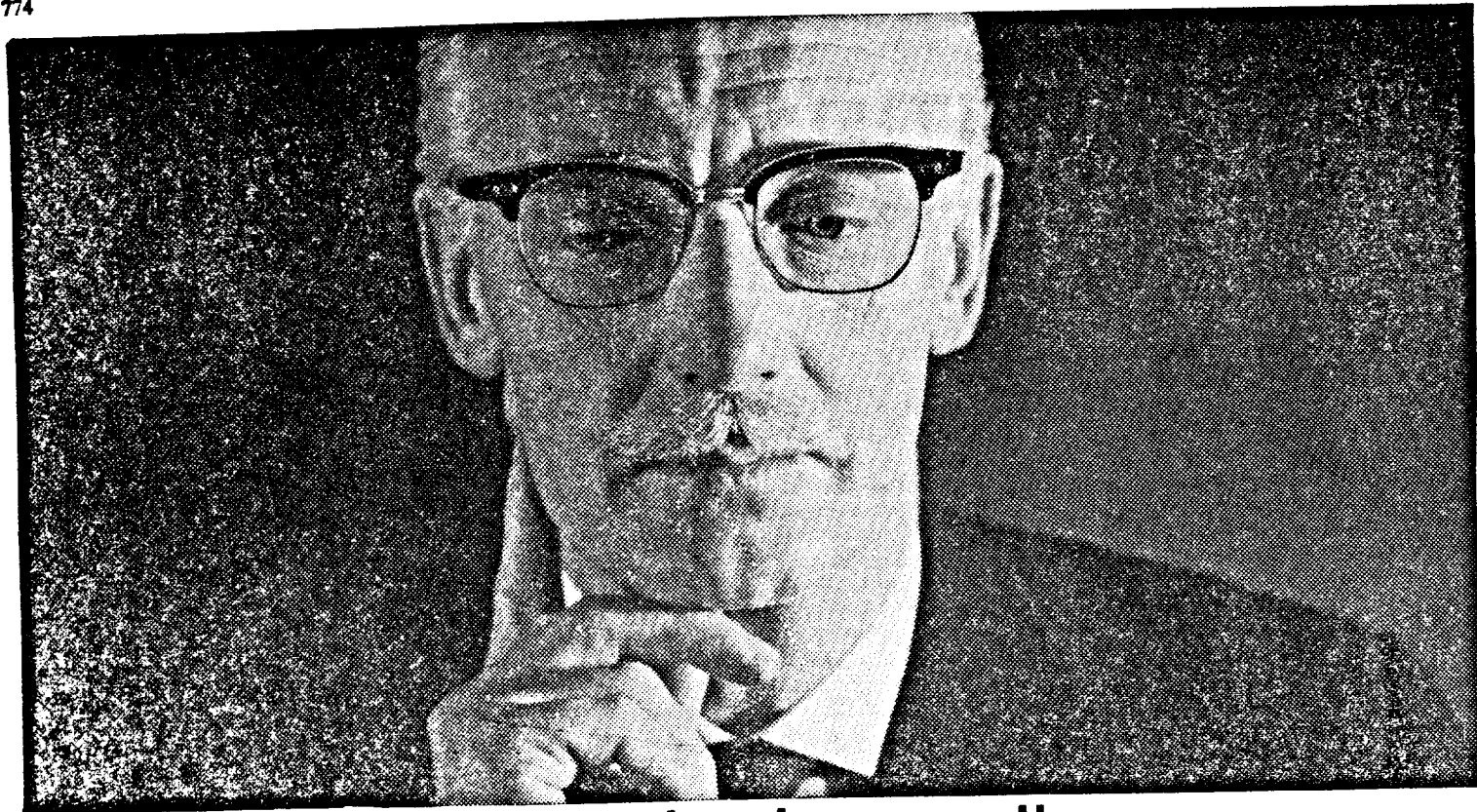
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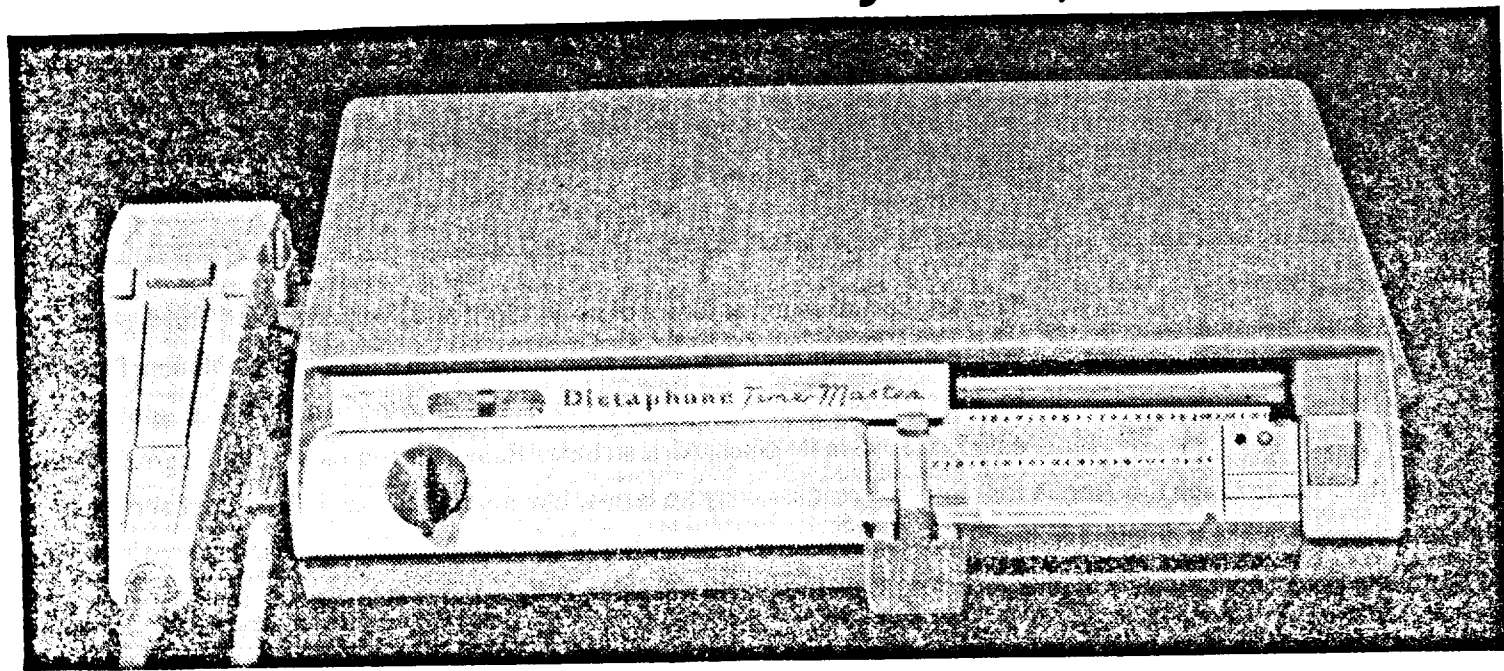
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should this be necessary—the entire Greek mainland.” Lastly, on December 18, 1940, comes Operation Barbarossa, which opens with the words that “The German *Wehrmacht* must be prepared to crush Soviet Russia in a quick campaign even before the conclusion of the war against England.” And, although Operation Sea-lion had been indefinitely postponed on September 17th, directive No. 21 stated that “The main effort of the Navy will remain unequivocally directed against England even during an eastern campaign.”

There is one sensationally unexpected document in this collection, and it concerns Switzerland. On October 1, 1940, Köcher, the German Minister in Berne, reported to Berlin that Colonel Wille, son of the Swiss General in the first world war, had said to him that “it would be best if they [the Swiss] demobilised altogether.” This was because Wille wanted to get rid of General Guisan, who had had secret military conversations with the French at an earlier date, earlier indeed than Wille knew. Although the Wille family was known to be pro-German, it is startling news that Ulrich Wille should have spoken to Hitler's envoy in such disloyal terms: General Guisan had done nothing technically incorrect in preparing, in collaboration with the French, for a German invasion.

### *Threat to the Lifeline*

**The Fiercest Battle: The Story of Convoy ONS.5**

By Ronald Seth.

Hutchinson. 208 pages. 21s.

BECAUSE convoy battles were so prolonged, and took place over such vast stretches of ocean, they are far more intractable material for the historian to handle than straightforward sea fights such as Matapan or Midway. However, the slow North Atlantic convoy whose fate is here described certainly deserves a book to itself: it marked one of the climacterics of the war. If the amount of detail given sometimes obscures the main issues involved, Mr Seth's narrative does give a clear picture of how a convoy was conducted, and of what went on in the minds of the crews of the escort vessels and merchantmen.

The early spring of 1943 was an extremely anxious time for those responsible for the defence of merchant shipping. In the previous year the Allies (and especially Britain) had suffered appalling losses—the U-boats alone sinking 1,160 ships totalling over six million tons; and in March, 1943, one particular homeward convoy suffered a serious disaster, losing 22 ships. Nearly all the losses took place in the “air gap” south of Greenland, which only the few “Very Long-Range” aircraft possessed by Coastal Command could reach. The U-boats lay in wait on the edge of the gap, and attacked furiously while the convoys were crossing it.

Towards the end of April, convoy ONS.5, which consisted originally of 42 ships, set

out from Britain in charge of Commander P. W. Gretton's escort group. The weather was terrible: continuous storms, fog and ice were encountered, the merchantmen became badly scattered, and the escorts could not refuel at sea. On the 29th about 30 U-boats began to close in, and the battle, which was to last for a week, opened. But the danger was realised in the Admiralty, and two of the recently formed “Support Groups” were ordered out from Newfoundland to reinforce the escort. The three groups together managed to hold their own, if by a very small margin. Though twelve merchantmen were lost seven U-boats were destroyed and many others were damaged during the convoy's passage. On May 11th Commander Gretton's ships set out homeward with another slow convoy; this time no merchantmen were lost and five more U-boats were sunk. The double operation was thus a clear-cut victory, for on May 23rd Dönitz withdrew the survivors, and silence fell on the Atlantic battle ground. We now know that, since the first of the month, no fewer than 33 U-boats had been sunk, which was a greater rate of loss than could possibly be sustained. Although the U-boats returned to the fray later in the year they never again came so near to cutting Britain's lifeline as in March and April, 1943.

Mr Seth deals very competently with all the intricacies of these operations, and his account of the climax of the battle of ONS.5 during the night of May 5th-6th is thrilling. He has evidently studied the records with great care, and he skilfully uses the recollections of the men involved to amplify the bald statements of the official reports. Although his book is not free from minor blemishes, it contains only one important mis-statement. It is quite untrue to say that it was only the sinking of the *Athenia* on September 3, 1939, that caused the Admiralty to adopt convoys. Worldwide preparations were in fact put in hand well before the outbreak of war, and the first mercantile convoy actually sailed from Gibraltar the day before war was declared.

### *Artist into Story Teller*

**Dangerous Corner**

By Maurice Vlamincq. Translated by Michael Ross.

Elek Books. 171 pages. 25s.

AFTER a spate of books about the lives of artists in which truth is indistinguishable from fiction, it is rather refreshing to be presented with an artist's own writings about himself. Possibly giving as lop-sided a picture as any biographer's, it is nevertheless presumably how the artist would have us see him.

This book provides an English translation of the first of Vlamincq's autobiographical volumes “*Tournant Dangereux*,” published first in France in 1929. Art historians may decide that Vlamincq's influence on French art was short-lived, yet his Fauve

pictures show unquestionably that he was one of the innovators of the contemporary school. Unquestionably, too, he had an exceptional personality and his dramatic, colourful sense, dash and vigour, so evident in his landscape painting, pervade his writing.

Not that this book tells the reader much about Vlamincq's contributions to art (although the excellent introduction from Mr Sutton does); nor will it suit those who are curious about his love life and his two marriages. Instead, with a happy disregard for chronology, Vlamincq tells stories of his childhood, his early careers as musician and racing cyclist, before he turned to being more than a Sunday painter, and in particular of his experiences as a conscript in the first world war, when he was drafted eventually into a munitions factory. They are stories in the best sense of the word. Taking the account up to the late 1920s, some of the choicest of the anecdotes—and there are many—relate to a visit to London.

But, of course, his passion for art runs through his story-telling. “I have always loved painting for itself, just as one can love a girl who has no dowry.” . . . “For art to be great, it must be serious. This is a rule, just as in love.” . . . “Painting: Painting is nothing more than a means of expressing yourself in an original manner, without cashing in on the heritage of artists since dead, without the need to resurrect Corot or to improve on Courbet, without talking of Poussin as though he were a close relative.” As he touches on his early friendship with Derain, his admiration for Van Gogh, his schooling with Cézanne, his aversion to Cubism, there are glimpses of the artistic world. This is an enjoyable book.

### OTHER BOOKS

ICELANDIC ART. Text by Kristján Eldjárn. Thames and Hudson. 14 pages and 70 plates. 42s.

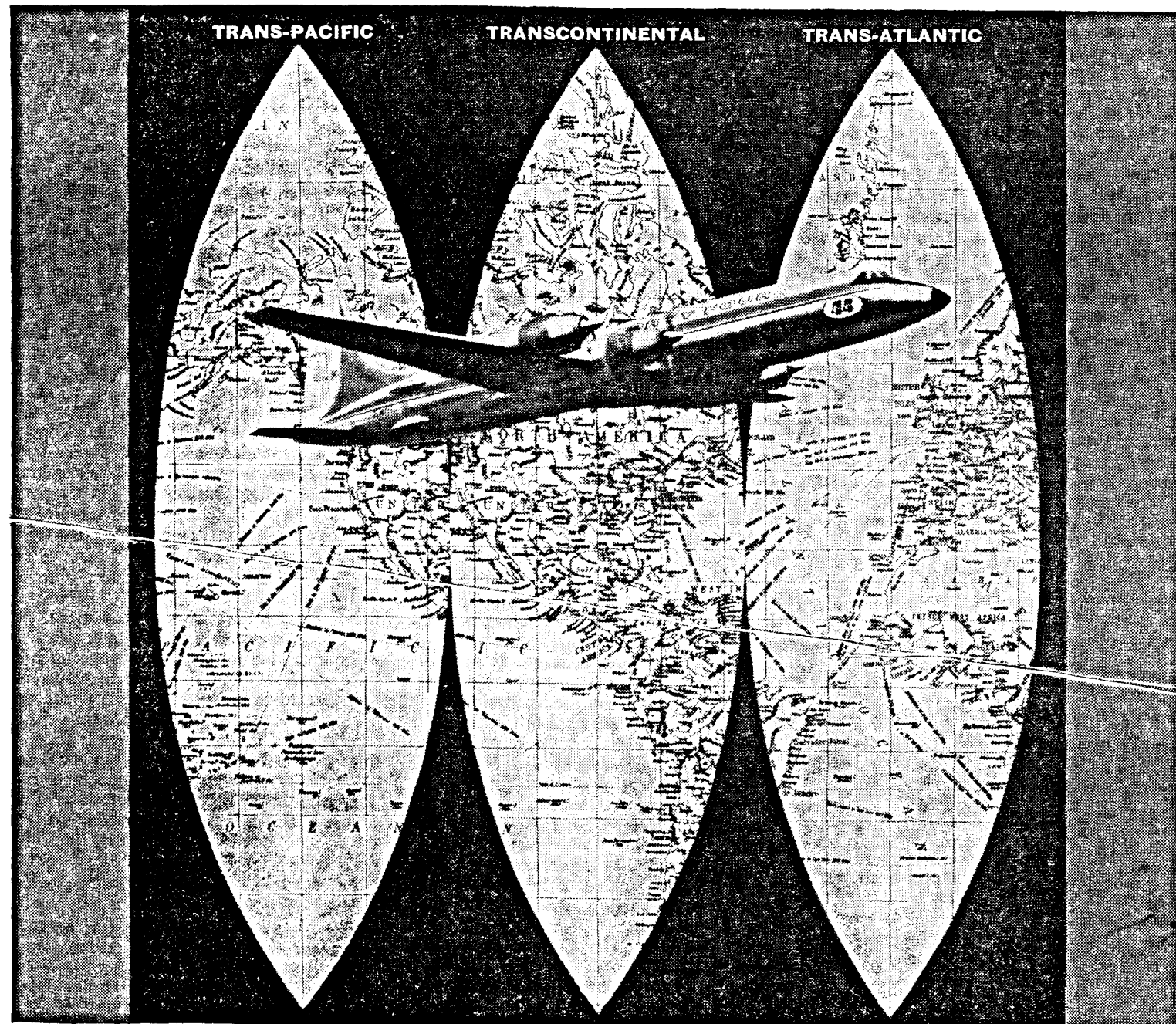
No medieval buildings have been preserved in Iceland, no medieval murals remain. But, with excellent reproductions, this book illustrates the minor arts of Iceland, the ornamental arts of wood-carving, metal-working, manuscript illumination and embroidery.

EMERGENCE AND CONTENT OF MODERN ANALYSIS. By William Fellner. McGraw-Hill. 473 pages. 58s.

This synthesis of economic theory and the history of economic thought is an original way of presenting economics to the newcomer. It has some major advantages. Mr Fellner broadens the scope of the subject and at the same time successfully shows how analysis becomes adjusted to the changing problem of the times. The linking of the various “schools,” from those of Adam Smith to Keynes, is completely side-stepped in most textbooks, as is the crucial distinction between economics proper and the politics of economic policy.

But there is a price to pay. Anyone who wants to get at the core of economics as it stands today will have to do a lot of thumbing before he finds it here. Moreover the style is compressed and some of the exposition would certainly not be at all easy for the beginner to understand. It is more a second than a first year textbook. But Mr Fellner has rung a welcome change on the usual collection of curves and equations which passes for economic theory in many introductions to the subject.



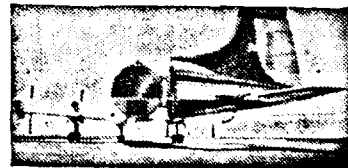


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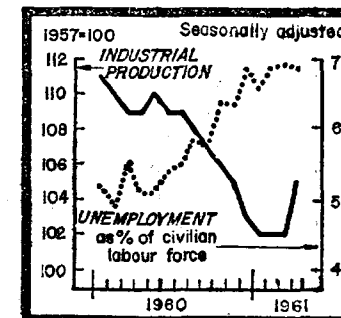
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# AMERICAN SURVEY

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.

## Recovery Takes Shape

FROM A CORRESPONDENT  
IN NEW YORK



THE economists of the New Frontier are taking their second look at the national economy and having their second thoughts about its health, a re-examination that President Kennedy promised to conduct when he submitted his first proposals for ending the recession. Early in January, before the new Administration took office, one of its task forces called for a moderate amount of anti-recessionary spending—and easier credit—should the downturn prove to be mild and short-lived, and an across-the-board cut in income taxes should recovery fail to make itself felt by the spring. Once Mr Kennedy took over, his economic advisers pushed for the remedies needed to counter a mild decline while they talked as if they expected far worse. The reappraisal which they are now making has led them to change their tune or at least their tone. They admit that the recession is over, but they are thinking, apprehensively, in terms of a mild and sluggish recovery, rather than a vigorous new boom.

This view may prove over-cautious, for economic activity is expanding on practically every front and is rebounding sooner, and with more zest, than had been generally expected. The Federal Reserve Board's index of industrial production, which hit a peak of 110 last May and then declined to 102 in January and remained there in February and March, registered an impressive advance to 105 in April. This may be nothing more than the reflection of a temporary need to rebuild stocks. If this turns out to be the case, then there will be justification for the scepticism over the recovery expressed by the President's Council of Economic Advisers. The council has precedent on its side; historically, the sharpest recoveries have followed prolonged and deep declines, while mild recessions have normally and recently led to mild and gradual recoveries.

Yet a strong argument can now be made for expecting a speedy and ebullient revival in business activity, and not only in Wall Street, which has been at the head of those who believe that a new boom is in the making. The Federal Reserve authorities note that the improvement in output has continued into May, with contra-seasonal rises occurring in motors and in steel, and "wide-spread" gains in other durable goods. Indeed, there is a good chance that the liquidation of stocks, which was largely responsible for the decline in industrial production, has come to an end. Stocks were drawn down heavily in the first quarter, but there was a significant shift in the process; most of the fall was attributed to retail traders rather than to manufacturers, who had been cutting back for some time. Manufacturers now report that new orders are rising faster than shipments, which suggests that a lengthy period of restocking may be ahead.

A sharp recovery would not necessarily fly in the face of his-

torical precedent. For, while the late recession qualifies as one of the shortest and most moderate on record, it has had severe repercussions on some sections of the economy, particularly on steel and other cyclical industries. And these are the areas where the largest gains are now appearing. The same pattern is visible in construction, which fell in dollar volume in 1960 for the first time since the war. Now construction is climbing at a rapid pace, with the increases most marked in public works and commercial building; a revival in residential construction, which has been beset by slackening demand as well as bad weather, is also under way. Capital spending on new plant and equipment is still declining, but it rarely rebounds in the first stages of a recovery; a brisk upturn is predicted for the second half of the year, which would provide another stimulus to business.

These factors should carry the index of industrial production—and the gross national product—to new high ground fairly quickly, more quickly in fact than the Council of Economic Advisers—or many business economists—expect. Unquestionably, some of the credit is due to the Administration. It has gained the co-operation of the Federal Reserve authorities whose easy money policy is providing the funds for future expansion. And it has taken a number of steps, some of which required legislative approval, that have helped to promote the present recovery. Government spending, for example, has been pushed up substantially, with the result that the Budget, which was showing a surplus a year ago, is now running at a deficit. At the same time, spending by state and local authorities has increased, partly as a result of federal measures.

THE stage may thus be set for a strong advance on a broad front, although a sustained rise must await a resurgence of the consumer demand which was mainly responsible for the sharp recovery from previous recessions. So far consumers are not showing any of the enthusiasm that was so evident in either 1953-54 and 1957-58. Retail sales, for example, rose slightly in February and March, aided by an early Easter, but they remained below the level of a year ago, and in April sales declined once again. This disappointing course is certainly ammunition for the CEA's argument, but consumer demand may yet prove explosive. Personal income, which had been declining, moved up in March, partly because the government accelerated the payment of dividends on servicemen's life insurance, partly because wages increased. Hire purchase debt also increased in March after two months of net repayments. Indeed, consumers have increased their savings substantially. This indicates hesitancy, but it is also evidence that they are in a position to make new commitments.

But even if consumers run true to form, the Administration's economists do not feel that their spending will be sufficient to solve the problems of excessive unemployment and under-utilised productive capacity. In the short run this is certainly true, for industry can increase its output considerably without taking on many new people, simply by giving up short-time working. The Administration is therefore taking the line that new measures are needed to ensure a fast rate of economic growth and to reduce unemployment. The CEA can no longer propose "anti-recession" measures. But it is preparing a fresh series of recommendations designed to stimulate demand and reduce unemployment. (These



plans for more spending may have to be cut if the Administration decides that it must spend more on defence and on space programmes.) In addition, the CEA is still calling for lower interest rates as a means of encouraging borrowing by businessmen and by prospective home buyers. In effect, the council appears to assume that, as the patient has already demonstrated rather surprisingly great recuperative powers, a little extra dose of the same mixture may produce miracles.

Increasing the dose, however, may not do much good—and it might have some harmful after-effects. The idea of encouraging a drop in interest rates is not shared by all the Administration's officials. The Treasury, for example, has been in favour of maintaining the short-term rate above 2 per cent, partly because it does not want to encourage a renewed exodus of short-term capital. If the demand for credit begins to rise, as it should with the increase in economic activity, any further lowering of money rates might inject a massive, and potentially inflationary, dose of credit into the economy and might also provoke a new outflow of capital. By the same token, any additional funds voted for public works would have little effect at present, when the economy might derive some benefit from them; the real impact would come later, at a time when they might add to the pressure for higher wages and costs, and might produce a big deficit similar to the one that plagued the Eisenhower Administration in 1959.

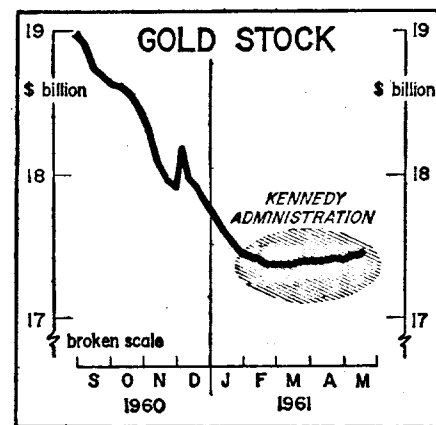
When a recovery is in its early stages it is always difficult to spot the forces that will provide continued momentum. But recoveries, like recessions, tend to feed upon themselves, and too much tinkering—with the interest rate structure or programmes of public works—can be a mistake. Given the CEA's scepticism about the vigour of the recovery, it should have worked harder for reductions in income tax when it had the chance. But now that the recovery is underway the President's economic advisers might be wise to hold their hands until the times are economically—and politically—ripe for the acceptance of measures calculated to stimulate economic growth. At the moment the economy seems to be doing well enough without further help.

## Golden Opportunity

**P**LEASED as it is at the revival of confidence in the dollar the Administration is not throwing its cap in the air over the big improvement in the balance of payments in the first quarter of the year. Partly this is because it is unlikely to last, partly because Congress still has to act on several measures to reduce the international deficit and to equip the government to deal with any renewed run on the country's stock of gold. The will to tackle these measures might evaporate if members of Congress think that the problem is no longer urgent simply because gold is no longer flowing out of the United States.

Congress has finally passed a Bill to promote travel in the United States by foreigners, and this week the House voted to reduce the duty-free allowance on goods bought abroad by American tourists. On technical measures to make it more attractive for foreigners to hold their dollars in American securities and bank accounts, rather than turn them into gold, the Administration has had one success. The President has just signed a Bill exempting from federal tax the interest on Treasury securities held by foreign central banks. But the importance of this is only that it puts an end to uncertainty about the bureaucratic device by which such interest has been exempted from taxation in the past. A more important Bill, which would allow commercial banks to pay interest of more than 3 per cent on time (savings) deposits of foreign governments, by freeing these deposits from regulation, still lacks a sponsor in the House because few Democrats like to be associated with higher interest rates—especially for foreigners.

The aim of another Bill, on which hearings were expected to start in the House this week, is to permit the Administration to use the whole of the country's gold stock, if necessary, to settle international payments and thus defend the dollar. Under the Act creating the Federal Reserve System nearly forty years ago, a gold reserve must be maintained equal to 25 per cent of the deposits of the Federal



Reserve Banks and of the currency issued by those banks. This amounts at present to \$11 billion of the gold stock of \$17.4 billion. In fact the requirement can be suspended. To abolish it—as many monetary experts have urged—while gold was flowing out might have caused alarm, but the present moment provides a golden opportunity for reform. The Administration's spokesmen and even Mr Martin, the head of the central bank, are expected to support the measure although the Administration is anxious to have it look as though the initiative came from Congress. The arguments against it are that to require such a reserve limits any inflationary expansion of the supply of money and spurs the search for means of reducing the international deficit. But not all members of Congress are even this rational about gold; not long ago certain members of the House proposed that they should go in person to Fort Knox to weigh and count America's hoard.

## Minow and a Whale

**L**AST week Mr Newton Minow, once one of Mr Adlai Stevenson's bright young men and now the brave new chairman of the Federal Communications Commission, challenged the National Association of Broadcasters to swallow him up with a public speech as hard-hitting as any ever addressed by a government official to the representatives of an industry. Mr Minow accused the owners and operators of the country's television stations of wasting a great natural resource, the air waves which they are licensed to use "in the public interest" but which in fact they use merely to provide what they think interests the public. In Mr Minow's opinion, and that of many other observers, including the NAB's own president, the broadcasters are catering only to the people's whims, not to their needs, filling the television screens with violence, crime cowboys, family comedies, audience participation shows and commercials, and providing little or nothing for the minority of viewers who would like something better. Moreover Mr Minow, a critic of the system by which the popularity of programmes is rated, is not sure that these dissatisfied viewers really are a minority.

Mr Minow denies that he wants to interfere with the content of individual programmes, although the industry is of course accusing him of "censorship" and "dictatorship." But he intends that station licences shall no longer be renewed automatically by the FCC every three years. Broadcasters should be required to prove that they have fulfilled the promises, made when the original licences were granted, to provide diversified programmes and to devote time to local concerns and public service. The viewing audience in the station's area should be invited to say whether it is satisfied with what it is being offered. Whether the other six commissioners will go along with Mr Minow's drastic proposals remains to be seen and he has certainly made it less likely that Congress will approve

the President's plans for reorganising the FCC since these would give the chairman more power.

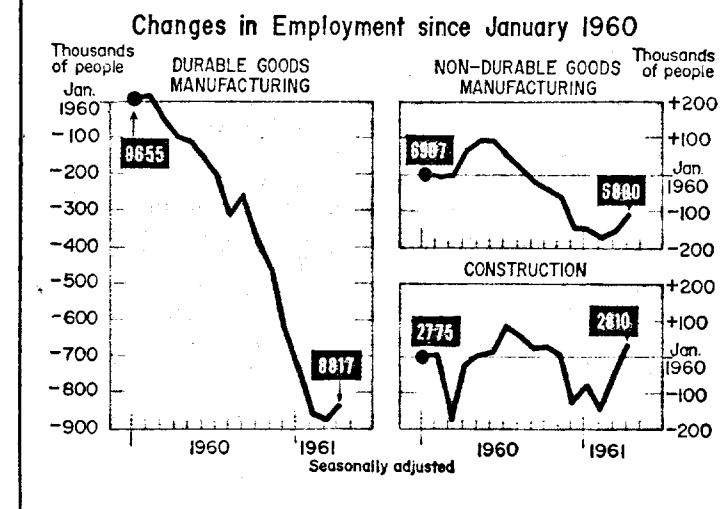
He believes that, if a licence to broadcast depends on good programming, broadcasters will compete to provide better programmes. To increase the competition he is expected to encourage pay television schemes, more educational television stations and more commercial stations using the ultra-high-frequency channels in which there is still plenty of room. This means that more sets able to receive UHF broadcasts must be manufactured and the FCC was already working on this before Mr Minow took over. But the broadcasters say, with relish, that he will be defeated by the economics of television. Good news and public service programmes cost much more to put on the air than westerns and "situation comedies" but their lack of popularity with audiences makes it difficult to find sponsors. Thus they bring little or no revenue to stations carrying them and the industry insists that it cannot afford them.

## Curb Curbed?

**T**HE Securities and Exchange Commission, the government agency that polices the stock market, announced this week that it is to conduct a thorough examination of the American Stock Exchange. Still known as the Curb, in memory of its early days when business was conducted in the street, the American Stock Exchange is second only to the "Big Board"—the New York Stock Exchange—among the country's thirteen security markets. It handles many of the glamorous growth shares and low-priced stocks which have led the recent feverish rise in the stock market and in the past year its volume of trading has risen from roughly a million shares a day to four million on some occasions. On one day last week its turnover was higher than that on the NYSE.

## NICE JOB OF WORK

Although the number of people out of work remained at a disturbingly high level in April, employment in non-farm jobs went up substantially more than usual in the month, to 52 million, an increase of 400,000, the first since last autumn. Particularly encouraging was the number of people employed on construction, which had risen more than expected for the second month in succession, and the absence of the usual spring decline in factory work. There were even gains in employment in durable goods industries, for the first time in over a year. Moreover, the time worked in factories went up again, to an average of 39.2 hours a week, making an increase of 30 minutes a week since the beginning of the year in this significant indicator.



## Wells for Wastes

FROM A CORRESPONDENT IN COLORADO

**A** UNIQUE well, more than two miles deep, which is being drilled in the prairie near Denver is a reminder of the enormous expense and trouble to which man may be put to dispose safely of his own multiplying waste products. This well is being supervised by the Army Engineers at the Rocky Mountain Arsenal where weapons for chemical warfare were made during the war; later pest-control products were manufactured there and both were chemical, not atomic, substances. Originally the waste materials were run into ponds on the prairie but the bottoms of these were porous and gradually the spreading wastes poisoned the subsoil moisture which supplied water for crops, animals and humans alike. People round about were driven from their homes and forced to bring water several miles by tank-truck for domestic uses. These poisons will go on spreading for years, until they are rendered harmless at last by time and dilution. But no one knows when that will be.

The Army sought to make amends by asphaltting its ponds and by providing water for scores of families. It also set itself to find a completely safe means of disposing of these wastes. What was needed was a porous stratum deep underground, through which such waste liquids could drain away safely, covered by impermeable rock to keep them from making their way up again. Geologists had to go down to 11,400 feet to find a safe depository. To drill a well so deep is an elaborate undertaking; the contract price is about \$265,000. It has to be cased in from top to bottom, and the casing has to be clothed with plastics to resist corrosion either from within or without. Moreover, works to treat the sludge before it is pumped down the well will cost another \$375,000. This has to be done with great care, because if the wastes should combine with chemical elements in the deep bed and "gel," nothing at all would drain away and the well would become useless.

This costly business may, however, help to solve the immense problem of disposing of all the new kinds of wastes now being produced, including atomic wastes. The Atomic Energy Commission has asked the Geological Survey to study better means of getting rid of the fearful by-products of atomic fission, such as strontium-90; a few grams of this could poison the whole country's water supply. Many other atomic by-products will be noxious for years, perhaps for centuries. At present such dangerous wastes are stored in concrete tanks. But Dr Roedder of the Geological Survey estimates that by the year 2,000 the world will have had to find a safe place for 16 million tons of such deadly stew.

He can think of only one such place—a porous formation several thousand feet down, covered over by an impervious stratum. This is

much the same solution as the one the Army has adopted. He suggests drilling deep wells a few feet apart in a great circle 1,600 feet across. Down these would be pumped some kind of liquid cement which would spread between them and harden, making a giant leak-proof silo. Then another ring of wells would be drilled just inside this and down these would be pumped the atomic wastes. These in turn would drive up a central well the original waters of the formation, like the "water-drive" which revives exhausted oil-wells. The porous formation at the bottom would hold all the atomic wastes the United States produces in two years. The cost is estimated at \$10 million which, Dr Roedder says, would make this far cheaper than other suggested means of disposing of atomic waste.

## Those Who Work in Glass Houses

NEW YORK

ALTHOUGH few of the thousands of New York's office workers who now spend their days in huge rectangular cases of steel and glass would want to return to their conventional old quarters, some of them take a layman's delight in the things that go wrong in these highly-planned new projects; several of the new buildings, for instance, proved a good deal less than water-tight when the first heavy rains came. And, while glass exteriors have certainly given these fabulous developments a light and almost transparent appearance from the street, many within find it vaguely disturbing to be on quite such intimate terms with the world outside. One man about to move into offices with wall-to-wall windows demanded a brass rail to steady his nerves as he gazed down several hundred feet to the street below. Thanks to New York's clean air, these large expanses of glass let in altogether too much daylight. Venetian blinds exclude the glare (and with it the view) but are less successful at intercepting the heat from the sun—which puts a considerable strain on air-conditioning equipment.

Climate in the new office buildings is wholly man-made but tastes in this matter vary widely, and some of the systems have proved altogether too inflexible. One hardy Briton with the control at his finger tips kept a roomful of typists in their overcoats until the technicians moved in to break this inter-dependence. In another building secretaries constantly complain that they get heat and air only if the boss leaves his door open. Sealed windows have a lot to be said in their favour: they are cheaper to install and easier to clean, they keep out the dirt and noise, and they make things simpler for heating and air-conditioning systems. But at the same time they remove a simple mechanism for adjusting temperature to individual whim and they also have the psychological effect of persuading many people that the air is "stale" when really it is not.

Ceilings are usually much lower than in older structures, partly because of the economic need to cram in as many offices

as possible and partly because of the space required by heating, lighting and ventilating systems. A very large proportion of those employed get the individual office that is believed to be their choice, but the almost universal complaint has been that while they can no longer see their colleagues they can certainly hear them. One remedy is to build a low-pitched hum into the air-conditioning system; another is to lay wall-to-wall carpeting.

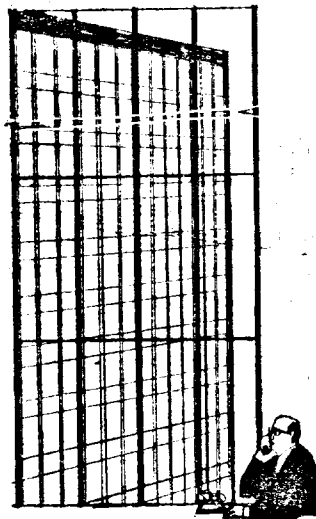
In these new offices there is a quite unprecedented emphasis on interior decoration; nothing is merely functional. Union Carbide claims that its new headquarters is the most completely integrated office building in the world; even the stapler on each desk is designed in two tones to match the scheme of the particular room and the IBM computers wear the company colours. In such buildings floors, walls and curtains are nearly always in cool, neutral tones with colour only in small, strong doses—an orange occasional chair, a modern painting. And to offset the severity of so much glass and metal, potted plants have been imported in their thousands. For instance, there is what amounts to a small tree growing in the cafeteria of one of these glass houses, one wall of its dining room consists of an exotic hedge and in most of the offices

foliage of one sort and another is doing its best to make filing cabinets look alive.

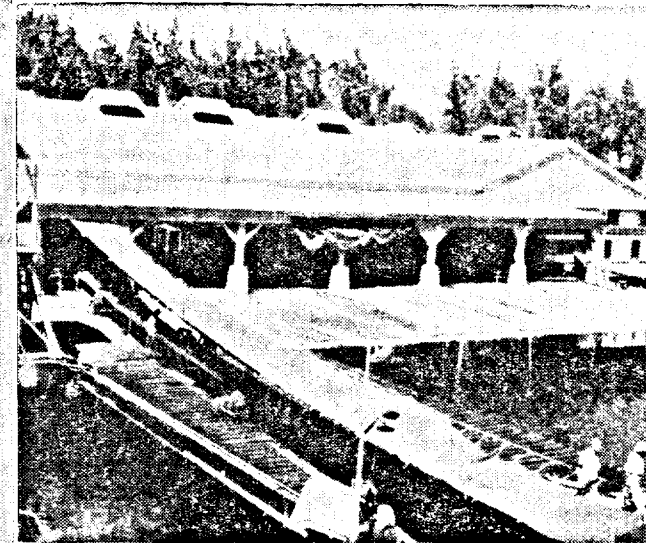
There have been a few hair-raising stories of employees who have had to pile their books on the floor because the interior decorator would not allow a larger bookcase and of shelves and files at knee-level where they look nice rather than at a height where they can be reached. Elegant low white plastic desks may have special accommodation for typewriters but none for the knees, corners that cut and drawers (very few of them) that run back only nine inches. And Top Persons probably have no desks at all, but sit casually at round marble-topped tables without a single drawer.

To judge from its new office buildings the American corporation is today as concerned about its appearance as any fashionable woman. In some companies there is even a distinct feeling that the staff should live up to its surroundings; on moving into new quarters one firm asked its female employees not to wear jumpers or flat-heeled shoes. Today's business style is not exactly what J. P. Morgan would have ordered, but it performs the same function that oak panelling and large desks did in his time—adding prestige to executive officers and giving them points in corporate lifemanship.

But there is more to it than this. In the first place management now has no doubt that it pays to give employees attractive working conditions; several firms say that their labour turnover has dropped since they moved into glass offices. In the second place, in the new buildings, with floor areas approaching that of Waterloo station, large numbers (usually the majority of workers) must pass their days in the windowless interior and, with the current fashion for giving each individual a room to himself, shut up in a small box. It is for interior designers to create an impression of light and air to make this human beehive habitable; some of them have been remarkably successful—an achievement which is their main defence against the accusation that they have been heavy-handed in imposing professional taste and too much uniformity on the occupants.



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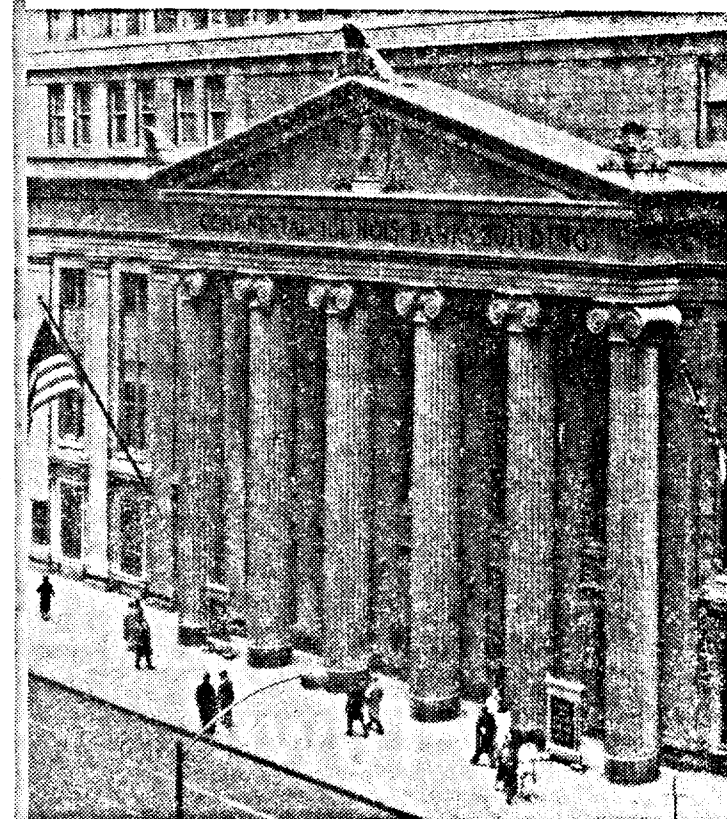
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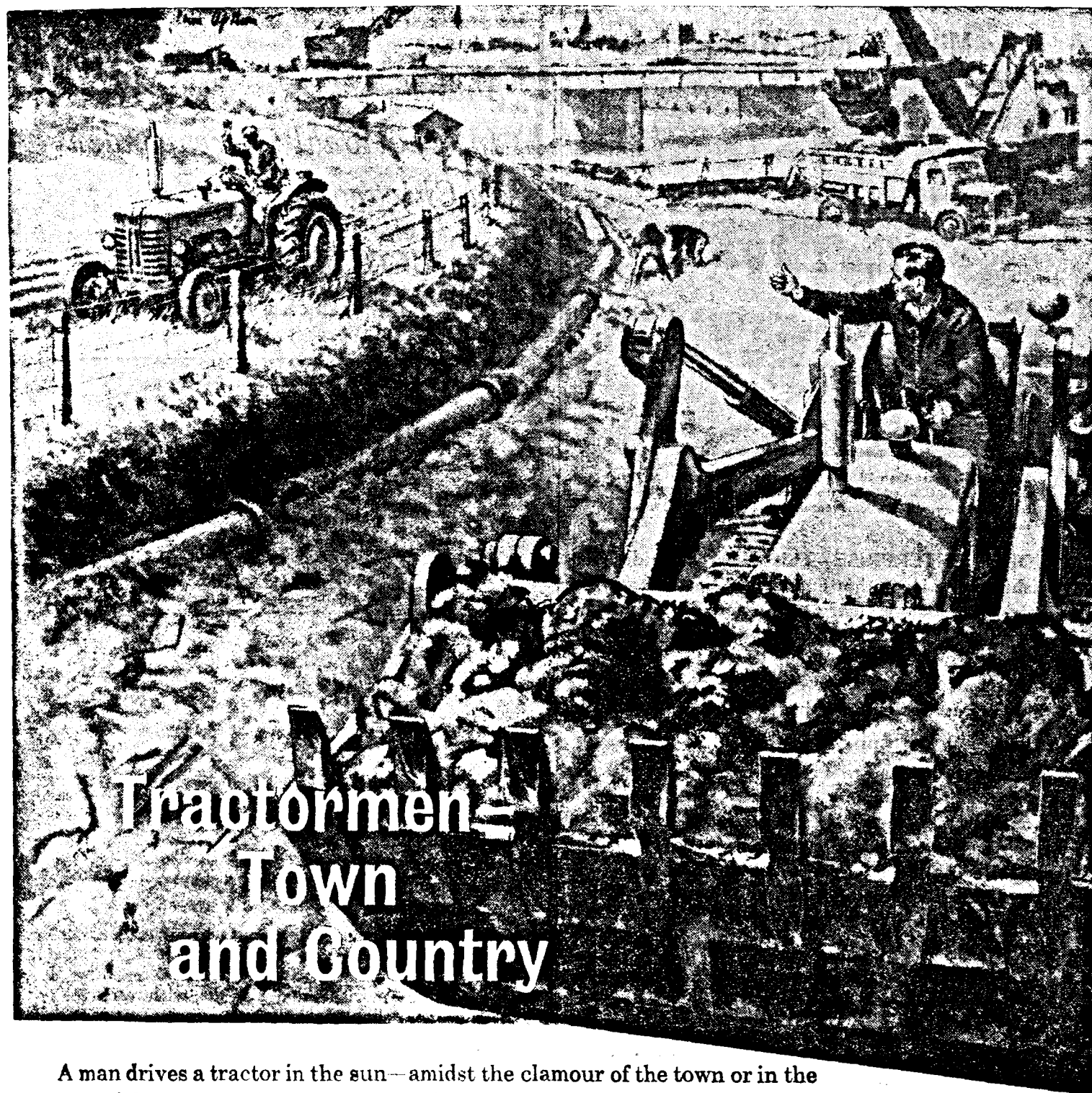
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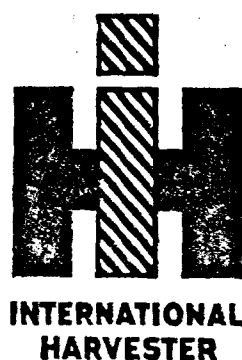
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## Missiles in Slow Motion

WORKERS on the country's urgent \$3 billion programme to build bases for missiles have earned themselves a bad name for their frequent unofficial strikes, restrictive practices, low productivity and fat overtime—in American terms "feather-bedding." After holding eight days of hearings—at which it was brought out that nearly 170,000 man-days had been lost since 1956, half of them at Cape Canaveral—Senator McClellan, back at his old job of curbing labour abuses, is ready to propose a ban on strikes or other stoppages on defence programmes. At a time when the President is calling, however unspecifically, for sacrifices from all Americans, it would not be hard to work up a good deal of sympathy for such a law. Fortunately Mr Goldberg, the Secretary of Labour, is determined not to make the workers the scapegoat for all the delays which have bedevilled the missile and space programmes—delays for which the government, the military designers and the contractors all bear some responsibility.

"Careful You Don't Set The Whole Dormitory On Fire"



That there have been scandalous abuses no one denies. One electrician managed to earn \$648 a week through generous overtime and it is alleged that workers deliberately went slow to spin out the projects and collect premium pay. Last year, which was the worst, the number of man-days lost through strikes was eight times the average in industry generally. What

Senator McClellan's investigation failed to bring out, however, is that there has been a big improvement this year in spite of the fact that the missile programme is poised dangerously over the deepest fissure in the trade union movement. This divides the craft unions, particularly those in the building trades, and the industrial unions which take in workers in all the plants in an industry. Firms with contracts to build missile bases find that it is usually cheaper and more efficient to prefabricate many parts in their plants, which are organised by industrial unions, but the craft unions claim the right to do the work at the actual site and often to "assemble" parts which have already been assembled. Strikes flare up easily unless the contractor, for the sake of peace, pays craftsmen for work they have not done; often, under pressure from the military for results, he has given way—at the taxpayer's expense.

Mr Goldberg's aim is to set up a labour board to consider grievances; in return the unions would be expected to honour a no-strike commitment. It is not expected that this board would have powers of compulsion and individual workers might flout both the board and their union. But patriotism—and publicity—are powerful weapons; there has not been a strike at Cape Canaveral since the Senate hearings began.

## Green Light, Red Light

AFTER a grim first quarter in which many of them lost money the railways are, if anything, keener than ever about the mergers which many of them feel are necessary if excess capacity is to be squeezed out, if the industry is to flourish once more and if the public is to be provided with an efficient service. But there are contradictory signals along this line. The Supreme Court has

just helped by clearing away one obstacle—or at least a potential obstacle. It has ruled that when railways join forces and workers become redundant, the Transportation Act of 1940 does not require all of them to be kept on—as long as they are paid sufficient compensation. This has been the general understanding for the past twenty years, but two railway trade unions challenged it in the case of the merger of the Erie and Lackawanna railways. Compensation for employees discharged after a merger is already so adequate that it would be easy to exaggerate the monetary importance of the decision. The railways are bound for four years after a merger to find new jobs at the same pay for displaced workers or to pay the difference between the new and the old rate, even if the men take jobs in other industries. But if the union had won its case there would have been no incentive to look for other jobs.

This dim green light does not show up very brightly, however, among the red ones blinking up and down the line. There are fourteen applications for permission to merge before the Interstate Commerce Commission and a few months ago it seemed that many of them would be granted promptly. But the trade unions, which fear the loss of some 200,000 jobs if these industrial marriages are permitted, are being backed up by states and communities that have taken fright. All are putting pressure on Congress for a "freeze." The Department of Justice is also taking a sharper interest in the effect of railway mergers on competition. Most important of all, railways which fear that they may be badly hurt by the proposed mergers are now trying to block them.

The largest of these is the New York Central Railroad which tried and failed to be included in two proposed mergers; it is now petitioning the ICC to establish two "balanced" railway systems in the East, one built, naturally, around the Central, the other around its great rival, the Pennsylvania Railroad. The Department of Justice is supporting the Central's view that all the mergers proposed for railways in the East should be considered together. The Railroad Labour Executives Association would go further. It wants Congress to ask the ICC to draw up a master plan for mergers and to forbid any other consolidations. If mergers are to be used to rescue weak, inefficient or unneeded lines, the operation loses much of its point. Moreover, prosperous railways would comply only under compulsion. Yet in the public interest some of the weaker lines have a strong claim to survive.

## Father of TVA

THE actual centenary of the birth of George Norris comes in July, when a commemorative stamp will be issued, but Congress will be so busy then that a conference was held this week in Washington to honour the memory of a man who probably did more to shape modern America than any other Senator. In the forty years during which this plain-spoken, sometimes stubborn, idealist represented Nebraska in Washington he led the fight to break the iron grip of the Speaker on the House of Representatives; preserved, almost single-handed, the hydro-electric dam site at Muscle Shoals which became the heart of the Tennessee Valley Authority; sponsored the "lame duck" amendment to the Constitution under which power is handed over to the new President and Congress in January rather than in March; joined with Fiorello LaGuardia to curb the use of court injunctions against trade unions; and sponsored the Rural Electrification Act under which electric power has been brought to over 2 million farms. Originally Norris was selected by the Republicans to halt Nebraska's swing to the Populists, who were agrarian reformers. But he himself was too much of an independent and reformer to please his party for long. Even this week most of the people taking part in the observances—with the exception of Senator Aiken, a progressive Republican—were Democrats in sympathy with Norris's achievements in the field of public control of natural resources.

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## THE WORLD OVERSEAS

### The Reluctant Conference

FROM OUR SPECIAL CORRESPONDENT IN GENEVA

**R**ELUCTANT beyond reasonable bounds, the "international conference for the settlement of the Laotian question" started on its discordant course on Tuesday evening. It was not merely four days after the appointed date; it was even one hour later than the time—5 o'clock—that had been officially announced, Prince Sihanouk of Cambodia having telephoned while motoring up from Nice to ask for a later start. He telephoned a second time to ask for a further half-hour, but in the event he was at the Palais des Nations at 6 pm, breathless but speech in hand, to take the chair at the opening session.

As the Cambodian leader rightly reminded his audience, it was he who first proposed the present conference, and the political wisdom that inspired this suggestion permeated his opening speech. To the general surprise the remedy he proposed for the Laotian patient was neutrality, not on the Cambodian model—which is voluntary and self-regulating—but on the Austrian model, which is defined by state treaty and internationally guaranteed. Lord Home also supported a controlled neutrality extending not only to imports of arms but even to the creation of an international body to administer all economic assistance to Laos.

It may fairly be commented that the experience of the various control commissions set up in Indochina after the 1954 Geneva conference discourages any thought that arms control is going to be easy in Laos, while the complexity of administering aid systems as different as, say, the Soviet and the American surely condemns the attempt in advance. The Americans, however, seem convinced that uncontrolled aid would be incompatible with Laotian independence and Lord Home, in advancing this principle, seemed to be agreeing with them. The Laotians, when their time comes to speak with a united voice, will doubtless argue that controlled aid would be incompatible with their sovereignty. This question alone seems likely to fill many debating hours.

Still on the opening day, Marshal Chen Yi, veteran of the Long March and Peking's foreign minister, attacked, as might have been expected, the United States and the "aggressive Seato block." His opening speech, however, was punctuated with moderate phrases that read, in contrast with the more extreme ones, almost like caresses. Mr Rusk, the American Secretary of State, replying on Wednesday, was all moderation and vastly more constructive than Chen Yi. Only mildly polemical, he proposed that any aid scheme for Laos should be administered by south-east Asian neutrals and invited the Soviet Union to join the United States in underwriting it. On Wednesday afternoon, Mr Gromyko in turn presented a carefully drafted agreement providing for the controlled demilitarisation of Laos under the supervision of the international control commission. Its weakness, as the British spokesman remarked later, is that it would subject all the commission's decisions of substance—but not of procedure—to the rule of unanimity and therefore to the communist veto.

Reluctance and discord will surely be remembered as the key-notes of Geneva, 1961. The manoeuvres and posturings of the



Lord Home and Mr Gromyko: co-chairmen co-existing.

four wasted days between Friday and Tuesday were, however, far from irrelevant, for they reflected—more faithfully than any formal speeches—the attitudes and relative strengths of those involved or interested in the Laotian conflict. As we have seen, Prince Sihanouk, who had been sulking in his tent, did at last turn up with his reluctant Cambodians. The reluctant Siamese and South Vietnamese—who share disbelief in the value of talking to communists—did not leave their respective countries in time for the delayed opening. The still more reluctant royal Laotians (those of Prince Boun Oum, reckoned by some to be more royal than those of the neutralist Prince Souvanna Phouma) turned up in relays, but refused to attend the opening session. This surprised observers who had supposed them to be puppets of the Americans, and a Chinese communist journalist remarked to your correspondent, with a coexistential leer, that the tail was now wagging the dog. This unkind remark was not entirely without substance. It is one thing to be a puppet and quite another to be seen to be one. The truth is that Laotians of all shades are tired of being pushed around and that Prince Boun Oum's Laotians in particular were incensed by what they regarded as the cavalier treatment accorded them by their American protectors. They particularly resented a remark by Mr Harriman, President Kennedy's envoy-at-large and permanent head of the American delegation at this conference. When the King of Laos told Prince Sihanouk two weeks ago that he considered the very idea of an international conference on Laos to be illegal, Mr Harriman, who was in Vientiane, publicly commented that the king spoke only for himself, thereby offending all Laotians from the pro-western right to the neutralist left.

When Prince Boun Oum's delegation reached Geneva late on Saturday and learned that the Americans were weakening in their resolve to keep the communist-led Pathet Lao delegation out of the conference, it was in a mood to dig its heels in. This was indeed all that the right-wing Laotians could do to delay consideration of their fate by non-Laotians and protest against the affront to their legitimacy inherent in the presence of rival Laotian delegations. Digging their heels in was likewise all the Americans could do, but whereas the Laotians could save their faces only by holding out, the Americans could not hold out for long without incurring the odium of delaying a conference which the communists were only too eager to start.

The situation that developed was farcical and damaging to western prestige. The message of the British and Soviet co-chairmen of the 1954 conference—the progenitor of the present



one—inviting the other twelve participants to Geneva did not specify which government was to represent Laos. Not unexpectedly, each co-chairman invited the one his government recognised, the Russians sponsoring the Souvanna Phouma government and the British the Boun Oum one. What took the westerners by surprise was that the Russians also invited the Pathet Lao. Mr Rusk rightly objected that the Pathet Lao was a movement, not a government, and that it had no right to be present on an equal footing with either the Boun Oum or the Souvanna Phouma delegations. In law doubtless the Americans were right; in the context of Laotian realities the Russians were. Legitimate or not, the Pathet Lao represented a major factor in the Laotian equation and in Laos, as Prince Sihanouk remarked, “the Pathet Lao is everywhere, including the zones which it does not yet occupy.”

The Chinese spokesman seized the chance of accusing the Americans of sabotaging the conference while Lord Home and Mr Malcolm Macdonald (the permanent head of the British delegation) plied back and forth with patient good humour looking for a way out. Their task was not made easier by the absence of the “western” Laotians in the early stages or by their intransigence when they did turn up. In the end the agreed compromise was that each of the three Laotian groups could be invited to participate by any other participant. As we have seen, the Boun Oum delegates refused to sit in the presence of Laotian communists even when invited by the Americans. By Wednesday midday news from Laos suggested that the various factions were sinking their differences and forming a government of national unity; this made nonsense of the dissensions at Geneva.

In retrospect, however, the image that will symbolise most aptly the reluctant conference of 1961 does not concern Laos at all: it is the image of Mr Rusk and his team sitting alone at the conference table on the opening day for six minutes while the other delegations greeted Prince Sihanouk in the lobby. It was not reluctance to greet the prince that kept the Americans apart, but unwillingness to rub elbows with the Chinese communists. Those who watched this curious scene were reminded that things have changed dangerously little since the Chinese and Americans last met in a general conference seven years ago.

## Persia at the Edge

*A special correspondent in Teheran last week describes the background to the army and civil service purges now being carried out by the new government.*

FOREIGN contractors and foreign cabaret artistes are flying out of Persia. Both are leaving for the same reason. Persia's new prime minister, Dr Ali Amini, says the treasury has been looted and is now empty. At first it may seem as if the Persians are behaving in a way that proves that Mr Khrushchev was right when, in his talk last month with Mr Walter Lippmann, he said that Persia was tottering on the verge of anarchy and required no push from him. Like actors on cue, Persia's schoolteachers (led by an inspector of schools) launched a nation-wide strike, which led to the collapse of the government. Dr Amini took over only to announce that the country was virtually bankrupt.

But Mr Khrushchev may have pronounced his negative prognosis a fraction too soon. In Persia, one detects a feeling almost of gratitude to him. In a flash of loquacity, he revealed to Persians how close the cliff edge was. Many of them feel it is not so close that Persia cannot by an effort of national will draw back from it. People in Teheran are more cheerful than they were before the debacle. There is actually a new spirit of confidence, but this will not endure long unless the promised reforms are speedily carried out, not just talked about. People feel the crisis has at last cleared

the way for reforms. They also feel it is worth being told they are bankrupt, if the result is a leaner but fitter nation. They will not, however, tolerate feeble half-measures.

In 1955, Persia launched an ambitious, seven-year development plan. But after the Iraq revolution in 1958, it was decided to spend a lot more money on the army and the security forces, while, at the same time, continuing with the economic development programme. The army, and internal security, have been costing about £65 million a year—excluding the military hardware given by the Americans—and the plan has been costing about £50 million a year. Oil revenue, the government's main source of income, comes to about £100 million a year. Thus, much prudence would in any case have been needed to keep the accounts in order. But there has been inevitable mismanagement, helped by the fact that about one Persian civil servant in three is illiterate. And there has also been much corruption, which Dr Amini rightly calls “the curse of Persia.” Several of the security chiefs, when not busy terrorising the population, have been building themselves palaces and acquiring other real estate. The police in the cities and the petty officials in the provinces have not been far behind.

AN end to corruption, oppression, and foreign entanglement are likely to be the three chief slogans of the reformers. Dr Amini's determination to bring the guilty to book, and empty their pockets of ill-gotten gains, could easily end in an all-embracing witch-hunt. He would probably like to cut the military forces which now number 200,000 men. This would only partly be to save money; it would also be inspired by the fact that it is very hard indeed to find a Persian who has much use for the Central Treaty Organisation (Cento). If Dr Amini continues to support Cento, many Persians will feel confirmed in their belief that the new prime minister is the choice of Mr Dean Rusk rather than the Shah; Moscow has practically said so already.

Dr Amini was ambassador to Washington until 1957, when he lost his post because his name was linked with the unsuccessful coup of General Qarani. He is a wealthy landowner who has, however, long urged a break-up of large estates. He now promises to carry out this and other reforms, but his first act was to advise the Shah to dissolve the Majlis and the Senate without calling for new elections immediately. This does not please the National Front, a coalition of parties ranging from the centre to the extreme left which hope to win elections when and if these are honestly held. Dr Amini represents “moderate” political forces to the right of centre—excluding those whom the Shah's new security chief roundly calls the “bloody fools of the extreme right.” But the National Front clearly hopes to take over the reins from Dr Amini, whose supporters are not very well organised, whereas the National Front leans rather heavily on experienced left-wingers.

The Shah as usual is painfully torn between the two great political aversions of his life. He has always recoiled from the ruthless totalitarian methods of his late father, but is hardly less appalled by the prospect of democracy in Persia again degenerating into the excesses and follies that flourished in the heyday of Dr Mossadegh. Whether or not Dr Amini was picked as the politician best qualified to get further urgently needed funds out of Washington, the Shah no doubt welcomes the prospect of real reforms at last being carried out by a determined man.

Nevertheless, it is the National Front that both the Shah and Dr Amini will have to reckon with, for, while the front has proposed almost exactly the same sort of reforms as Dr Amini, it is ready and eager to be tested in elections, which the prime minister has said will not be held for at least six months. One consolation is that the National Front leaders do at last seem prepared to dissociate themselves publicly from the communist Tudeh party. This is something that either did not appear in Mr Khrushchev's crystal ball, or that he forbore to mention to Mr Lippmann.

## Mr Kennedy in Ottawa

FROM OUR OTTAWA CORRESPONDENT

FOR state visits and international goodwill missions one could hardly find a more attractive couple than President and Mrs John F. Kennedy, and they timed their first foreign visit to coincide with Ottawa's very best weather. The crowds which greeted the young President and his wife were large for Ottawa, but one of the disadvantages of having a capital city of only 300,000 people is that there just are not enough people to produce impressive crowds.

The ceremonial aspect of the visit was undoubtedly in Mr Kennedy's mind, as it was in Mr Diefenbaker's political thinking, when the President accepted Mr Diefenbaker's somewhat obtrusive, bid to get Canada at the top of the list for his attention. But Mr Kennedy characteristically made excellent use of the opportunity to influence Canadian thinking, both privately in his talks with Mr Diefenbaker and in his televised speech to the joint meeting of the Senate and House of Commons. Refreshingly, Canada's more parochial worries about its relations with the United States were almost entirely absent from both the public and the private talks. President Kennedy established his own perspective on Canada-United States relations from the beginning and stated it bluntly in his speech. “Whatever problems may exist or arise among us,” he said,

my associates and I will ever be ready to discuss them and take whatever steps we can to remove them. But I can assure you that these problems shrink in comparison with the great and awesome tasks that await us both as free and peace-loving nations.

Mr Kennedy also made it very clear what he wants Canada to do. In his long talk with Mr Diefenbaker on Wednesday he laid particular stress on his desire to bring Canada into the inter-American orbit. Without actually urging Canada to join the Organisation of American States, he told Parliament that all the OAS states would be “both heartened and strengthened by any increase in your hemispheric role.” Mr Diefenbaker replied in private to these solicitations, but an official briefing officer made it clear that his answer was sympathetic though indefinite. He said that Canadians were taking a greater interest in Latin America and the government was considering the best way of increasing its participation in inter-American affairs. Mr Howard Green, the minister of external affairs, had recently put it more frankly when he told a Commons committee that the government was waiting for the Canadian public to develop some interest before it proposed joining the OAS.

ADVANCE reports had announced that President Kennedy intended to urge Canada to give more economic and financial assistance to Latin America. This, as it turned out, telescoped two subjects into one. During the long talk with Mr Diefenbaker, attended by three officials from each side, he did urge greater assistance to the under-developed countries, but talk about foreign aid was mostly in the context of the Development Assistance Group. It was the total that he was concerned with rather than the direction of Canadian aid.

It would appear that outstanding and fundamental differences between Ottawa and Washington about Cuba were handled very gently on both sides. Events in Cuba were presented by President Kennedy as one major reason for his emphasis on Latin American affairs. American policy towards Cuba apparently was not discussed directly. That was almost precluded by the unfortunate hints dropped by Mr Green to American correspondents in Europe recently about Canada's readiness to “mediate” between Dr Castro and Mr Kennedy. These, not surprisingly, were quickly and very

definitely turned down by Washington. Mr Diefenbaker therefore merely took the chance to assure President Kennedy that Canada had no thought of trying to mediate between the two. Reluctantly the Canadian government has accepted the fact that the time for any such suggestion has passed.

The general discussion about Nato, south-east Asia and the need for larger defence forces did not get down to outstanding questions in Canadian defence policy. But when Mr Diefenbaker introduced President Kennedy at the joint session of parliament, he confirmed the trend of thought which has been apparent for several months—certainly since his United Nations speech last autumn. Mr Diefenbaker has switched his emphasis from independence to interdependence with the United States in opposing the threat of communism. Acute political observers are saying that whenever the next general election comes, Mr Diefenbaker will be fighting it as an outspoken anti-communist and a most faithful ally of the United States. If he does not put it so succinctly, his theme will be the one President Kennedy neatly stated in his speech: “Geography has made us neighbours. History has made us friends. Economics has made us partners. Necessity has made us allies.”

## No Outsiders at Rhoendorf

FROM OUR BONN CORRESPONDENT

FOREIGN ministers, state secretaries, ambassadors and other worthies “on the outside, trying to look in,” complain that they still have not been able to discover precisely what President de Gaulle and Dr Adenauer said to each other at Rambouillet on July 29th last year. Yet since hope springs eternal, even in the jaded diplomatic breast, the same people are making arrangements—recently timed to come into operation next Monday—for sniffing out the gist of this Saturday's exchange of views between the two self-contained, self-willed, and often exasperatingly uncommunicative statesmen. It seems increasingly likely that, if they succeed, they will be disappointed by the insipidity of most of it.

When President de Gaulle's visit to Bonn was first projected in February, it was expected to have considerable glamour and significance. It was then imagined that it would crown a meeting of the heads of government of the European Economic Community at which the foundations of a political confederation had just been laid. Two days were accordingly set aside for entertaining the French president; and much thought was given in Bonn and the surrounding countryside to such technical details as securing a long enough bed. But in Bonn on May 5th the foreign ministers of the EEC, largely at M. Couve de Murville's insistence, postponed the meeting of heads of government until an unspecified date in July. In the meantime President de Gaulle will be having a heart-to-heart with President Kennedy, and President Kennedy, it seems, with Mr Khrushchev. Obviously, the further ordering of European affairs must wait on the outcome of these momentous encounters.

The French president is now due to arrive at ten o'clock on Saturday and leave the same day. The planners are emphasising that it is not a state visit, as had been originally anticipated. It is to be a “working visit.” The ceremonial will be modest to austere, and the public will have little opportunity to see the president. He will not touch Bonn on his way from Wahn airport to Dr Adenauer's home above the village of Rhoendorf on the east bank of the Rhine. At Rhoendorf he will be alone with the Chancellor for the remainder of the morning and for luncheon. It is planned that he should then pay a visit to Schloss Ernich, the French ambassador's even more sequestered residence near Remagen. Later in the afternoon he will spend an hour or two at the chancellery in Bonn, where he and Dr Adenauer will impart to their foreign ministers, ambassadors,

and a sprinkling of senior diplomats such of their thoughts as they deem fitting. Early on Saturday evening it will be all over, and the outsiders' guessing game can begin.

As no irrevocable decisions are to be taken, the German participants will be interested mainly in determining whether recent events have strengthened the French president's misgivings about Nato, and his ideas about political collaboration within the EEC and the desirability, extent and price of British involvement. The British Government seems to be counting upon Dr Adenauer to represent its point of view reliably and to counsel patience. But no message has come from London on the eve of the talks to assure the Chancellor that a British decision to enter Europe is in the offing.



## The Thorez Succession

FROM OUR PARIS  
CORRESPONDENT

THE stage-managers of the French communist congress at Saint-Denis, last weekend, could not conceal the fact that the real drama was being played behind the scenes. Yet they put on quite a show in the soberly decorated hall where they staged the official proclamation of the heir-apparent. For the first time in his thirty years' reign M. Thorez, though present, did not deliver the official report. The task was entrusted to 56-year-old M. Waldeck Rochet. By Sunday this faithful, though rather dull, follower of M. Thorez was nominated assistant secretary-general, a new post designed to accommodate the official *dauphin*.

But the real drama took place on the eve of the congress during the lengthy secret session of the political commission. There two former ex-members of the party's politbureau refused categorically to recant publicly their heretical views. M. Marcel Servin, who as party secretary was responsible for organisation, and M. Laurent Casanova, who was in charge of the intellectuals, declined to pay this classic price for political survival. As a result, they and most of their allies were duly removed from the party's central committee and other responsible posts.

As usual, the views of the opposition have to be read between the lines of the indictment. The open attack against M. Servin and his colleagues was launched only last January, after the referendum on Algeria had revealed the weakness of the fascist fringe in France. The timing was clever, since the main charge against the group was that, by overestimating the threat of the extreme right-wing, it forgot that gaullism in power was the chief enemy. This alleged softness about gaullism has given rise to interesting speculation. Since M. Casanova received a Lenin prize only last year, it has been suggested that the opposition may have had some Russian backing. After all, hardly more than a year ago Mr Khrushchev was flirting with General de Gaulle and, apparently, hoping that the general's schemes would put a spanner in the Nato machine. It is not utterly absurd to surmise that some French communists thought, at the time, that they ought to revise their policy to bring it into line with the Russian attitude. The indictment, however, is full of contradictions. The opposition is accused at one and the same time of hesitation in the anti-gaullist struggle and of attempts to strike bargains with other left-wing groups with a view to organising activities that were obviously anti-gaullist.

What makes any assessment particularly difficult is the way in which most of the discussion centres round an analysis of the nature of the gaullist regime worded in pseudo-Marxist jargon.

Beneath the crude ideological quarrels, however, the controversy is really about the methods and tactics of the leadership. Indeed, the third of the chief heretics, M. Kriegel-Valrimont, has been openly accused of criticising the party line for the last five years. The date is significant, since it goes back to the famous 20th congress of the Soviet party. The secret indictment of Stalin that Mr Khrushchev then made must have shaken the French communist party, reputed to be the most stalinist in the western world. Two years later, although the French communists regularly collected a quarter of the popular vote, they proved utterly unable to offer any real resistance to the gaullist *coup*. After such setbacks, men like M. Servin, who were in charge of the party machine, may well have concluded that it needed a thorough overhaul.

But any condemnation of the past and any attempt to change the existing structure would obviously be blows against the man who for over thirty years has had control of the party machine. The counter-offensive which M. Thorez was bound to mount has now been successfully concluded. It did, however, meet with resistance. The opposition had sympathisers, and not only among the students, economists and other intellectuals linked with M. Casanova. M. Servin for his part was, apparently, liked by many of his subordinates in the party apparatus. Yet although all this support proved of no avail, M. Thorez was forced to call a congress and most of the heretics refused to recant.

The opposition has been dealt with, but the question of the party line remains. The communist leaders watch the gaullist regime with a mixture of fear and hope. They fear that the general will use his vast powers to damage the communist party and its trade unions. They hope that the absence of political life and of any other effective opposition will benefit them when the gaullist tide finally recedes. Last month's abortive *coup* gave some idea of what rewards they might hope for. The communist-dominated CGT now finds it easier to stage strikes in co-operation with other unions. The party is reported to have improved its position among the young, particularly in the armed forces. Even the recruiting of new members has looked up. These favourable after-effects of last month's events are unlikely to last, but they increase communist hopes for the future.

Thus the evolution of the French communist party is intimately linked with that of the regime. The immediate question is whether M. Thorez will try to exclude his defeated opponents from the party. If they are allowed to stay in, the party will for the first time have alternative leaders within its ranks. This would be useful, should the French communists prove unable to emerge from their isolation without a radical break with their stalinist past. This is certainly not M. Thorez's view; he seems convinced that no change is necessary and that the anti-gaullist wave will send the communist ship on its way to new successes. Although only 61, he has a long political past behind him; he is, moreover, troubled with ill-health. In M. Waldeck Rochet he has chosen a successor who could take over the helm without changing course.

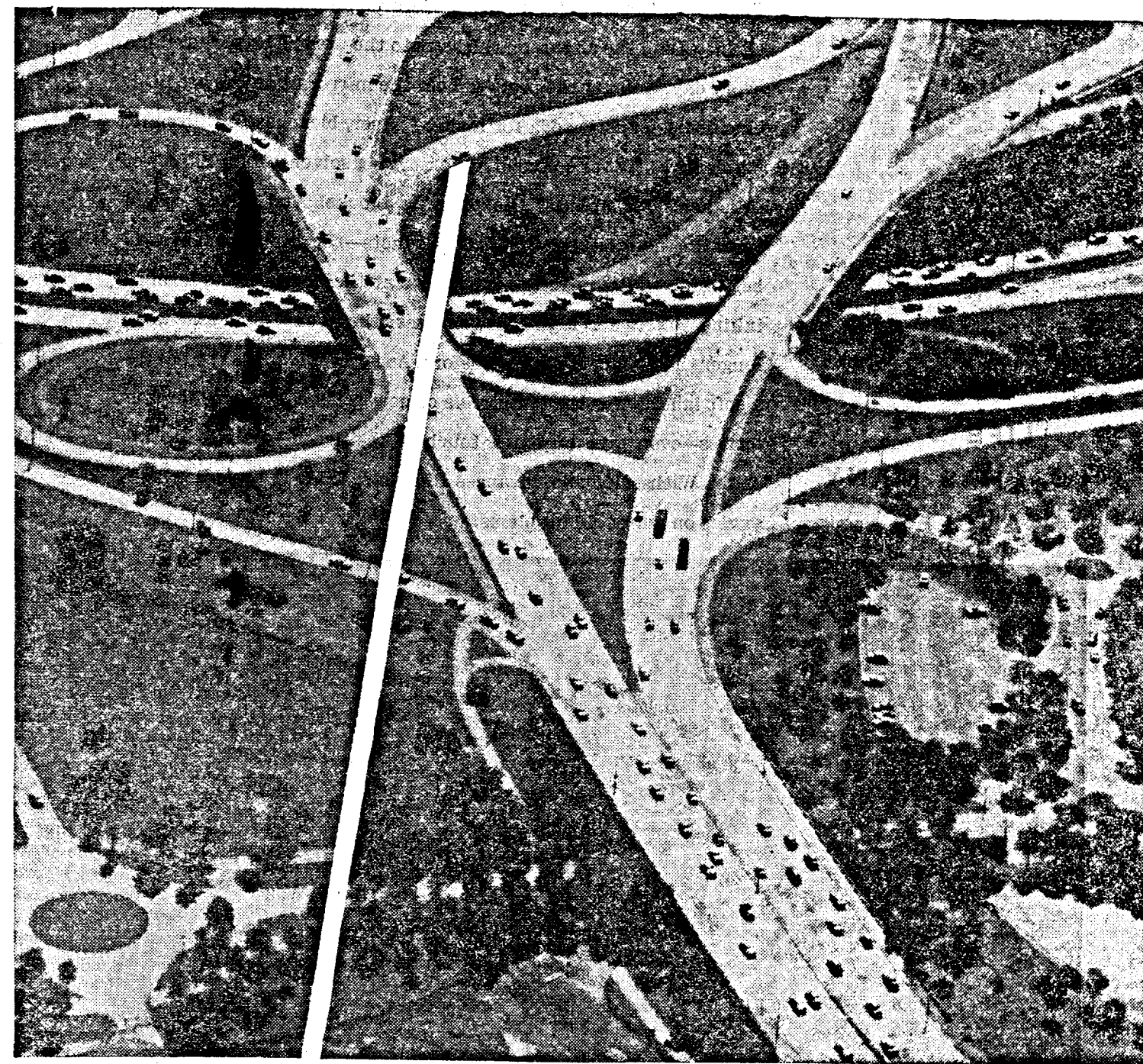
## Between Kenyatta and Macleod

FROM A SPECIAL CORRESPONDENT LATELY IN KENYA

JUDGING by their meetings over the past few weeks, the bouquet which Mr Jomo Kenyatta threw at Maralal to Kenya's European farmers has not reassured them overmuch. At his press conference on April 11th Mr Kenyatta said:

Those who accept citizenship of Kenya will have equal rights and

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equal protection for all spheres. Therefore, no one should have any fear as long as he does not want to hold on to old privileges. The Kikuyu leader went on to say that he had never advocated eviction from the White Highlands; that a lot of land lying idle should be taken over and given to landless Africans, but that those European farms that were being properly run were quite safe. Europeans would retain their land titles. Evidently the Kenya settlers still feel themselves caught between the upper and nether millstones, Kenyatta and Macleod; and it is indeed hard to piece together what Mr Macleod is really thinking about their fate.

In a short adjournment debate on Kenya before Easter, Mr Hugh Fraser, Mr Macleod's ministerial lieutenant, reiterated the Government's 1960 policy for the White Highlands. This may be summarised as no compensation, no racialism and no bad farming.

A compensation scheme would emphasise the racial ownership of land, whereas our whole policy is that land should be regarded primarily in economic terms and as an economic asset.

If there were a comprehensive compensation scheme, said Mr Fraser, the Europeans would probably get out as soon as the scheme started. That would be a bad thing.

It would leave behind unmanageable agricultural deserts and would, while making it impossible for the more intrepid European to farm on, destroy for ever the conception of a society in which each individual, whatever his race, can develop his skills and talents to the full.

The British Government, it appears, has no intention of disbursing the £100 to £130-odd million which, on a 1959 valuation, all the white farms might have fetched. It hopes for permanent white farming by the "intrepid"; and is determined to avoid an organised withdrawal of skill and capital.

UNFORTUNATELY, the Government is in as bad a fix as the European farmers whose fate it controls. Having shrunk in 1955 from implementing the recommendations of the royal commission that land reservations should be abandoned, it now suavely supposes in 1961 that its land proposals will, to quote another of its documents, "once and for all draw the emotional sting of the land problem." The essence of the new proposals is that the Land Settlement and Development Board, which is not yet fully operational, should settle Africans in certain areas of the ex-White Highlands on undeveloped land of high potential. The White Highlands cover some 7,250,000 acres; so far the new board has bought 5,000 acres. The idea is to settle two classes of Africans: "yeomen farmers" on holdings of 250 acres—they must have a net cash income of £250 a year—and "peasants," on holdings of 50 acres, whose net cash income has to be £100 a year. (The Kenyan *per capita* income is £12 a year.) In addition the Government welcomes private schemes whereby the European farmer sells a part, say a fifth, of his farm; the African yeoman is then settled on it and receives advice and training from his European neighbour. The last scheme's contribution to interracial harmony is obvious.

In Nairobi the new proposals are described as the extension of the Swynnerton Plan into the European area. In the last eight years, at a cost of between £8 million and £9 million, Mr Swynnerton and his staff have vastly improved the productivity of the African land of high potential, notably in the Nyeri, Kiambu and Fort Hall districts. Their work has been in a sense perfectionist. By means of compulsion and close supervision the agricultural officers have ensured that a limited number of smallholders should be prosperous. Resources have not been wasted and failures have been few. Those who have tackled the agriculture of the Black Highlands make no secret of the fact that the money about to be spent on settlement in the former European reserve could be better spent in the African area; for instance, to grow much more tea.

The new scheme commands a total of £5,090,000 from British Government sources. In addition, the World Bank has offered £3,000,000, which, by the terms of the loan, is presumably for

development only, not settlement. Mr Bruce Mackenzie (minister of agriculture until recently, now succeeded by Mr Michael Blundell) is also looking to the west German government to replenish Kenya's Land Bank; and there has been vague talk of an international consortium which might produce a further £10 million. As things are, there is probably a total of about £8 million to be spent during the next three years. To those who ask for longer-term financing and a speedier settlement, the British Government has hitherto replied that it cannot commit funds beyond the term of this Parliament; and that it has not enough agricultural officers to move faster. Mr Mackenzie has already been looking, with what success it is not clear, for staff in Britain, Switzerland and Denmark.

The new funds are fairly large and will be expertly spent. But the belief that they will "draw the emotional sting from the land problem" seems to come straight from looking-glass land. To take over, as the present scheme intends, 180,000 acres for African settlement in two and a half years is merely to scratch the surface of the African land problem. This speed would doubtless have suited the nineteen-forties; but can so small a scheme be seriously envisaged in the new political context? Land hunger in Kenya is such that any elected politician must press for speedy settlement. The unemployment curve adds increasing impetus to the demand for land. It will be very easy for Mr Kenyatta and the Kenya African National Union to decry the government's land policy. Mr Kenyatta has not yet even praised the Swynnerton plan.

It is certain that no new land policy in contemporary Kenya can work unless it has political punch. Despite Mr Kenyatta's disparaging remarks at Maralal, the Swynnerton plan is thoroughly popular at least with the 140,000 Africans who have been settled under it with titles to their holdings. To the landless, a promise of further extensive settlement from the mouths of African politicians actually in office should have at least some effect. As to the Europeans, the meetings of settlers during recent weeks have shown how complete their lack of confidence in London is. The main trouble seems to be that Mr Macleod has not yet chosen to estimate either of two things: the number of "intrepid" European farmers who will stay in Kenya under the best conceivable African government; and the number of possible European farmers that such a government could find acceptable. Some rough guesses on these and other related quantities could lead to a rough decision by Mr Macleod concerning the number of acres he might wisely buy in Kenya now. After the Lancaster House conference, Mr Peter Marrian, then president of the National Farmers' Union, urged the Government to raise a stabilisation and resettlement fund of £25 million. This might not suffice to support Mr Ngala now. But it would at least give him a sporting chance in the battle which he (and the Governor) will soon be waging against Kanu on a wide front. Perhaps Mr Hugh Fraser will re-examine these issues during his forthcoming visit to Kenya.

## Siam and Seato

FROM A CORRESPONDENT IN BANGKOK

THE South-East Asia Treaty Organisation came into being after a great defeat for the West by the communists—the fall of Dien Biên Phu. Seven years later, Seato has to choose between intervening in Laos under unfavourable military conditions and in a hostile climate of world opinion, or acquiescing in the establishment of a government with substantial communist participation. For Siam, the only Seato member country adjacent to Laos, the decision is of crucial importance.

Foreign policy is not usually a major consideration for the military oligarchy which rules Siam. Alone among the south-east Asian nations, the Siamese were never colonised and they are far from regarding themselves as members of the Afro-Asian block.

Laos, however, is of immediate concern. The people of Laos are a branch of the Thai race, sharing the same religion and virtually the same language. The Siamese strong man, Marshal Sarit, comes from the Lao-speaking north-east and is in fact a cousin of General Phoumi, his counterpart in the Boun Oum government in Laos. The north-eastern provinces of Siam have always been politically sensitive, both because they are economically backward and because they have a history of separatism.

The Siamese naturally feel grave apprehension at the prospect of an unfriendly, or even neutralist, regime across the Mekong river. They regard the Lao as members of the same family, but with themselves very much in the "big brother" role. Many of them have a half-conscious feeling that if the French had not come to Indochina the Lao principalities might, like those of northern Siam, have come under the rule of Bangkok. Furthermore, substantial Siamese investments, have been made in Laos and these are clearly threatened.

From the very beginning of the crisis in Laos the Siamese have been advocating a forward policy. They discounted the theory that Seato intervention would automatically provoke a reaction from the Vietminh and the Chinese communists. Originally they felt certain that they had the Americans on their side and blamed the French and British for what they called prevarication. They undoubtedly provided moral and material support to the Phoumi-Boun Oum group in ousting the Souvanna Phouma government from Vientiane. Although there are no organised Siamese military units fighting in Laos, a considerable number of technicians and pilots are helping the royal forces.

It is now clear that the Kennedy Administration is reluctant to take military action in Laos. It remains to be seen whether the Siamese will accept assurances that a change of government in Laos in no way weakens the determination of Seato to protect them. If the energetic Russian ambassador, who operates with the help of an attractive female interpreter, had his way, Siam would revert to its traditional policy of sitting on the fence.

Marshal Sarit has always felt that it was somehow unfair that neutralist countries like India and Cambodia should receive American aid on almost the same scale as pro-western Siam. In a more politically sophisticated way, the Siamese foreign minister, Nai Thanat Khoman, was apparently very conscious, when he was at the United Nations early this year, of the fact that Siam was regarded by many merely as an American puppet. A display of independence in foreign policy might, it is felt, lead to greater international respect for Siam without causing the Americans to reduce their economic assistance.

Without losing faith in Seato the Siamese have been conscious of the fact that the divergence of interest between the member states is very great. The French, quite apart from the fact that Souvanna Phouma has always been their protégé in Laos, are firmly resolved not to be involved in any more wars of attrition in Indochina. The British, while regarding the Anglo-American alliance as so important that they will almost certainly commit a token force if the Americans do take military action in Laos, would prefer a neutralist government in Laos to a long struggle with the Pathet Lao. The other Seato nations are relatively distant from Laos and would certainly not commit forces on the scale that would be expected of the Siamese.

Assuming that Seato does not take military action in Laos, the Siamese will probably come to rely more on a unilateral agreement with the Americans than on the machinery of Seato. At the same time, although remaining pro-western, they may try, by a few judicious gestures, to persuade the Russians to use their influence against subversion or infiltration. This would, of course, be almost meaningless if the direction of communist policy in south-east Asia should gradually pass from Russian to Chinese hands. But this is a development that the Siamese have not even begun to take into account.

## Australia's Three Defence Pillars

FROM OUR CANBERRA CORRESPONDENT

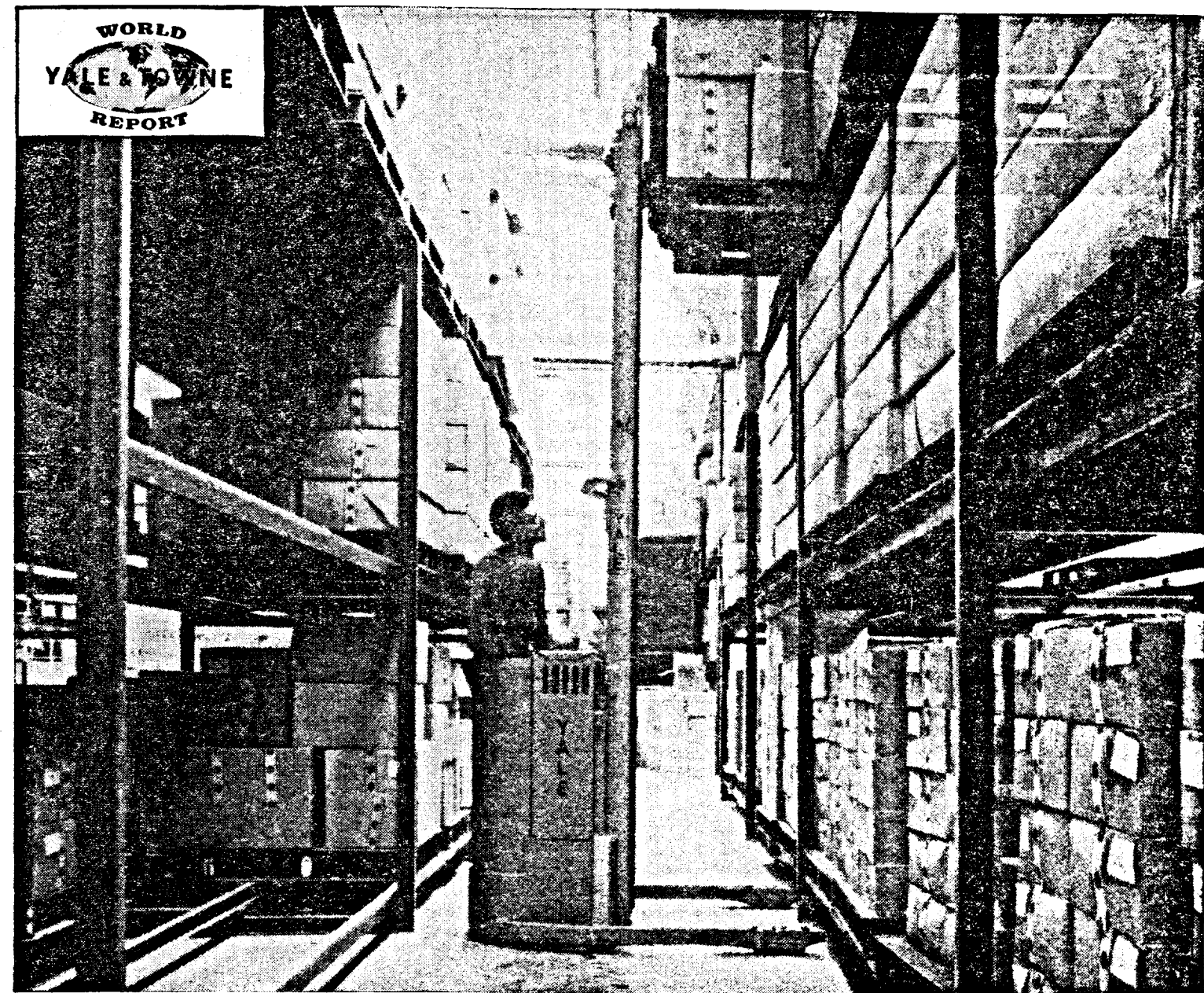
IN the last few weeks, while Laos has seemed to be slipping bit by bit behind the iron curtain as the powers conferred and exchanged notes, an important part of Australia's policy has been in hazard too. Australian defence rests on three pillars: first, on a military understanding with Britain and New Zealand; secondly, on an alliance with the United States; and thirdly, on collective security against communism in south-east Asia. If the third of these pillars, the South-East Asia Treaty Organisation, were to collapse through failing at the first test to implement its undertakings, Australia would feel that the roof could quite easily fall in.

Australia's dependence on concerted action with its allies is dictated by economy. It has no nuclear weapons; it does not have what military men call an independent capability even for purposes of a limited war. It spends only 3.5 per cent of its gross national product on defence, compared with Britain's seven per cent and America's eleven per cent; and its justification for this relative parsimony is that with limited resources the best contribution to allied defence in this area is to build up its population and industrial strength. This argument is valid only for a limited war, since both Australia's population and its industrial strength are concentrated in the great coastal cities that would be perfect targets for a submarine's nuclear missiles. But then it is only for a limited war that Australia is geared—although it would give its allies what help it could in a global struggle.

The oldest ally is, of course, Britain, to whom Australia with blind faith once looked for its protection. The mood of disillusionment that set in on a day in 1942 when Singapore fell like a ninepin has lasted to this day, and it is now on the United States that Australia fixes its hopes. In co-operation with Britain and New Zealand, however, it maintains the Commonwealth strategic reserve in Malaya, contributing to it a battalion group, three squadrons of aircraft and two or three ships. This reserve, which went there originally to deal with communist terrorists and was allowed, indeed encouraged, to stay on, finds Malaya a good training ground for the type of war that it might have to fight. There is nothing to prevent the reserve from being withdrawn in order to fight in Laos or anywhere else, but Tengku Abdul Rahman says that his country must not be used as a base for operations elsewhere. His successor might not allow the reserve to remain at all, so the foothold in south-east Asia is rather precarious.

MORE solid from the Australian point of view is Anzus—the treaty between Australia, New Zealand and the United States. When it was signed in 1952 the menace in mind was Japan, which under the peace treaty was to be allowed to rearm. Today the only direct threat seems to come from China, and Anzus is the ultimate guarantee against it. Such a possibility, however, is over the horizon and in the short run Australia is more likely to have to send aid—albeit token aid—for America than *vice versa*, for the treaty covers attacks on American shipping and bases.

Anzus is the ultimate security, or so Australia hopes. But in the meantime only Seato seems to stand between Australia and the march of communism towards its northern shores. Only Seato tries to cover the modern techniques of infiltration and subversion by which all current advances are made. There was a time not long ago when Australia was as anxious as Britain and France that the Seato powers should not get involved in the jungle until all hopes of a political solution were exhausted. But now Australia has reason to be more anxious than Britain and France lest the cease-fire should be ineffective and Seato, acting too late or not at all, be revealed to the world as a crumpled paper tiger.



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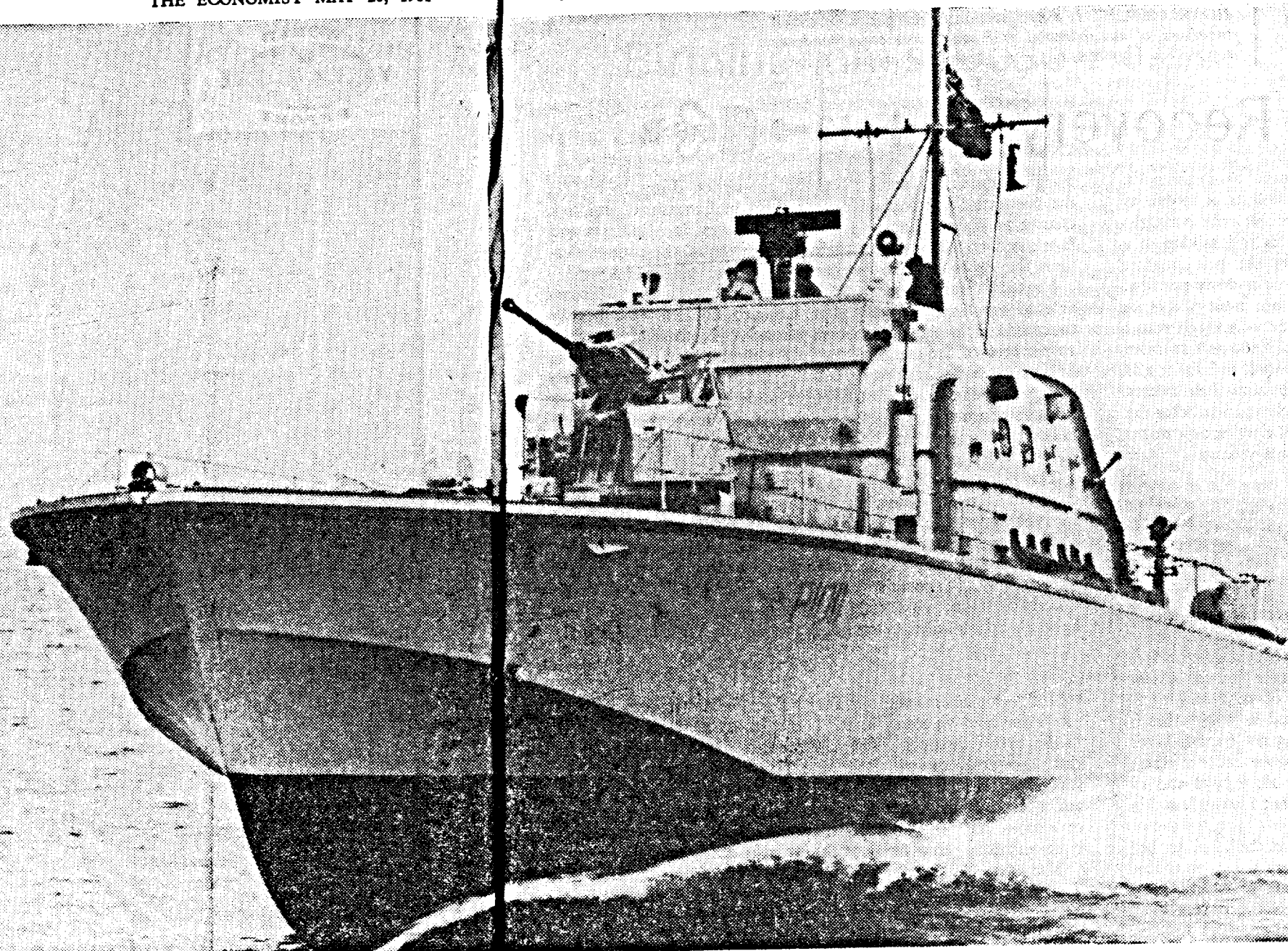
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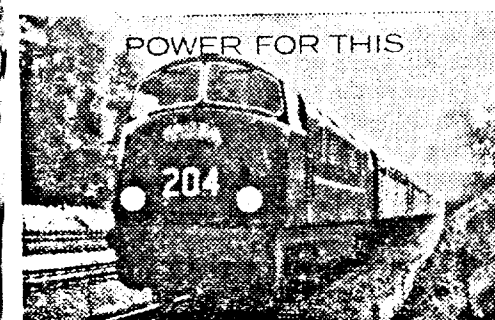
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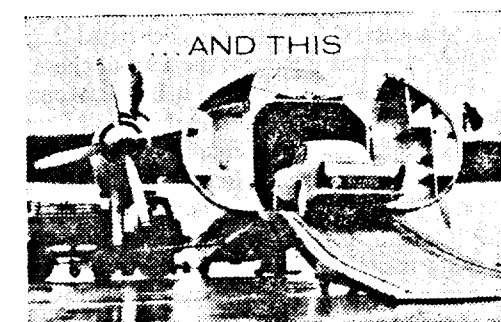
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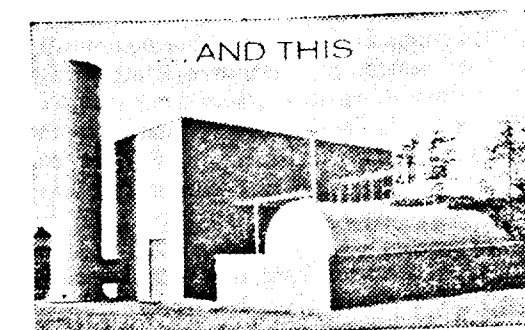
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## HOME REPORT

HOME REPORT is a new section of the paper, in which members of the editorial staff and local correspondents report on life and happenings in and around Britain.

## Labour's Recovery

FOR once all the indicators point the same way. From the polls, the by-elections and the county council contests, it looked as if the Labour party was on the way to recovery. Now the boroughs confirm this impression. The popular press is still talking of a continuing swing to the Right. But in fact the pendulum is returning moderately to the Left, or at least to a midway position. The best measure of what is happening, as our table shows, is that in the borough elections last week Labour won 1,339 seats; this was 208 more seats than it won in May of 1960 and 20 more than in May of 1955. In last month's county elections Labour also did slightly better than in 1955. As the Conservatives held twenty fewer seats in the 1955 House of Commons (elected just after the local elections) than in the present one, a general election now might enable Labour to recapture 25 or 30 parliamentary seats.

## LABOUR SEATS

|                           | 1955  | 1956  | 1957  | 1958  | 1959  | 1960  | 1961  |
|---------------------------|-------|-------|-------|-------|-------|-------|-------|
| County Councillors .....  | 1,028 | ...   | ...   | 1,289 | ...   | ...   | 1,070 |
| Borough Councillors ..... | 1,319 | 1,563 | 1,600 | 1,600 | 1,348 | 1,131 | 1,339 |

This would still leave a Conservative government in power. The Tories can also justly point out that Labour is still doing very slightly worse than it did in May of 1959 (five months before the last general election), and very much worse (to the extent of 261 borough seats) than in its peak years of 1957 and 1958. The councillors returning this year were elected in 1958; that is why the papers have been able to proclaim 225 net Labour losses in the boroughs (the difference between this figure and our figure of 261 is explained by changes in by-elections since 1958 and by different treatment of new seats) as well as 200 net Labour losses in the urban districts.

The other reason why "Labour losses" were in the headlines last week is that 1961 is an aldermanic year. Every three years half the aldermen are re-elected or replaced; an unusually large number of boroughs is therefore liable to a change of political control. As 1956, 1957 and 1958 were all good years for Labour, the Socialists were able to consolidate their gains at the last aldermanic elections in 1958, and captured a record number of towns then. In each of the last three years they have lost seats, and 1961 brings the reckoning; among the cities which will fall to the Conservatives are Liverpool, Nottingham, Leicester, and Bradford. Yet these changes are the belated consequences of last year's defeat—not of this year's stalemate. No doubt the Popkess affair dominated the 1960 election in Nottingham, when Labour won only two seats out of seventeen. But this time nine Labour councillors were returned. At Bristol, where last year the "Citizens' Party" (i.e., Tories) took all but 6 of the 28 seats and won control of the council, they returned a minority of this year's crop of councillors.

Last year's figure of 1,131 municipal seats was not quite rock-bottom for Labour since the war (in 1947 and 1951 it held only 800). But for normal purposes the 470 borough seats between the 1960 trough and the 1958 peak can be taken as marginal; it will be seen that Labour this year recovered about 45 per cent of them. It seems to have done best in southern and south-western England and the West Riding of Yorkshire (where the county council, normally marginal, stayed in Labour hands in April). In these areas Labour recaptured more than two-thirds of the

marginal municipal seats. But the proportion drops to half in the north-east and Midlands, to a third in Lancashire, and to a quarter in Wales. Labour's worst failures were in Middlesex and Essex and on Merseyside; again, the pattern of the county elections was reproduced in the boroughs.

Looked at from another angle, the situation becomes less favourable to the Conservatives. For Labour's failures were heavily concentrated in the party's own strongholds; there, fewer than 20 per cent of the marginal seats were regained. In Tory towns, Labour did better, picking up half the marginal seats. But Labour's best performance came just where it could be most useful: in the marginal boroughs. These, which include seventy of the four hundred boroughs, have 150 of the 470 marginal municipal seats. Labour won 90 of them.

The reason for the recovery is quite simple. In 1960, almost everywhere, a large number of Labour voters stayed at home. In 1961 most (though rarely all) of these defectors came back. Meanwhile the Conservative vote remained relatively stable. For instance, in Birmingham the Tories polled 130,000 in 1959, 124,000 in 1960 and 125,000 this year. The Labour vote in Birmingham was 128,000 in 1959, only 87,000 in 1960 (when a third of Labour's voters failed to turn out) and back to 113,000 this year.

THE Independents without Tory support held their own, with 70 gains and 73 losses in the boroughs, 95 gains and 96 losses in the urban districts. The Communists did fractionally better than last year, though their vote remained derisory. But the success of the Liberals on the municipal scene, with 200 borough and 150 urban district councillors, has naturally caused something of a sensation. In two years they have doubled their municipal representation. How far does this seem to be a portent?

The most striking Liberal advances were made south of the Thames, where they increased their strength in the boroughs from 15 in 1959 and 24 last year to 57 in 1961. In particular, they had some remarkable victories in the Conservative-minded resorts and spas, doubling their 1960 representation there at the expense of both the big parties. Most of their gains were from Labour in the north and from the Tories in the south; but in those southern towns where the Labour party did exceptionally badly this year the Liberals were often responsible for Labour's defeat (e.g., in Poole, Cheltenham and West Ham). Over the whole country nearly half the Liberal net gains were from Labour.

These are substantial achievements, but they should not be exaggerated. The Liberals have been reaping a harvest in places where they were unrepresented until two years ago; from these newly penetrated towns come a third of their members. Next year the first of these councillors will come up for re-election, and we shall have an opportunity to assess the solidity of their hold. In the meantime, something can be gleaned by looking at the boroughs where the habit of voting Liberal was already established before 1959, and from which two-thirds of the Liberal councillors still come. The party's strength increased in 20 of these 49 towns, stayed the same in 18, and fell in 11; the net gain was only from 117 seats to 134. The Liberals' successes are a reward for hard organising work by a devoted band of followers and a heartening sign of upsurge for them. But a second election, like a second novel, is sometimes a stiffer test than the first.

## Birmingham's Dead-Heat

FROM A CORRESPONDENT IN BIRMINGHAM

THE Conservatives' failure to win an absolute majority in the municipal elections in Birmingham has produced a party whip's nightmare. By winning two seats the Conservatives brought their tally of councillors up to 57—exactly the same as the Labour group. Thus the control of the council depends on the aldermanic elections next Thursday, when the lord mayor will also be elected.

After a meeting between the two party leaders on Thursday of this week, it emerged that an exquisitely British compromise had been reached. Labour agreed to give the Tory nominee for lord mayor, Alderman Eric Mole, his due. But in return it insisted that the new lord mayor should not exercise his casting vote against Labour in the subsequent aldermanic elections.

Under a 30-year-old agreement between the Birmingham parties one alderman is

elected for every three councillors, which meant that the Conservatives had a claim on the two Labour aldermanic seats which were due for re-election, along with all 16 Conservative aldermen and the lone Independent (a Tory supporter).

The Tories, flushed with the success of gaining more votes throughout the city than Labour did (a further 706 votes, strategically placed, would have won them four more seats outright and saved all this trouble) had stoutly demanded equality in aldermen. Labour equally firmly dug its heels in and refused to cede control.

LABOUR could have decided to use its existing majority to make its own nomination for the lord mayoralty, and vote its candidate in. Theoretically it could then have used the majority thus gained to throw the Conservative aldermen off the

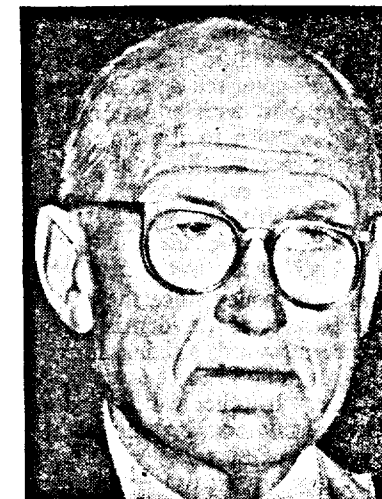
## Tories on Stage

FROM OUR SPECIAL CORRESPONDENT

NOTTINGHAM is a town of the Midlands which are, as Belloc sang, sodden and unkind. Not even a borough council as convinced of its divinity as Nottingham's has been can do much about the weather: but, if promises are to be believed, the city's new Tory masters will be something less unkind than the Socialists to whom it has been in thrall for many years. For Labour has lost Nottingham not in a swing from the national party but in repugnance at its members' on a council which had (to quote the local *Guardian Journal*) "abused its power," perpetrated "a shameful and arrogant misgovernment" and become "so far obsessed with power that it forgot from whence it was derived."

A demonstration of this was the Popkess affair. In 1959 three Socialist councillors spent some time in east Germany: the circumstances of their going out and their coming in were not, in the eyes of politically less tolerant councillors, entirely blessed. At the same time allegations of financial interest in council decisions were aired, and representations were made to Captain Popkess, then chief constable, to investigate the supposed irregularities. Captain Popkess chose to hand the matter over to Scotland Yard, which duly inquired and reported. The Watch Committee, in an access of affronted self-righteousness, demanded the report. It was, said Captain Popkess, none of their business; and he declined to give it up. He was suspended from his duties.

The outcry was swift and strident: delegations passed back and forth between London and Nottingham; the Home Secretary,



Athelstan Popkess: for rehabilitation

in a notably chilly directive, ordered Captain Popkess's reinstatement, which was reluctantly accomplished. No apology was ever made to him—indeed, the order was canvassed as an example of Tory swinishness.

Perhaps as a result of these shenanigans, Labour was less successful than before at last year's elections, and found itself in parity with the Conservatives. Council decisions were taken, therefore, on the lord mayor's casting vote—and one of these decisions was the implementation of Labour's plan for a civic theatre.

When the city's gas undertaking was nationalised, £250,000 passed to the council, to be used "for the improvement of the borough and the public benefit of the inhabitants." In 1956 it was decided that these terms might best be met by the building of a theatre, to cost the estimated sum of £150,000, rapidly rising to £170,000. By January, 1958, it was £200,000, whereupon the Conservatives began to worry,

council entirely. The likely political repercussions have, however, dissuaded Labour from this course.

Instead, the party has decided to retain the two aldermanic seats due for re-election and give itself a governing majority of four. As part of this arrangement the Tories have been offered certain of the less important committee chairmanships—welfare, children, rating and valuation, establishment and libraries—while Labour keeps the policy and the trading committees, such as housing management, finance, transport, catering, airport, and general purposes. Since these committees control those aspects of the local Labour party's policy which the Tories have most violently attacked—mounting capital debts, exhaustion of reserves, indiscriminate housing subsidy, increasing municipalisation, and the direct building and civic catering departments—the Tories will need wide throats to swallow their pride.

But if the Tories had not compromised a year of sterile controversy would have followed, bringing local government into disrepute. Next year, too, Labour will be in a much stronger defensive position at the polls than it was this time.

mainly about whether a charge on the rates would be involved.

No amount of argument swayed the Labour group, however, and the theatre was duly designed and at once condemned as wasteful and grandiose by the Conservatives. By June, 1959, the estimate had gone up to £300,000, and the Conservatives promised to suspend the scheme when they came to power. By June last year the price was higher, £400,000, and demolition and compensation had begun on the lord mayor's casting vote. When tenders were called for early this year, the lowest was for £358,000, exclusive of architects' fees and money already paid out.

INTO this ocean the Theatre Trust dropped £60,000 and, over the dead bodies of the Tories, the contract was signed, shortly before it became clear that the cost would be £386,000. The Conservatives repeated their promise to suspend the operation. Work began, somewhat sadly, at the end of March. Six weeks later, the Tories now control Nottingham's destinies.

Diligent questioning has so far failed to produce a guide to their policies on either Captain Popkess (now in retirement) or the theatre. It has been affirmed that Captain Popkess's reputation will be rehabilitated, and it is as well that it should be. But an embarrassed silence is maintained on the theatre: it has been pointed out that suspension will cost at least £100,000 in fees and penalties; and a leaked plan to finance continued building from private and Government sources has done nothing to resolve the dilemma. Either £100,000 totally lost or a charge on the rates would be lethal in the hands of Socialists (and an electorate) with short memories.





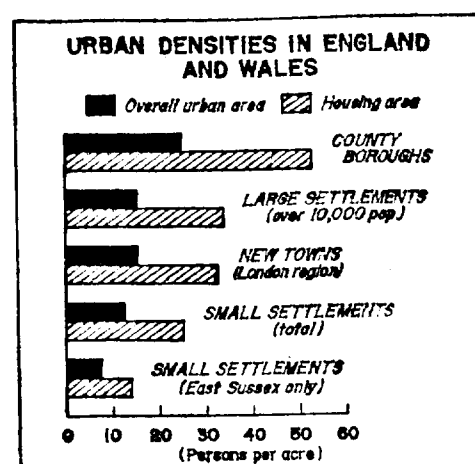
## Building New Slums?

Flats at Harlow

FROM A CORRESPONDENT

Good building land around Britain's cities and big towns is becoming increasingly scarce and valuable. As the competition for it has grown, so has the pressure for higher densities of development. This policy of tightening up living space has the blessing of the Government and the applause of architects who like "urbanity." A view has grown up that the new towns in particular waste space, but the facts hardly bear out this contention.

The pattern of densities is indicated in the diagram:—



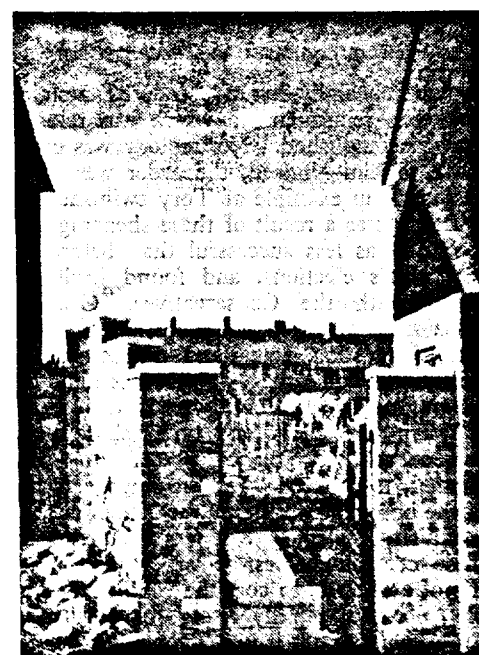
Naturally, the density of development decreases from the larger towns to the smaller rural settlements, and the same sort of decrease, even more marked, is also apparent for housing alone.

The modest place held by the new towns in the hierarchy is very evident. Far from lying at the extreme of openness, they are actually found to be planning for an overall density which is almost identical with that of large and medium settlements of over 10,000 population—mainly municipal boroughs and large urban districts. The county boroughs are much more tightly built-up, but small settlements, and especially those in the south and east of England, show a much looser density of development of a kind which is normally attributed to the new towns themselves.

It is the same with housing. The London

new towns are aiming at a provision of land for their residential areas which is similar to that for large settlements: it works out at an average of just under an acre for every 30 persons. Broadly speaking, this is the level of density which, on the basis of the famous Tudor Walters recommendations after the first world war, was then considered to be a reasonable, but certainly not over-generous, standard of living space for health, privacy, and general well-being. And this, it should be remembered, was in a largely non-motorised age. Although the county boroughs, with an average density of over 50 persons to the acre, are again considerably below this standard, small settlements, from such incomplete information as is available, rise well above it. So much, then, for the idea that "prairie planning" is rampant in the new towns.

Government policy since the publication of "The Density of Residential Areas" in 1952 has been towards a tightening of housing standards to upwards of 60 or 70 persons per net acre. In other words, the general objective seems to be the attainment in new



Hemel Hempstead: Prairie Planning?

THE ECONOMIST MAY 20, 1961

development of something considerably above the present average density to be found even in the county boroughs, with their high proportion of overcrowded northern industrial towns. It almost looks like an attempt to put the clock back towards the nineteenth century.

Fortunately, this is not altogether true, for an analysis of development plans submitted for approval to the Ministry of Housing and Local Government shows that in all categories of settlement a lowering of density is envisaged. This applies to both housing and to the overall urban area, and suggests that the planners on the spot do not find many places where any general tightening up is either desirable or possible.

Even so, the suggested loosening out of many large towns represents only a very meagre improvement when taken as a whole. At present it may be inevitable that a certain proportion of accommodation at 136, or even 200, persons per acre must be accepted in London and other major cities, but this is no good reason for the increasing tendency to regard this as a matter of pride rather than an unpalatable necessity. Even the Town Planning Institute, at a recent meeting, was inclined to agree that proposals for residential development at 100 persons per acre were "something of the right order." This helps to give a measure of how much backsliding in space standards there has been since the 1930s when about half this density was considered a minimum requirement for housing.

IRONICALLY enough, an important and, indeed, ominous example of high densities is provided by the most recent new town—Cumbernauld in Scotland. It is hoped to achieve there an average residential density of about 85 persons per acre, not by building "high," but by the use of terraces and low flats. This is a greater average density for housing than Middlesbrough has with its acres upon acres of "by-law" dwellings dating from the last century.

It can be argued with some justification that, because of limited space, Britain cannot reasonably hope to emulate in all new development the more liberal standards which are being adopted, with rising standards of living, in the United States and several Commonwealth countries. But Britain is certainly not so short of land that low housing standards should be necessary for any section of the community, particularly when the acres of underused agricultural land are remembered. There is quite enough room available, provided it is sensibly allocated on a regional basis, to allow every family that requires it a moderately spacious house-plot without detriment to agriculture or the countryside in general. The English new towns have shown that it is possible to build both compactly and to reasonable standards. It is at least their space standards rather than those of the last century that we must now adopt, or surpass, if we do not want the housing of today to be the slums of tomorrow.

THE ECONOMIST MAY 20, 1961

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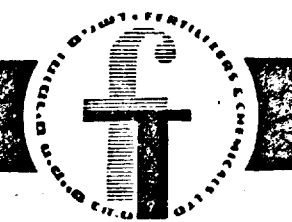
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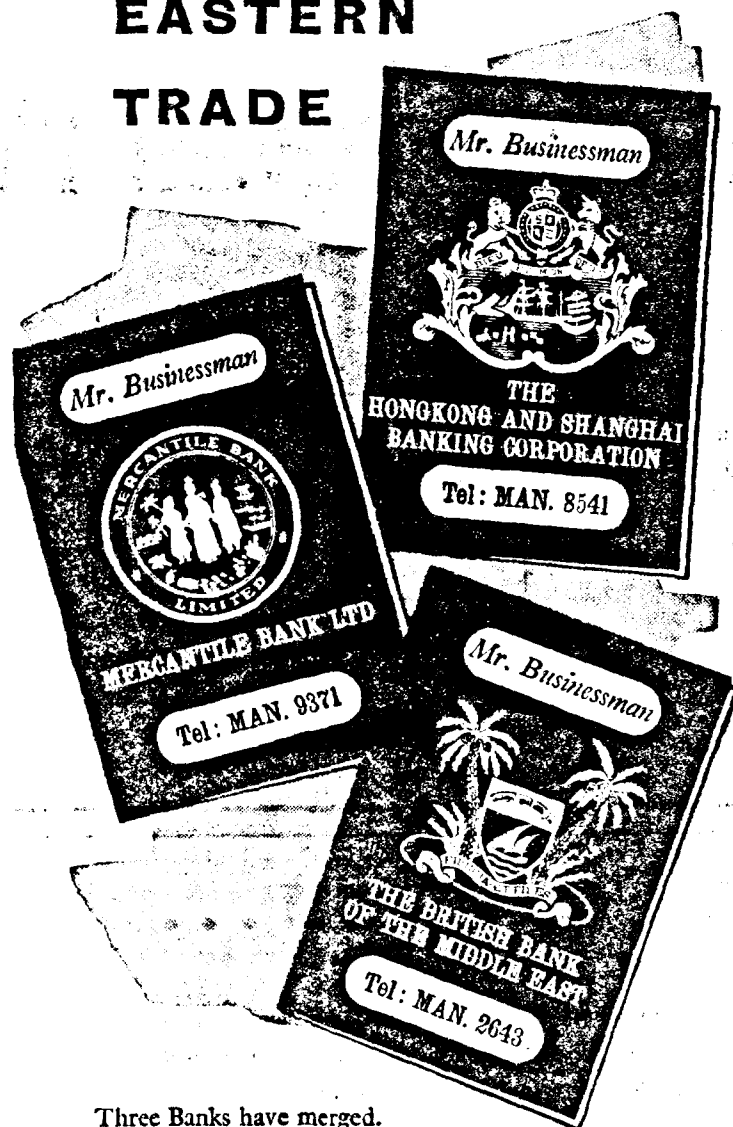
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# THE BUSINESS WORLD

## Less Profit from Plastics?

BRITAIN'S plastics industry has got into the habit of alternating one year of dizzy growth with another of more modest progress; so the present check to its sales has not affected its expectations of long-term growth. But it does recognise that the cuts in prices that have been forced upon it by the fierce price competition in the American plastics industry are unlikely to be reversed, and may well go further; for a time at least, the fat profit margins that used to make this industry so attractive an investment will be just a happy memory. In their more philosophical moments, some people in the industry say that the present state of affairs reflects the fact that it has now grown up. Plastics are no longer high-priced novelties but common industrial materials, the prices of which are much determined by international supply and demand as those of other commodities. And lower prices mean wider markets in the long run, as plastics become more competitive in price with metals and fibres.

The British industry feels vulnerable to foreign competition; it is protected by an import duty of only 10 per cent, and last year it exported 30 per cent of its output. The nature of plastics production and the state of the American industry combine to make this a threat to the world price level in times of recession. Capital charges form a high proportion of the total costs: the break-even point is said to be often as high as 75 per cent of capacity. The cost of marginal output is low, and the pressure on a producer is therefore strong to sell it at a lower price than the rest of his output, in different markets ("dump" is the ruder name for this), in order to spread overheads. Markets that depend entirely on imports have regularly been getting their plastics cheapest; and whenever surplus capacity appears, they and any other potential export markets are offered plastics at even lower prices. Surplus capacity appeared on the grand scale among the producers of most plastic materials in the United States in the recession of the past year. From this stem many of the present troubles of the British and European plastics producers, and it is on a revival of demand in the United States as much as anything that they depend for a recovery in their own profits.

Over-capacity has been endemic in the American plastics industry for several years past. American prices of low-density polythene, polyvinyl chloride and polystyrene have been cut and the cuts have been followed by cuts in prices of polythene and polystyrene in Britain. The price of pvc has not had to be cut in Britain because it was lower than the American price before the recession started—and demand has remained high. But the pressure of over-capacity

in America last year was so great that prices there fell by more than 25 per cent, roughly to the British level. The recovery that is now beginning in the United States should lessen the pressure to dump on American producers, though they will still have over-capacity and so remain tough competitors in export markets.

WHAT are the prospects of the British industry this year? Home demand has risen from the winter level, now that the motor industry is getting back into top gear, though it seems that there has been little increase in sales to the appliance and television set makers. The high level of retail sales means continued buoyancy in the sales of packaging materials and clothes, while industrial uses, such as cables and plant, should rise too. The building boom will continue, and the sales of floor coverings should improve. But exports, though they have gained from the slackening of home demand, are unlikely to rise much more in face of foreign competition.

How will the different plastics fare in this situation? Low-density polythene, for so long the golden boy of the industry, seems likely to be hit hardest. Sales to export markets were nearly as high as those at home last year, making it especially vulnerable to American competition: by the last quarter fallings exports had reduced sales to below the previous year's level. For the year, sales amounted to only 70 per cent of capacity—though a good deal more was made and put into stocks, which had been low at the beginning of the year but were excessive by its end. This year capacity will rise by about 7 per cent, with an increase of about 20 per cent due in 1962-3: delays in completing the Shell plant at Stanlow have saved the industry from serious over-capacity this year. Sales should benefit from the rising demand for wrapping material, while domestic uses will extend into larger items than the sink bowls with which most homes must now be equipped—dustbins and coal bins, for example. But it seems unlikely that total sales will rise by as much as 10 per cent, which would mean production at under 80 per cent of capacity during the year—a level which would make the profits of the manufacturers pretty small. Longer-term prospects depend on new uses like the polythene sack; if the price falls from its present 1s. 10d. a lb to 1s. 6d., as ICI seems prepared to let it, such new uses would become more probable.

Polyvinyl chloride seems to have a much brighter immediate future than polythene, though in the industry's last recession,



in 1958, it was the plastic for which prospects looked blackest. Now British makers are planning to increase capacity by about 60 per cent over the next two years. Last year demand exceeded capacity, and even in the worst of the motor industry's recession—large amounts of pvc go into car upholstery—there was little sign of slack in the industry. A completely new market is appearing in the building industry, which is only just beginning to realise that pvc can replace much wood and iron at little extra cost to the builder, and the saving of his painting bills to the buyer. With the high temperature-resisting Geon pvc developed by Goodrich in the United States, all the hot water pipes of a house can be made of the plastic too. The building boom is one factor accounting for the activity of the cable industry, which has by now largely replaced rubber insulation with pvc; and more pvc is going inside houses as floorings or wall covers. The sales of pvc clothing seem to be remaining high. And plastic-coated steel provides a new market for pvc. So future prospects seem bright even for pvc, even if there is little sign that the increased capacity for it will be fully employed immediately it becomes ready.

Polystyrene, the third of the "old" thermoplastics, has never enjoyed such dramatic growth rates as polythene and pvc. As the plastic most dependent on the appliance and radio industries, which take about 40 per cent of British production, its sales were immediately affected by the hire purchase restrictions last summer. But by exploiting other uses, and by turning to the export markets that had been neglected while home demand had been so importunate, manufacturers were able as a whole to prevent sales falling, though these amounted to only about 80 per cent of capacity. Its latest reduction in prices should help expand the market for polystyrene in competition with other plastics, as in packaging; but it is unlikely to make much difference to demand from the appliance makers. These have already gone about as far as they can in using polystyrene for refrigerators and though television set makers are beginning to make whole cabinets of polystyrene, this market is unlikely to take all that it might this year, with heavy stocks. Sales this year are therefore unlikely to be significantly higher than they were last year; and as stocks are now high, output will have to match them, which would mean operations at little over 80 per cent of capacity. At this level production should still provide some profit; polystyrene is made on a rather smaller scale than other plastics, and costs rise less steeply as output falls.

The older thermosetting materials have continued to enjoy a modest prosperity. Though they have lost ground in relation to the thermoplastics, the building and car booms have kept up demand for moulding powders, while the rising output of chipboard has meant more demand for thermosetting resins. New but smaller markets such as that for polyester resins, used in glass fibre mouldings, have more interest to the big companies; Distillers has put much effort into entering this market in the last six months. Conversely, it has stopped production of cellulose acetate, one of the oldest of thermoplastics, where the market is small and not likely to grow.

It is the new plastics on which the industry must depend for most of its future growth; the full consequences of the catalytic polymerisation methods discovered some seven

years ago by Dr Ziegler and scientists in American companies are only beginning to be felt, with high-density polythene and polypropylene beginning to find their uses. Output of these two materials is expected to rise fast, as shown by ICI's decision to double the capacity of its polypropylene plant by 1963. But the probability that further new plastics, with qualities that make them even stronger competitors with metal than these two are, makes the industry even more optimistic about its long-term prospects.

Polypropylene itself seems likely to become one of the major plastic materials. It is more rigid, harder and stands higher temperatures than polythene—even of the high-density variety, which comes between ordinary polythene and polypropylene in these qualities. It can be used for mouldings where polythene is unsuitable, and it should not cost more in large-scale production; it can replace metal castings or sheet in certain car parts, and may even prove suitable for body panels. But fibres seem likely to prove one of the biggest applications; ICI expects that they will account for a third of sales, at least until outdoor uses begin. Polypropylene fibres will come between nylon and cotton in price, and their characteristics in staple form will not be inferior to nylon for clothes, if a suitable dye can be discovered. Carpets, blankets, ropes and nets are all possible uses besides clothes. ICI has an exclusive licence from Montecatini for fibres under 0.2 of a millimetre in diameter, which covers all those suitable for clothes.

High-density polythene is unlikely to have as big a market as polypropylene, but Distillers and Shell expect that it will find uses to suit its characteristics; it can be mixed with low-density polythene which polypropylene cannot, which may give it one advantage in sales. The polycarbonates and polyformaldehyde, two more plastics that are strong enough to replace metal, are expensive; their uses are therefore limited to small parts, where they can compete with die-casting.

Foamed materials are a quite different type of plastic that is beginning to find a mass market, as cushioning in their soft forms and as an insulating or stiffening material in their rigid forms. Polystyrene makes much the cheapest foam, and is used for insulation; it can also be made into a paper-like material that can compete with waxed paper or cardboard. Phenol-formaldehyde is second cheapest, and fire-resistant, like polymethane it can be foamed in situ. The latter is used mainly for cushioning.

In the long run, therefore, the plastics industry seems to have as good reasons as ever for optimism about the future volume of its sales. But the chances of a return to higher profit margins as new materials reach really large volume production are slight. They can only do so by taking markets away from metals, and other natural materials. To do so necessitates low prices—and may well call forth retaliatory measures from the threatened producers. The aggressive marketing policy of ICI, which is of necessity followed by other companies, in itself makes for lower margins but higher volume; so does the common reaction to increasing competition: "build a bigger plant to cut our costs." But plastics offer a clear example of Royal Dutch/Shell's observation this year that petrochemicals are at present offering only about half the rate of profit that major oil companies can secure in a world oil surplus; and if there should be any serious check to general prosperity, this industry would be more likely than most to get into trouble.

## Small Man's Airline

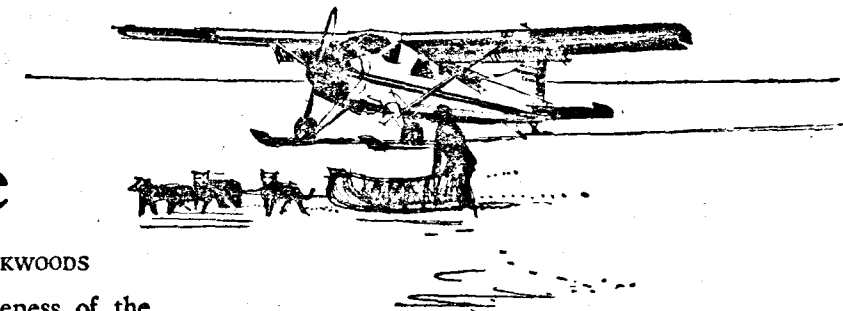
BY OUR CORRESPONDENT RECENTLY IN THE BACKWOODS

At this time of year, depending on the lateness of the spring, the ice breaks on the Canadian lakes and flocks of little aircraft are hauled up on to the shore to have their skis replaced by floats ready for the summer flying. These are the bush aircraft, a mongrel pack that includes biplanes, wartime torpedo bombers, patched veterans and spanking new aircraft; they are a breed as far removed from the prissy executive aircraft as a husky from a freshly shampooed poodle. These bush aircraft and the bush operators who own and fly them provide the sole means of transport across huge tracts of Canada where there is neither road nor railway.

There is, however, water, sometimes more water than land. And wherever there is a lake, there is also a natural airfield. Other men hack landing strips from jungles or deserts, but the Canadian bush pilot picks the nearest likely patch of water and settles on it like a gull. Even the fiendish Canadian winter makes certain that for six months of the year the ice is thick and strong enough for an aircraft to take off and land with skis. But for two months of the year it is not. This is the dead period during the spring and autumn when the ice is breaking or reforming on different lakes at different speeds. Then a company's fleet will be grounded for three to six weeks at a time, while customers call hopefully at the ticket office and the treasurer bites his nails wondering how ten months' earnings are going to cover twelve months' expenses.

This "dead time" is the biggest hurdle to making bush flying pay. The other hurdle is the uncertainty of traffic. In many ways, the bush operator has an easy life. With lakes in plenty all over the northern part of Canada, he can fly his customers pretty well anywhere they want to go. There are no landing fields to maintain, no air traffic control, no expensive navigation aids to carry, no hanger rents or landing fees. All that he needs is an airworthy machine and a pilot, usually himself, with that special quality known as "bush sense." The chief ingredients seem to be an uncanny sense of direction, fair mechanical competence and the ability when necessary to live off the land at temperatures of minus 50°C.

Successful businesses have been founded in this way with a capital of as little as 50 shillings, but it is generally easier to get into the business than to stay there. The difficulty is to get a steady, year-round flow of work. Plenty of foresters, trappers, government surveyors, prospectors, geologists, mining engineers, tourists, and drilling teams want to be flown in and out of the bush; there are the sick to be flown to hospital, and forest fires to be fought from the air—although the bush airlines look on this as a tiresome chore. Mobile radios, which allow men in the bush to call up the airline when they want to be fetched, or their groceries delivered, have put operations on an efficient 24-hour basis; but the fact remains that the aircraft can only fly during daylight, of which there is little enough in winter, and can only fly when they are needed. The rest of the time they sit like so many idle taxis on a rank. In some territories where the bush is dense and



the going on foot exceedingly rough, government surveyors mapping the huge areas still white on the map prefer to work in winter, when the snow makes it easier to move across the country. This gives some airlines a better spread of work between winter and summer. But in others, the surveyors work only during the summer, in spite of the flies, and flying tends to get bunched into a few months, with a peak during the hectic 10-day moose-shooting season in the autumn when hunters from all parts of North America queue to be ferried into the bush.

After the government, with its foresters, its surveyors and its medical services, the mining companies are probably the bush airlines' most dependable customers. But the amount of business they generate is directly linked to the state of the world metal markets and to a lesser extent, to fur markets. Northern Canada is rich in minerals, and when prices are high, exploration goes with a swing and so does the business of flying in geologists, prospectors, engineers and drilling rigs. When prices drop, so does the amount of exploration and the bush airlines' business.

Even under the best conditions, this business is short-lived, for if exploration is successful, and a mine opened, operations immediately become too big for the bush airlines—for the biggest aircraft that can fly from a lake carries little more than a ton. Airstrips are built to take larger civil transports, roads and ultimately railways have to be cut to carry away concentrates. One of the secrets of successful bush operation is to stay one jump north of the railways.

There are only two conditions under which bush flying can be run as a profitable business. One is to get reasonable use out of the aircraft, and the other is to charge rates high enough to give a proper commercial return on capital employed. One of the most consistently profitable bush operators, Fecteau Transport Aérien, was established 21 years ago with \$7, and now has a capital of \$1.2 million, of which nearly \$800,000 represents the company's 19 aircraft, written down at the rate of 30 per cent a year. Fecteau records profits of 34 per cent before depreciation, ploughs back almost the whole of this into the company and leaves a net profit after meeting all charges of \$85,000. There are two explanations for these solid results. The first is that the company got during the year in question (1959) an average of 750 hours flying out of each of its aircraft (a normal commercial airline aims at, but does not always achieve, 3,000 hours). This is less than the 1,000 hours that Fecteau achieved at the height of the mining boom, and may be higher than the company averaged for 1960. But other bush airlines getting less than 500 hours out of their aircraft lost money. The second reason for the profit was high rates. Taking the de Havilland Beaver, with its  $\frac{1}{2}$ -ton payload, as the standard bush aircraft (this is

the aircraft shown in the two sketches), then Fecteau's charge is roughly 4s. 8d. a mile (bush aircraft are hired, like taxis, by the hour or the mile). This rate is 10 to 15 per cent higher than that charged by most other airlines around Northern Quebec, where Fecteau operates, and is as much as 35 per cent higher than those of the airlines on the other side of Hudson's Bay. It follows that many other bush airlines earn enough to cover only their day-to-day expenses with nothing for overheads.

This has serious consequences when, as at present, the government removes the element of protection that bush airlines used to enjoy, namely, a ban on any new bush airline within 25 miles of an established base. Now anyone with a patched-up flying jalopy can get a licence; and the fact that many of these shoe-string airlines go out of business within a season does not prevent them from skimming the cream off the market in the meantime and pushing established airlines into the red. This is particularly serious in areas further south, where bush airlines draw a good deal of their custom from tourists on a hunting or fishing holiday. These are much more sensitive to a price difference of a few cents a mile than the big mining and fur trading companies would be. The latter place more store by service and reliability: much of Fecteau's commercial success is said to be due to intense specialisation and the wooing of these big customers with, among other things, new and well-maintained aircraft, mainly de Havilland Beavers and Otters bought at upwards of £18,000 each. But this policy does not necessarily work in other regions.

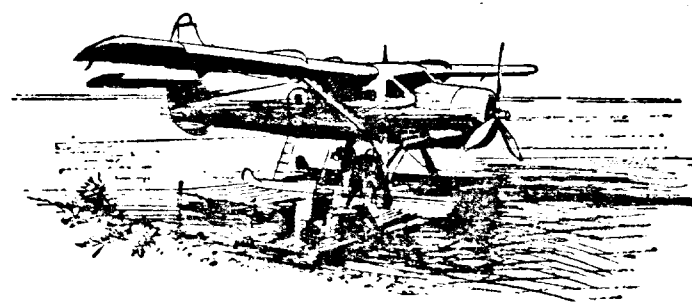
Very big customers can sometimes be as fickle as small ones, and when a bush airline has expanded its fleet to handle a big customer's traffic the loss of a contract can be disastrous. The Canadian government has had to face a major headache of this sort over the contracts to supply the American Dew Line radar stations in the far North, contracts that called for bush-type operations on an unprecedented scale. These contracts have just been withdrawn from the two Canadian airlines that had held them from the outset of Dew Line operations and given instead to a third, understandably jubilant, airline. In the welter of recrimination and counter-recrimination it is difficult to judge whether the switch was politically engineered, as some people say it was, or was the result of re-costing by the American services who were footing the bill. But there is no doubt that the change has caused a great deal of bad feeling and led many people to wonder whether there is any real future left in bush flying.

THE answer depends on what future one believes exists for the Canadian north and its untapped mineral riches. The bush airlines played a key part in opening up the Canadian backwoods in the 1930s; some people believe that they will do the same again for the Canadian north in the 1960s. But they are operating against considerable difficulties. The oldest airline in Canada belongs to Tom Wheeler, whose experience of bush flying goes back forty years and who enjoys a very special prestige as a result. Wheeler Airlines held one of the original Dew Line contracts but sold out—at the time unwillingly—to another, larger company which has since lost the business. Wheeler now concentrates exclusively on bush operations and holds a much-coveted contract to spray the forests of Eastern Canada against budworm (for which it uses as many as 200 biplanes and converted torpedo bombers

recruited from all parts of the United States). Yet this airline, with a highly experienced management, a capital of more than \$1 million and no debts, made a loss last year of nearly \$64,000. Some of this was due to the difficulty of reorganising after the sale of the non-bush flying part of the company's business, but the company is budgeting this year for little more than a token profit of \$14,000, and all of this has to be earned during the four summer months.

One difficulty which faces airlines like Wheeler's, which operate far into the North, is that they must lay in caches of fuel at all their northern depots, and the fuel can only be delivered by sea once a year when Hudson's Bay is open to shipping, so that needs have to be worked out 12 months ahead. Petrol that costs 2s. 2d. a gallon under ordinary conditions will have cost the company nearer 9s. a gallon by the time it has been carried by sea and air to the northern bases, and the price can reach 22s. a gallon. With several thousand gallons in each cache, and the 45-gallon drums themselves costing more than £4 apiece, a bush airline has to make a very considerable capital outlay in fuel at the start of each flying season—in Wheeler's case, amounting to \$1 million. By long tradition, anyone in need could help himself to these caches and replace or repay when he could. But traditions are changing and the growing theft of fuel is causing the airlines some concern.

Tom Wheeler has probably done as much as anyone to widen the market for the bush airlines by developing a tourist business, based mainly on hunting and fishing and backed up by his own and his family's hotels and hunting lodges. But the number of tourists who can afford to hire an aircraft is limited. Even a 200-mile flight into the bush, involving two double journeys, is beyond most pockets and some of the best sport is 600 miles from base. Wheeler airlines needs 600 hours flying a year out of its aircraft to be sure of a profit. Last year it did not get 500, and there must have been many other bush airlines in the same position. This puts the Canadian government in an awkward spot, because large areas of Canada do still depend on these airlines for their only means of transport. They are not going to thank the government if they have to go back to dog sleds and canoes because the bush airlines have gone out of business. And the airlines, with one or two exceptions, say flatly that the government's new policy of unlimited entry is driving them out of business. This is causing the government to have second thoughts, for it would cost a great deal to provide permanent landing strips, or lay even the standard Canadian dirt road into areas now served by the bush fliers. And this would still leave unsolved the problem of the scattered Indian trappers whose welfare weighs so heavily on the North American conscience. A sharp reversal of the present policy of unlimited competition is therefore not only likely, it is likely very soon.



## BUSINESS NOTES

### OVERSEAS TRADE

#### Nearing Balance?

BRITAIN'S landed imports fell sharply in April, and on the seasonally adjusted basis the fall was the third in succession. Exports again showed little change, continuing at about the same level as a year before though a little higher than in later quarters of 1960. The upshot was that the crude trade gap, between exports and re-exports valued fob and imports valued cif, was reduced to no more than £24 million on the actual figures and £36 million seasonally adjusted. Since the cif valuation for imports and other distortions swell the gap by about £40 million a month, this implies that the balance of merchandise trade, as valued in the payments figures, was again on the right side in April. This was probably a freak result, though the size of the special influences have been exaggerated.

There was, once again, a London dock strike to reckon with. The strike began on April 22nd but affected a substantial proportion of the labour force only on the last two days of the month—which may in practice be reflected only in this month's returns. However, since imports in April fell by the unexpectedly large amount of £20 million, even after allowing for normal seasonal fluctuations, the Board of Trade statisticians cautiously assume that there may have been some effect from the strike, though probably only of a few million pounds. Exports, at the same time, were swollen by deliveries of two ships worth £12 million together; without these, exports would have fallen a shade. Making rough allowance for these influences, the crude trade gap may have been something over £50 million. This would still indicate a visible trade deficit, but it compares with

a gap of over £70 million a month in 1960. The fall in imports, as has been pointed out, is unlikely to go very much further, but it is a natural and indeed belated adjustment to the stockpiling of 1960; there is nothing artificial about it. But the continued sluggishness of exports is disappointing. As the dock strike ended on May 4th its effects should be mainly worked out in the May figures, but some export shipments that just missed their sailings may have been delayed until later months.

### THE EXCHANGES

#### Sterling Under Pressure

EQUITY prices on the London stock exchange received a stimulus from the April trade figures, but not sterling. The rate against the dollar has been drifting down steadily in the past week, and on Wednesday it touched \$2.7930. This is close to the low point in the feverish speculation that followed Germany's revaluation at the beginning of March. It was at this point that the Bank of England launched its massive counter attack, flinging in dollars from the reserves and driving the rate back towards the parity of \$2.80. Since that initial week of bear selling, the withdrawal of foreign funds has been on a far smaller scale. But it has continued. The unwinding of the bear position against the dollar and of the bull position in sterling is still in process. Treasury bills and other short term assets held in London were not always sold immediately but are withdrawn as they mature. This unwinding process could be over by June: the question then will be whether the normal seasonal pressures against sterling are super-imposed, or whether they are found to have been displaced by the previous bear sales, as they might be if confidence turned.

This week there have been some sales in front of the long Whitsun weekend. But London exchange dealers find the situation puzzling. The volume of selling has not been heavy. New York is believed to be long of sterling and trying to arrange forward dollar swaps. The same is true for Switzerland. But while the Bundesbank talks about the end of the German surplus and the possibility of a deficit, the German market has been going short of sterling; and a good deal of selling has also originated in London. The Bank of England has evidently not seen fit to counter this trend

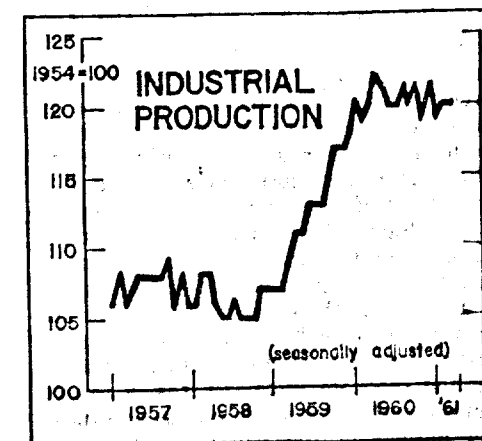
by holding the rate. It has apparently limited its support, and by letting the rate fall has sensibly brought new uncertainties for the bears. The amount of exchange that has been lost through its supporting operations is veiled by the special accumulations of sterling balances by Continental central banks. This expedient has not entirely removed foreign fears about sterling, especially as it has coincided with the depressing official revisions of Britain's payments balance, but it has checked the speculative spiral, and that is a considerable achievement.

The market's attention this week also focused on the South African rand after the South African Reserve Bank announced that it would no longer grant forward cover for stock exchange transactions or imports of consumer goods. London dealers in Kaffirs and other South African securities have been taking advantage of such cover in the past few months, as they normally sell securities in Johannesburg for payment after a fortnight or more. The foreign exchange market has not felt inclined to create any market in forward rand on its own, and London jobbers have therefore been obliged to adjust their prices to take account of the exchange risk. Their prices are now at a margin of 5 to 7 per cent below South Africa. Business is at a low ebb, while investors await, some with hope, the inauguration of the republic on May 31st.

### THE ECONOMY

#### Still No Change

INDUSTRIAL production remained unchanged in March. At 120 (1954=100), the seasonally adjusted index number was the same as in February. It has now stayed at roughly this level, with only a point or two variation, for fifteen months. This failure of output to show any sign of increase as yet is not very surprising.





Although industrial investment is still going very strong, exports of manufactured products have hardly increased at all and it was not until towards the end of the first quarter that consumer spending seemed to be picking up. Possibly, too, there has been some running down of stocks. The winter's large stocks of cars and household equipment have certainly acted as a drag on the rate at which the more recent improvement in sales has affected factory schedules. Steel output, too, has now been hit by the markedly lower rate of stockbuilding by steel users.

Indeed apart from plant and machinery and construction materials, there are not many bright patches. Production of chemicals, paper, foodstuffs and electricity has been higher than last year, but not greatly so. Textile production has fallen, partly because of a labour shortage and partly because of reduced ordering, coal output has continued to be cut, and shipbuilding is rapidly going into a major depression. Despite the pick up in sales in the home market, passenger car output during the first quarter was only about half the rate of the year before. The coming months should see a firmer revival in vehicle output. But any general scaling down of the level of stocks could postpone a recovery in total industrial output for some months. The investment boom still seems set to continue, however. The drop in new machine tool orders in February—both for home and export—is reckoned by the industry to be the result of no more than an accidental variation in the timing of ordering. New orders in January were exceptionally large. The machine tool industry as a whole, moreover, still has just over a year's work on hand.

#### STEEL

#### Towards Higher Prices?

IN rejecting the steel industry's case for an increase in prices last autumn the Iron and Steel Board took into account the increases in costs arising directly and indirectly from rises in the prices of coal and coke, but not the wage increases that the steelmasters have since agreed to pay. These, the British Iron and Steel Federation said this week, amounted to about £11½ million a year on its existing labour force (though it may be able to reduce the burden per ton of steel by increasing labour productivity, or rather measuring against labour cost the extra efficiency that it is getting out of investing say £200 million a year). Since then higher road haulage charges and insurance and pension charges have put costs up by another £4 million or so a year, and the duty of 2d. a gallon has been put on the "oil" fuels that the industry uses (i.e. about £1 13s. a ton on tar and creosote pitch, £1 19s. a ton on fuel oil, and £2 4s. a ton on gas and diesel oils burned in the works). The steel

industry is at present using about 3½ million tons of such fuels in its furnaces: the federation therefore puts the cost of the duty to the industry as "say £7 million." What the actual cost turns out to be will depend on the bargains steel customers can strike with their suppliers, so far as actual oils are concerned: they have nobody else to absorb any of the duty on tar and pitch mixtures that they produce themselves.

If one were to assume that the oil companies could be obliged to absorb half of the duty (some people in steel seem more optimistic than this) then the federation's estimate of cost increases, apart from those due to rises in coal prices which the board turned down last autumn, would amount to some £25 million a year, which would be well over 25s. a ton of finished steel. This would narrow the margins by which British steel prices are cheaper than American and German home prices, and widen the margin by which they exceed French prices.

#### DRUG PRICES

#### A Question of Principle

THE Minister of Health has taken what many people will regard as a rather odd step in his latest move to reduce the national health service bill. There is every sympathy with the dilemma in which Mr Powell finds himself. New drugs are almost invariably patented, and manufacturers rely on the protection given by their patents to make a profit and recoup research costs while they still have what amounts to a monopoly of this fast-moving market. However, the degree of patent protection varies from country to country; in Italy, for example, and probably behind the Iron Curtain too, drugs are manufactured without too much regard for the patents held by the companies that originally developed them.

Hospitals in the national health service are spending about £1 million a year, a fourteenth of their total drug bill, on three fairly new drugs, two of them antibiotics and the third a diuretic. Recently manufacturers, mainly in Italy, have been offering to supply hospitals with these drugs at prices a third below those charged by the subsidiaries of United States companies that make them in Britain. But the Italian companies have not taken licences from the American inventors of the drugs, nor do they pay them royalties. Does this account for the wide price difference? No one can prove it does. Meanwhile a few hospitals have been gladly taking advantage of this new, cheap source of supply although there have been misgivings about their quality.

They probably could not have continued to do this indefinitely; at some stage manufacturers in this country would have gone to the courts to protect their patent rights. But the Minister has saved them by intervening—in a way that has shaken the drug industry. His advisers have told him that

the hospitals could reasonably be regarded as a service belonging to the Crown, in which case the Minister can invoke a clause of the Patents Act of 1949 which gives the Crown the right to waive certain of the rules governing patent protection. This is a power usually used only in relation to defence contracts; its applicability to the health service may have to be tested in the courts. But in the meantime, Mr Powell intends to invite manufacturers at home and abroad to tender for bulk supplies of the three drugs in question, and the Ministry will distribute these to the hospitals. The Ministry will then negotiate the payment of royalties with the companies that own the patents if he decides to buy from an "unlicensed" (some might say a "pirate") supplier abroad. There is a difference of £350,000 a year between the £1 million Mr Powell would have to pay for these drugs at home and the price at which he could, on present showing, buy them abroad.

Mr Powell is obviously calculating that royalties cannot possibly consume the whole of that saving; if they do, he is a poorer negotiator than anyone believes him to be. The American parent companies have probably gone already hot-foot to the State Department demanding quick action to protect them from the horrid consequences of his new ploy. But before the flags are put out, there is one question that people ought to be asking themselves. Will his action be read as an open invitation to pirate new inventions in the drug industry, if not elsewhere? If so, is it an action that ought to have been taken by a Minister of the Crown, however sorely tried?

#### IN THE MARKETS

#### The Short Run

IN the excitement caused by small issues and placings of new equities on a booming market, it has been easy to overlook the steady and quite sizeable calls being made on institutional funds by new fixed interest issues. A number of local authorities have come to the market and there are others waiting to do so. Some industrial companies have offered debentures as well as making rights issues of ordinary shares; there will be others following them, and at the same time the institutions will have to meet further calls on the steel prior charges. At a time when the gilt-edged market is subdued, and sterling is under some pressure, these demands for money have not been easy to absorb.

It was on this market that the government of New Zealand offered a new stock. Along with Australian issues, New Zealand loans always command the finest rates in the market for Commonwealth stocks, and it had been known for some time that New Zealand was anxious to borrow money on the London market. But the issue is a big one, £20 million as against the £10 mil-

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lion the market had expected. The terms of the latest offer—a 6 per cent stock issued at 98½ and redeemable in 1972—were marginally a little more attractive to the lenders than recent issues and gave a reasonable turn on existing Australasian stocks. When the terms were announced the market was favourably impressed with the flat yield of £6 1s. 10d. per cent and the redemption yield of £6 3s. 8d. per cent but on Thursday the underwriters heard that they had been left with 88 per cent.

Compared with recent weeks, the equity market has been quiet. Dealers reported a slackening in business, which they attributed to the approach of the Whitsun holiday. Quite why the closing of the market for one day should affect the volume of trading is not very clear and it may be that investors, having seen prices climb to yet another peak just after the weekend, feel that there is no urgent need to add to their commitments. Indeed, more of them were taking their profits and this was reflected in a shading of prices in the middle of the week. In contrast prices on Wall Street climbed to a new peak on Wednesday, when the Dow Jones average closed at 705. The new wave of buying was touched off by the handsome rise shown by the Federal Reserve index of industrial production for April and it was concentrated largely on the so-called cyclical stocks, such as steel and machine tool issues, rather than on the more speculative and highly priced growth stocks.

### The Longer View

IN a paper delivered at the annual conference of the Chartered Institute of Secretaries, Mr William Nursaw, the trustee manager of Atlas Assurance, addressed himself to the problems of trustee investment. In doing so, he has produced a valuable and comprehensive survey of the whole field of stock exchange investment.

Inevitably, some of the author's preferences and judgments peep through between the lines. Clearly he sees a place for fixed interest stocks in most portfolios and he does not support Mr Ross Goobey's advocacy of 100 per cent of equities in a pension fund. Indeed, he mentions one pension fund, apparently with approval, that has only 25 per cent of its fund in equities. At another point, he says:

Irredeemable stocks have few friends at the present time and tend to be undervalued. Irredeemable stocks when depressed in price are very suitable for permanent funds such as charitable and pension funds.

This would seem to be based on his belief that interest rates are now high; that they will remain high for a number of years; but that they will not go much higher—if at all.

Mr Nursaw pays more than lip-service to fixed interest stocks; but if he can be said to have a bias it is towards the element of growth and the hedge against inflation afforded by equities. On charitable trusts,

for example, he argues that income is of supreme importance but goes on to say:

Equities are, of course, very suitable for charities which have few commitments against capital and to which year-to-year appreciation and depreciation are of no consequence. Clearly, if there is ever a case for 100 per cent in equities, charities make the case—assuming of course the trustees are expertly advised.

As Mr Nursaw sees it, the equity cult has been in full swing for the last few years and is being followed in more and more places. He estimates that each year insurance companies put £120 million into equities; pension funds £60 million; banks and insurance offices acting as trustees £10 to £15 million; and the public trustee and other trustee funds an unknown amount. The pressure on equities is therefore strong and it will, in Mr Nursaw's opinion, become stronger when the Trustee bill becomes law. Before, however, trustees put all the money they can in equities they should read what Mr Nursaw has to say about the importance of timing. Instinct as much as calculation is, he explicitly admits, at the heart of any investment decision.

### BREWERIES

#### Midlands Merger

THE answer to the amalgamation of Ind Coope, Tetley Walker and Ansell is not, as had been at one time rumoured, a merger between Bass, Ratcliff and Greeton and Watney Mann but one between Bass and Mitchells and Butlers. The merger, strongly recommended by both boards of directors, is planned through the formation of a new holding company, Bass Mitchells and Butlers. Two of the 5s. ordinary shares in B.M. & B. will be offered for every 5s. Bass share and five of its ordinary shares for every £1 Mitchells and Butlers share. On the forecast dividend of 11 per cent for B.M. & B., shareholders in both companies gain slightly in income, for the Bass's 1959-60 dividend was equivalent to 10 per cent and Mitchells and Butlers' to 10 4/15 per cent. On the basis of current yields, a price of 14s. 6d. to 15s. on the B.M. & B. shares would not be surprising. Just over 48 per cent of the equity in B.M. & B. is attributable to Bass, which contributes slightly less than this in assets and earnings and this was reflected in the sharp drop in Mitchells and Butlers' shares that followed the announcement of the terms of the merger.

This merger will produce the third largest brewing group in this country, Ind Coope Tetley Walker being the first and Watney Mann the second. It will own over 4,200 licensed premises, largely in the Midlands where both breweries are centred, though Bass has a number of widely separated public houses in other areas. Mitchells and Butlers has always been a regional brewery; it has acquired other Midlands breweries and it has an agreement with another, Ansell,

on the building of new public houses. Bass, on the other hand, is one of the original national breweries, in the sense that its leading bottled brands are sold by most other breweries. It has some reciprocal trade agreements, notably one with Watney Mann, but, like Guinness, it has succeeded largely in selling its beers in other breweries' outlets without any formal ties. It has done this by brewing distinctive and high quality beers and by promoting a brand image to create a demand that the other breweries felt they had to satisfy by stocking Bass's products. The margins they received for doing so were good, but as the number of mergers and trading agreements proliferated Bass's bargaining strength has steadily weakened. Moreover, it is argued in the trade that tastes are swinging away from the heavy beers, of which Bass, Worthington and Guinness are prime examples.

One obvious defensive move was to merge with another big brewery with a good number of tied outlets, to assure points of sale and to reinforce bargaining powers. This Bass has done, and in so doing has forged an indirect link with Guinness, for Mitchells and Butlers is one of the breweries which will join Guinness in producing and marketing "Harp" lager. Both Bass and Guinness, in fact, are moving away from isolation. They have to do this if they are to keep their sales high in an industry which is becoming increasingly dominated by giants competing hard to add to their share in a market that is not growing at all rapidly.

### IMPORTING FUEL

#### Sketch of a Policy

"NO other major energy producing country subjects its fuel industries to total freedom of imports, so why should we? Some half-way house between a total embargo determined by the domestic producer and complete free trade in fuel can be found," argues Dr Georg Tugendhat in his pamphlet "The Sources of Energy," published by the Conservative Political Centre this week. Dr Tugendhat is still putting forward the "case for cheap energy" that he has been arguing from so many platforms over the last few years: but here he is taking rather more account than before of ways and means.

He still believes, for example, that the National Coal Board ought to be producing about 120 million tons of coal a year from its best mines, not talking about 200 million tons: but he has accepted the fact that one cannot close a third of the coal mines overnight, and now proposes

a substantial tariff on imported fuels, gradually to be reduced, but in the meantime to be used to finance concentration of the coal industry and redevelopment and retraining of the mining labour that further rapid reduction in output would make redundant, and



## Rolls-Royce: Profits and Problems

THE more confident note struck by Lord Kindersley last year about the prospects of Rolls-Royce has certainly been justified by the 1960 results. Shareholders are to receive for the first time in four years a higher dividend; it has been raised from 10 to 11 per cent. An exceptionally low tax charge of £2 million as a result of substantial capital allowances means that ordinary earnings of 25½ per cent cover the bigger dividend just over twice. Total revenue in 1960 rose by 12 per cent from £97½ million to £109½ million, but as yet there is no indication as to which sections of the business contributed most to this increase. In part it must reflect the recovery from the fire at the Mount-sorrel factory two years ago which badly hit the production of aero engines.

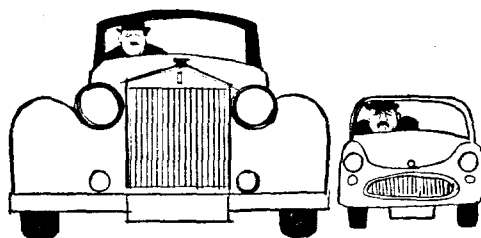
But in fact gross profits hardly reflect the more favourable sales, for Rolls-Royce had to find £2 million more for development expenditure, largely on aero engines. This heavy charge now represents one and a half times the group's gross profits and shareholders will be anxious to know whether the company will have to provide similar sums in future years or whether it will revert to the level of between £5 million and £6 million in 1958 and 1959. One of the financial rewards of this intensive development, moreover, may in future bear a heavier tax liability: the decision by which payments for knowhow were ruled to be sales of capital assets was recently reversed on appeal, leaving these to bear tax as income, with a net bank overdraft of £1 million at the end of 1959 and the further heavy rise in development expenditure it is not surprising that Rolls-Royce is considering raising additional capital by an issue of debentures.

One of the attractive features of the market for aero-engines is that the sale of an aircraft, whether civil or military, creates a steady demand for spare parts and spare engines. A civil airliner replaces its engines completely about every three years and can stay in service 20 years or more. Much of Rolls-Royce's present buoyant business is the outcome of sales made throughout the fifties; it has been rather less successful in finding new business for new engines.

This is partly due to hot competition at home from the Bristol-Siddeley company whose system of vertical take-off seems, at least for the time being, to have ousted the alternative method sponsored by

### ROLLS-ROYCE SALES AND PROFITS

|                                | (£'000s) | 1959   | 1960    |
|--------------------------------|----------|--------|---------|
| Revenue                        |          | 97,533 | 109,271 |
| Costs (including depreciation) |          | 86,997 | 96,338  |
| Development expenditure        |          | 5,660  | 7,758   |
| Gross profit                   |          | 4,876  | 5,175   |
| Tax                            |          | 2,240  | 2,016   |
| Net profit                     |          | 2,635  | 3,150   |
| Ordinary dividend              |          | 1,218  | 1,352   |
| Gross profit/sales             |          | 5.0    | 4.7     |



Rolls-Royce. It is also due in part to the fact that neither the Comet nor the Vanguard—both using Rolls-Royce engines—have sold in really large numbers, and Rolls-Royce has also run into major technical troubles with the Vanguard's Tyne engines. But against this, prospects for civil sales have brightened considerably with the decision of the British Aircraft Corporation to use Rolls-Royce, rather than Bristol-Siddeley engines in its jet-powered Viscount replacement.

ITS oldest activity—making motor cars—is now one of Rolls-Royce's more pressing problems. The provision in the budget that limits to £2,000 the sum on which tax allowances can be claimed by the buyer of a car for business uses hits the company hard; more than a third of its sales go to business buyers on the home market. Production has been rising in the last few years, and reached 2,400 in 1960; a substantial fall would add to production costs. Lord Kindersley has stated that orders have been cancelled, and that production of Rolls-Royce cars may have to be stopped. This, he says, would lose Britain prestige and export earnings; about half Rolls-Royce production is exported, and in 1960 some 500 of these cars were sold in the United States. One may doubt whether the present Rolls-Royce car brings so much prestige that it needs to be subsidised, and wonder whether it might not be able to survive with only a third or a quarter of its cost subsidised at home if it is really the best car in the world. Most of its users in Britain must have benefited from the cuts in surtax in the budget; perhaps they will use some of their own money for the cars they travel in. And could they not emblazon their company's name on the car, and charge it to advertising?

Perhaps necessity will mother a new generation of low-priced limousines, even if they are unlikely now to have the coach-built charm that their predecessors possess; glass fibre seems the more likely material for a modern small-volume car, and it hardly can claim the appeal of hand-beaten panels. But there is nothing to stop a director choosing to travel in an old Rolls—which will cost his company much less than £2,000—and gaining as much dignity and perhaps more elegance than a new one could provide.

writing down the NCB's fixed interest capital in line with cuts in output: with no equity capital, any cuts below the 200 million tons a year that Mr Robens would like to see would begin to increase overhead costs on the tonnage actually mined, to a level that would offset some of the reductions in cost that might flow from concentration and mechanisation.

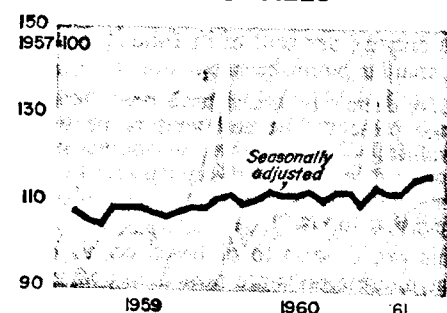
Whatever one's estimate of the amount of British coal that can be hoped to compete with the price of imported fuels in the medium run—some independent observers would put it higher than Dr Tugendhat, though lower than Mr Robens—this might be a reasonable approach which would give British industry cheaper coal without cutting down mining here too rapidly.

An alternative way of dealing with the steel industry's proposal to import American coking coal was suggested in these columns last week—to retain, for a specifically limited period, the Coal Board's monopoly of importing coal, but to direct Mr Robens to import and to bring prices down. (Dr Tugendhat says "The coal industry in particular will have to be put into the position of making transport arrangements in the same manner as is now being done by the oil industry.") Both expedients have the same purpose—to make protection of indigenous energy open but to reduce it over time, giving the coal industry a limited period to concentrate and reorganise for efficiency.

### More Competition for Oil

AS an oilman, Dr Tugendhat does not criticise the protected position of the oil companies in the British market quite as sharply as he does that of coal: but he does not burke this issue either. Indeed, he would seem perhaps to overstate the difference in oil prices here and on the Continent. He now specifically quotes the "official" prices for fuel oil here as "between £8 and £10," comparing these with seaboard or ex-refining prices on the Continent of 50s.-100s. a ton "to which sales and other taxes have frequently to be added," for Italy, North-Western Europe

### RETAIL SALES



April seems to have been another good month for retailers. Provisional estimates suggest that, after making allowance for seasonal factors, turnover rose about 1 per cent above the already high level reached in March.

except France, and Scandinavia. In practice, sizeable British customers too were getting big discounts—£4-4 10s. a ton—below the published prices: by the time the German tax, for example, was charged the actual prices paid by big customers may not have differed nearly so much from those paid in Britain as would appear.

Dr Tugendhat would like the gas industry and electricity to have "gone into oil": how far, he does not quite define, but certainly as far as buying on the world market, not simply through the major companies established here. He says approvingly that "Planners and free traders [on the Continent] are agreed on the advantages to be derived from the new supplies of oil gas and coal from Russia, the Sahara, and the export potential of the American coal industry." Whether or not this is an accurate assessment of the actual energy policies existing in the Common Market—which are mostly in practice protectionist or *dirigiste*, whatever lofty sentiments the

spokesmen of the communities profess—it is a logical extension of his argument about relying on cheap energy. Not everyone, in Britain or on the Continent, would follow Dr Tugendhat as far as that, or accept all his calculations; his ideas are often in themselves much more impressive than his figuring. But the single-mindedness with which he pursues his argument for a new policy, as ever, demands respect.

### AIR FREIGHT

#### The New Tariff

AFTER months of deadlock, the international airlines running regular scheduled services across the North Atlantic have formed a joint front against the common enemy, the chartered freight airliner, and agreed on a new scale of air cargo rates that, if they don't match the

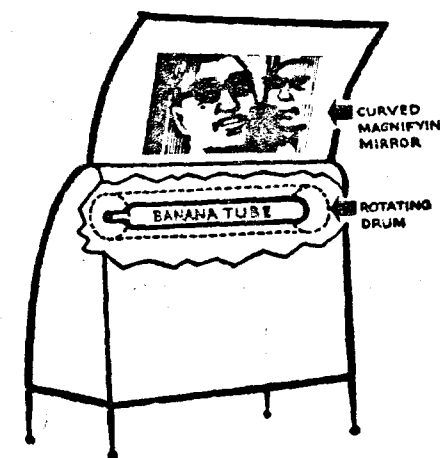
rates that can be obtained by chartering penny for penny, do reduce its attractions to a level where—it is hoped—freight shippers will just not think chartering is worth the headache of trying to fill the aeroplane they have hired. Only half the new tariff had been made public by the time this issue of *The Economist* went to press. That gave a sliding scale of reductions for general freight, so that while it would cost 15s. 9d. a kilo to send small shipments across the Atlantic, it would cost only 5s. 2d. a kilo to send consignments weighing more than a ton. This is 61 per cent less than present rates. But the airlines have also agreed special rates for certain special cargoes, these have not yet been published. Since many goods can already cross the Atlantic, in small packages, for less than the new cargo rates, no real idea of the new rates can be formed until it is known how the airlines have agreed to treat these specially favoured commodities, car spares among them.

### COLOUR TELEVISION

#### Gimmick or Break-through?

ON Monday evening, half a dozen engineers from the Mullard company's research laboratories demonstrated a radically new system of colour television to an almost full house at the Institution of Electrical Engineers. Before this tough professional audience, they explained why they thought there was no future for colour television so long as it was tied to the present design of receiver, and what arguments had led them to put forward their own—very unconventional—alternative. They admitted frankly that it was an open question whether their system will get beyond the laboratory, but one suspects they will be six disappointed men if it does not.

In the present type of television receiver used all over the world, the picture is built up on the face of the cathode ray tube; the receiver screen is actually the flat end of the tube with a stubby "electron gun" projecting behind it to pick up the signals from the transmitter. As these hit the screen in a stream of varying force they cause a temporary glow in its luminescent phosphorus coating and so build up a black-and-white picture. To turn this into a coloured one three new phosphors have to be incorporated which glow in one of the three basic colours, red, green and blue. Which colour lights up then depends on the strength of the signal as transmitted down the electron gun. Briefly this involves providing three separate electron guns in one cathode tube; and although the end results are good, the tubes become monstrously complex and the receiver costs



about three times the price of an ordinary black-and-white one. It is also a great deal bulkier, and the picture can only be seen in a darkened room.

These reasons explain why the collectors of status symbols have bypassed colour television although colour programmes have now been transmitted in the United States for several years. Sales are disappointing, which has led electronics engineers to think that perhaps the public is not so gullible after all and will not pay for what it considers to be a grossly overpriced product.

The only way to reduce the price is to simplify the design of the most expensive single component, the cathode tube. Mullard's engineers have, however, carried the process of simplification so far that the listening electrical engineers began to wonder whether they might not have gone too far. They have dropped any idea of presenting a coloured picture on the flat end of the tube; their cathode tube is nothing but a long cylinder with a single electron gun sticking on to one end. The three phosphor coatings are laid in hori-

zontal strips the length of the tube and the signal, as it comes from the electron gun, hits whichever strip it needs to give the appropriate colour. But this gives only one of the 405 lines that go to make the black-and-white television picture on the ordinary screen.

How Mullard builds up the rest of the picture is highly ingenious and, to the electronics engineer, slightly shocking. Neither radio nor television receivers have any mechanical moving parts. But Mullard's engineers have thrown in mechanical and optical systems to get them out of their difficulties. They mount three optical lenses on a drum that revolves at 1,000 revolutions a minute around the cathode tube. The lenses each pick up a single line of picture from the tube and throw it in turn on to a curved, hyperbolic mirror that arches above the set. This mirror incorporates a number of optical tricks that magnify the picture, iron out distortions and give the viewer a steady, bright coloured picture that loses very little of its intensity even in a powerfully lighted lecture hall. Because of its shape, Mullard has called its tube a banana. The picture shows the arrangement of the laboratory models that were demonstrated (the lower part of the set was filled with circuits, mechanical drives, etc.).

The banana tube is so simple that it should cost no more than a normal black-and-white one; this is an asset not only to the set maker but to the customer who will have to replace those tubes during the life of the set. But are the complicated mechanical and optical parts going to eat up the rest of the saving? This will really decide whether the Mullard system has an edge over other designs of colour receiver, which pack all the complication inside the cathode tube and leave the rest of the circuit relatively simple.

## URBAN TRANSPORT

## A Sense of Priority

LIKE many other disinterested observers before, Political and Economic Planning, in its latest pamphlet on "The Cost of Roads,"\* has some hard things to say about the present order of "priorities" in new road construction. Fast new motorways across the country are relatively easy to build, they are generally much cheaper than comparable urban road works, and they are certainly popular. But they are not a particularly fruitful investment in relieving congestion if they merely deliver more vehicles more quickly at the outskirts of cities already packed tight with traffic. PEP calculates that even in the present year as much as three-quarters of the £76 million the Government proposes to spend on new roads will still be going into motorways and trunk roads between cities. And not all the remaining £19 million will be spent on urban road schemes, though most of it will be. Successive ministers of transport have claimed that the five major trunk road and motorway projects have been selected as likely to bring most benefit to industrial traffic. But, as PEP says, it is very doubtful whether they will do this. Both road and rail traffic will still have to crawl through congested streets at either end of its journey, probably nullifying any benefits from slightly faster travelling in between.

The pamphlet holds firmly to the view that road construction alone will not meet the urban traffic problem. The benefits of particular road schemes can be swallowed up by congestion further along or by the extra traffic the improvement itself generates. "Even road investment which results in increased speeds may not provide the least expensive method of achieving this faster flow of traffic; even after taking into account all the social costs of restrictions and inconvenience, restrictive measures and subsidised public transport may be a cheaper way of relieving congestion." But in no city in this country is there any single authority that can take this broad view of the way in which public and private transport might be harnessed together.

## RADIO INDUSTRY

## More Amalgamations

THE winter slump in television sales has convinced many medium-sized set manufacturers that the time has come to amalgamate or sell out. The mergers between Pye and Ekco, and between the bustling Sobell business and the General Electric Company have now been followed by Thorn Electrical Industries' purchase of the set-making side of the business of Ultra Electric, one of the smaller of the com-

\* PEP Planning No. 452. "The Cost of Roads." 3s. 6d.

## BUSINESS NOTES

panies in the medium-sized group. The price paid to Ultra is £2.4 million in cash. Only a few days earlier, Plessey had bought the small Regentone company.

The amalgamations have been caused by the growing realisation that medium production runs are no longer economic when faced with the challenge of a giant like Thorn which becomes, with the acquisition of Ultra's capacity, the unchallenged leader of the industry in terms of size. But it follows that Thorn's rate of output made it specially vulnerable to last year's slump from which retail sales are only slowly recovering. And ironically it was Ultra that precipitated the industry from a slump into a crisis by becoming the first company to put a 19-inch television set on the market two weeks before Christmas. Until then, the industry might have been concerned over the mounting size of its stocks, but could have expected to liquidate them gradually by cutting back production. But the appearance

## MOTORS

## Ford Improves Its Status

THE new Consul Classic 315 is the latest move in the campaign to make it smart to own a Ford. And, though the price has not been announced in Britain where it will not be available until June 17th, it seems likely to be a cheap car; £720 to £780 seems the likely price range in Britain for the different models, two and four door, standard or de luxe. In Belgium it will cost £580, five per cent less than the comparable Ford Taunus—which has proved a great success there since it was introduced last autumn—about as much as the Peugeot 403 1300, and £10 more than the Simca Aronde Elysée. Fiat has waited for the Ford to announce the price of its new 1300: it will probably cost a little more; but it should be able to offer a superior performance in return, for its engine develops nearly 20 per cent more power.

One may expect, therefore, that the Classic will sell well abroad and at home; here, sales of the Minx, Victor, A55, Oxford and the old Consul seem likely to turn down, at least until the expected replacements for some of these appear later in the year. Ford has not stated its capacity to make the Classic; at present it is made on the old Prefect line—output of which ended in March—at 70 a day; 300 a day would seem the immediate target, though there can be much flexibility between the Classic and the Anglia. On the continent, such old models as the Simca Aronde are likely to be affected, though one can again expect more changes in the 1½ litre class before the end of the year.

There are some close similarities between the Ford and the Fiat 1300. Both are designs of unimpeachable orthodoxy, except for the use of disc brakes on the front wheels: but Ford must have gained a significant advantage in production costs by building the new model almost entirely of

## THE ECONOMIST MAY 20, 1961

of Ultra's 19-inch set made all those stocks of 17-inch receivers obsolete overnight—at least in the eyes of retailers. Other manufacturers had no option but to market their own new 19-inch sets, which they had hoped to keep under wraps as long as possible, and reconcile themselves to disposing of existing stocks for the best price they could get.

Thorn appears to have had a clearer appreciation than some other makers of the importance of speed. The manufacturers that came best out of the winter are those that were shrewd enough not to let their stocks get out of hand—Sobell is reputed to be among this select band. Thorn did the next best thing; it sold its receivers for what retailers were prepared to offer. Not all shops passed on the full saving to their customers, but those who did were able to sell Thorn's Ferguson sets for a bare two-thirds of their list price. By March 31st, Thorn claims to have reduced its stocks to normal proportions.

Anglia mechanical parts, while the Fiat is largely a new car. The engine of the Classic differs from that of the Anglia only in its crankshaft and connecting rods; the gearbox is the same. Apart from the engine stroke, the disc front brakes, the tyre size, and the track of the rear axle are the only mechanical features in which the two cars differ. Even the ratios of the rear axle and gearbox are identical.

## With Style and Performance

DESPITE this sweeping measure of standardisation mechanically, nothing is shared in the body between Ford's Anglia and its new Classic. And whilst it shows some signs of being designed down to a size, and so has something of a bob-tailed look, the stylists of the Classic have felt no pressure to seek compactness at the cost of other advantages, and have produced a car that has a tail of American length—which has allowed them to put the spare wheel at one side behind the rear wheel, and so to provide one of the biggest boots on any British car. Inside, however, it is only a four-seater. The style of the car clearly owes much to the American compacts; 1½ inches lower, seven inches wider and seventeen inches longer than the Anglia, it brings the long, low look of the current American car to a British product for the first time. By doing so Ford has made its own larger models look decidedly dated. The hint from Sir Patrick Hennessy that more new models will be coming soon may mean replacements for these cars as well as the sports coupé version of the medium-sized car that has been long expected.

The Classic outperforms the Anglia and the Consul: its bigger 1,340 cc engine gives

## THE ECONOMIST MAY 20, 1961

it better top gear acceleration than the Anglia, and the maximum speed is claimed to be 4 mph higher. The wider track means that the car rolls less on corners; and the disc brakes are so powerful and fade-free that competing makers cannot long delay adopting them.

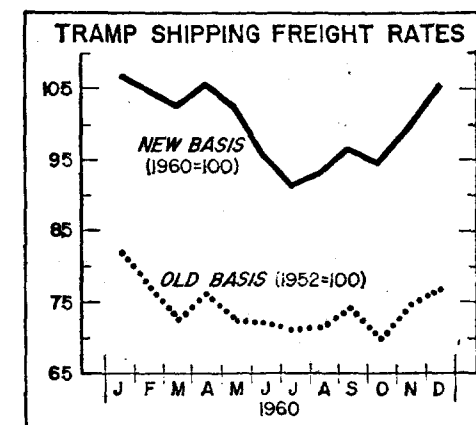
## SHIPPING

## New Freight Rate Indices

FOR the third time since the Chamber of Shipping first published an index of tramp shipping freight rates forty years ago, it has become necessary to change the basis on which the index is compiled. Since the last revision was made in 1952 there have been considerable changes in the relative importance of commodities and routes as well as changes in charterparty conditions as to loading or discharging rates and terms. The present pattern of trading was compiled from information supplied by British tramp shipowners. This showed that more than 93 per cent of the total freight on voyage charter during 1958 was earned in the carriage of coal, grain, sugar, ore, fertilisers, timber and sulphur and these are

## BUSINESS NOTES

the commodities which are used for the new index. They are the same as for the old index except that sulphur has been brought in and esparto excluded, but there have also been changes in the weighting given to each commodity. Considerably more weight, for example, has been given to fer-



tilisers and substantially less to coal. The old index was confined to fixtures in sterling, but the new index again includes dollar fixtures, provided they are open market fixtures and not rates which are available only to vessels flying the American

## US Treasury on the Mark

BY A NEW YORK CORRESPONDENT

ONE of the positive results of the speculation against the dollar following the half-hearted revaluation of the mark and the guild in early March has been the resurrection of the moribund US Exchange Stabilisation Fund. Originally established in 1934 with the profits of gold revaluation, the Fund played a minor role between 1934 and 1939 in dampening the daily fluctuations of the major European currencies against the dollar, especially after the European markets had closed for the day. Between 1939 and 1960 the Fund remained little more than a book-keeping entity in the Treasury's accounts, its capital being available to meet worthy international purposes without the need of going to Congress.

The revival of the Fund as an operating entity in the last two months is a clear sign that the United States authorities have finally shed their view that the best way to protect the dollar is to sit passively on the gold stock. The Treasury accepted a sizeable amount of marks as part of the \$587 million repayment of German postwar debt, and made it known explicitly that the purpose of this operation was to put it in a better position to throw marks on the market whenever it observed a speculative shift from the dollar to the mark.

Thus far its intervention has been confined to the selling of forward marks.

Because there are a lot of buyers of forward marks these days but few sellers, the forward mark is at a premium of the equivalent of 1½ per cent per annum against the dollar. For United States operators placing money in Germany, this means that in addition to the differential in interest they can secure in Germany, the equivalent of a further 1½ per cent per annum can be obtained by covering the swap back into dollars, through a sale of forward marks. Official sales of forward marks will tend to reduce the premium, and thus remove one incentive (but only one) for arbitrage movements to Germany.

The exact details of the manoeuvre have, quite properly, been kept under the wraps—including the size of the commitment and the way the Treasury gets rid of its short position. Moreover, it is not clear how long these positions are carried, though it does appear that the operation involves more than simply covering the market after it closes in Europe. Technically, all the Treasury has done in accepting marks as part of the repayment is to provide itself with a ready supply of marks instead of having to obtain them openly from the International Monetary Fund or from the German Treasury either by a drawing or a gold sale. In practice the effectiveness of the manoeuvre has been lessened by the fact that the size of the Treasury's holdings of marks has in-

flag. Fixtures for tankers in the US Gulf/India grain trade are taken into consideration, but not in other routes.

Freight rates in 1960 were considerably lower than in 1952, so that the new numbers are correspondingly higher than the old. On the old basis the average for 1960 was 74.2, but this provides only a rough link between the two series—as can be seen in the chart—because of the different commodities, routes and weightings. Oil-fired steamers are now excluded from the calculation of the time charter index as most charterers now take only motor ships; and the lower size limit has been raised from 8,000 to 9,000 tons deadweight. On the old basis the average time charter index for 1960 would have been 65.4, as against 100.

## RUSSIA

## Moscow Window

WHATEVER effects the British fair in Moscow may have on trade, the jamboree is certainly having an impact on the Russian public. Even before it opened nearly a million tickets had been sold. Next week Mr Maudling will start trade

advertently become calculable. The recent announcement that a large part of the \$537 million reduction in foreign official holdings of government securities was due to German sales strongly suggests that the total acquisition of marks by the Treasury is in the vicinity of \$100 to \$150 million. By allowing this to become known, the Treasury has merely bought itself a little time.

How far the United States authorities are prepared to go in this new venture is still unclear. Official forward intervention on the mark-dollar rate seems to foreshadow a general policy to minimise the flow of short term interest-sensitive funds whenever they appear to jeopardise the ability of the authorities to pursue measures appropriate to the domestic economy. And indeed forward intervention is a much less costly means to this end than following that line of advice freely being given by old gold standard hands, who have been proclaiming the need for greater central bank co-ordination in the manipulation of short-term interest rates.

It seems unlikely that the acquisition of marks is the initial step towards building up a large basketful of foreign currencies. If the mark holdings prove adequate to waylay the speculators well and good. And if not, the United States authorities are likely to move quickly towards more formal arrangements for checking the speculators, either within the arrangements of the International Monetary Fund or outside them.



talks with the Soviet government. They will not be concerned with detailed quotas but with the general progress of trade and discussion of a more formal treaty of Trade and Navigation—a largely ornamental structure by which the Russians set political store. Since Sir David Eccles signed the present four-year trade agreement in March, 1959, both exports and imports have been expanding steadily. Exports to Russia still represent less than 1 per cent of Britain's total exports, but they rose to £37 million last year compared with £23 million in 1958.

The Russians seem to relate their imports of consumer goods fairly closely to the amount they sell. There is plainly a case for a steady enlargement of British quotas. The Russians, however, will certainly point out to Mr Maudling, as they always do in trade talks, that the one way in which they can earn more sterling on a big scale and quickly, is by selling Britain oil.

#### BANKING HOURS

### Irritating the Customer

BRANCHES of the clearing banks in England and Wales are to open and close 30 minutes earlier on Saturdays. From July 1st opening hours will be from 9.00 to 11.30 in the morning—as they already are in the City of London. A good few of Britain's bank clerks will be home for an early Saturday lunch, and the banks no doubt hope that they will be pleased and not press quite so hard for a five-day week. But for the customer who already finds the noon close on a Saturday inconvenient, it will be yet another irritation: what will those bank counters be like at 11.25? Of course the banks have a problem. Saturday opening has long been a great handicap to staff recruiting. But if the banks are really to widen their business, they will not do it by closing their doors earlier. The Post Office, which may shortly introduce a rival system of credit transfers, is open until 6 p.m. on a Saturday. On weekdays it is open when people go to work and when they come home. The banks are not. They must do some hard thinking and decide whether they really want these new customers. The only solution, surely, is flexibility. Evening opening in the suburbs, an early morning counter service with a limited staff, mobile banks at the factory gates on pay day—how seriously have these been considered at top level?

#### TROPICAL CROPS

### Trouble in the Treetops

COFFEE is the most important agricultural commodity entering world trade; together with cocoa, tea, rubber, bananas and coconuts, it accounts for not far short

of a quarter of all international trade in agricultural produce. These tropical tree crops are mainly the products of underdeveloped regions whose economies hinge upon them, and much of the trade is hedged about with protected markets. These commodities could prove economic and political dynamite. A growing breach between EFTA and the European Economic Community might cause a deeper economic partition in Africa, too. Unless tariffs are harmonised, there will be a sharper distinction between the produce of territories within British, French, Belgian and Portuguese influence. The predicament of the Latin American coffee producers who could supply the whole world for a couple of years from their towering stocks has brought America into the arena. First and foremost America wants to keep open European markets for Latin American producers, and if possible, to gain parity of treatment for them together with a reduction in the taxes that these commodities seem to attract in Europe.

Though, by their nature, crops that grow on trees ought, apart from normal hazards of plague, drought, tempest or radical improvements in cultivation, to be susceptible to some degree of prediction, this really is a wood that cannot be seen for the trees. In its annual review of commodities, the Food and Agriculture Organisation of the United Nations spotlights the danger. For many of these commodities, the acreage, numbers, age and yields of existing trees are unknown. High prices in the early 'fifties induced more planting, which is now maturing. Even those crops that have so far known no problems might be concealing a future surplus or shortage. The FAO therefore wants a big improvement in statistics about tree crops. Though that is a tall order when dealing with some bushes and bushmen, it would certainly make the task of price stabilisation committees easier, if not dispensable.

#### NON-FERROUS METALS

### Uneven Recovery

PRICES of the principal metals seldom diverge for long, but the first half of 1961 seems to be one of those rare occasions when tin, copper, zinc and lead all appear to have put a different foot forward. Since the start of the year, three months' tin has risen well over £80 a ton to £872 a ton. Copper hung about £225 a ton for the first three months of the year and then burst into life bringing three months' metal up to £245½ a ton. Zinc has drifted aimlessly; spot supplies are no higher than at the beginning of the year, and three months' delivery at £82 a ton is scarcely better. Lead got a once-for-all boost of £4 a ton from the imposition of collective output restrictions this year, but three months' lead has since stuck at £68 a ton. Tin is now close to the price at which the International Tin Council's buffer stock

manager must sell off his reserve; copper is at a level which producers have said is satisfactory, and, if maintained, may induce them to reconsider their output restrictions; zinc is stalemated at a point which doesn't call for further action, and lead has fully justified the restrictions clamped upon its production.

The tin buffer stock manager has entered the market sporadically. The ITC's main activity has probably been transferred to another plane. Next week's meeting of the ITC may reveal whether any agreement has been reached for the release of stocks of American government-owned metal. Although the United States is not a member of the ITC, the country that holds the stocks now holds the aces, and the balance of influence has therefore swung sharply towards America.

The figures of the American Copper Institute fully confirm the recovery in American demand for copper in April. By the end of the month world stocks showed a sizeable fall. With the Kennecott wage issue in the offing, American demand cannot be trusted too far, but most suppliers have raised their prices by a further cent to 31 cents a lb, and forward prices have ranged up to 32 cents. Supplies are much tighter in America than in Britain, where the shortages are only in specialised qualities.

On the other hand, the prices of certain grades of zinc in the United States have been cut, and New Jersey Zinc has made a cut in output of refined zinc and has closed a mine. The Administration's scheme for aiding the domestic lead and zinc industry will be put before Congress this month. Meanwhile, the barter arrangements under which America will mop up the surplus of lead produced last year are being completed.

#### SHORTER NOTE

Standard-Triumph International has announced an estate car version of the Triumph Herald 1200. It will sell for £799 in Britain; the body is similar to that of the saloon as far back as the door pillars, behind which the roof is carried straight back to an upward-opening rear door. The mechanical specification is the same as that of the saloon.

#### COMPANY AFFAIRS

Comments on pages 835, 836 and 837 on:  
Beecham Group A. E. Reed  
Shell Transport Vickers  
Discount Houses Spicers  
Insurance Reports Granada  
Anglo-Israel Securities Bowater Paper

#### LONDON AND NEW YORK

Stock prices, yields and security indices on pages 838 and 839

#### LONDON STOCK EXCHANGE

The week's movements reported on page 837

#### MONEY AND EXCHANGES

Money market report, exchange rates and public finance on page 840

#### COMPANY MEETINGS

## ROYAL EXCHANGE ASSURANCE

### 24th ANNUAL REPORT

### A YEAR OF CONSOLIDATION

### LORD KINDERSLEY'S TRIBUTE TO EXECUTIVES AND STAFF

The two hundred and forty-first Annual General Court of the Royal Exchange Assurance will be held on June 7th at the head office of the Corporation at the Royal Exchange, London, E.C.

The following is the statement by the Governor, The Right Honourable Lord Kindersley, CBE, MC, which has been circulated with the report and accounts for the year ended December 31, 1960:

Before I review the Report and Accounts for 1960 I must refer to the very sad loss we sustained last August by the death of Lord Weeks who had been a director since 1947. He was held in affection by us all and we greatly miss his presence and his wise counsel.

Last May Mr T. G. Calvert, one of our Assistant General Managers, retired. During his 45 years with the Corporation he successfully held a number of important posts and we hope he will enjoy his well-earned leisure. There was one other change in the Head Office Administration. Mr K. J. T. Boag retired from the position of agency manager on December 31st last after 41 years service. He takes with him our best wishes for the future and we welcome as his successor Mr John P. McLelland, formerly our branch manager at Liverpool.

Since the merger with the "Atlas" to which I referred in my statement last year we have been busy with the reorganisation of our group affairs and a number of far-reaching changes have been made from which we expect beneficial results.

We now have a group Investment Department with Mr J. P. P. Tyndall, Mr D. C. Kelly, AIA and Mr D. W. Allen as investment secretaries responsible for the supervision of the substantial investment portfolios of all our companies. The establishment of a group mechanisation department was recently announced with Mr E. C. Swinson, FCA as manager. It will be equipped with a De La Rue Bull 300 computer and apart from many additional functions which it will undertake, considerable work will be transferred from existing equipment to the new machinery. A group home fire department is now in operation with Mr W. A. Jackson as manager and we are working towards a similar arrangement in the home accident department.

#### OVERSEAS ORGANISATION

For the better control of the large volume of business of all kinds which we transact abroad a group overseas department has now been established in new offices at Austral House here in London. Mr H. C. Brett has been appointed manager of this department and Mr R. W. Warwick deputy manager and we have made a number of managerial changes in various parts of the world.

In Australia our new building in Sydney named Kindersley House, to which we have now moved our control office for that country as well as our Sydney branch, was opened last September

by the Governor-General, the late Lord Dunrossil, in the presence of a large number of distinguished guests. I was very happy to be present and to have with me Mr Rudolph de Trafford, the Chairman of the "Atlas," and Mr H. R. Roberts, our Deputy General Manager. It was a pleasure for me to meet on that important occasion not only the members of the "Royal Exchange" and "Atlas" Australian boards but also many of our friends there as well as the members of the staff; and to be with Mr F. H. Egerton, our manager for the territory, and Mr E. V. Elder, our associate manager. While I was in Australia I also had the pleasant duty of laying the foundation stone for our new building in Adelaide which we hope to occupy before the end of 1961.

In New Zealand an integration of our group business has been successfully carried through under Mr K. W. Millage and it has at once resulted in a more economical and fruitful use of our field staff with much better service to our agents and clients.

Since I last reported to you I have twice visited Canada and I came away well satisfied with the considerable measure of integration which has been achieved there by Mr J. T. Buttery, our group manager, and Mr D. J. Dunlop, our associate group manager. We decided to establish a new wholly owned Canadian subsidiary and this was incorporated last October with the title of The United Canada Insurance Company. For the present, the members of the "Royal Exchange" Canadian Advisory Committee constitute the board, with Mr J. T. Buttery as President.

I have also been in the United States again where, I am sorry to say, our Advisory Committee has been sadly depleted by the death of Mr Roderick McRae. We are fortunate to have Mr Samuel H. Woolley in his place. Whilst there I saw our United States manager, Mr G. Leicester Parker and other members of the New York staff, and across in San Francisco I was particularly pleased to be able to visit Messrs Rathbone, King & Seeley and Messrs Deans & Homer, two very good friends and agents of ours in the Pacific Coast territory.

There have been changes in our branches in Southern Africa. Mr L. F. Duncan has been appointed group principal officer for the Union of South Africa whilst continuing to act as South African manager for the "Royal Exchange." Our chief office for the Federation of Rhodesia and Nyasaland, which now reports direct to London, has been moved from Bulawayo to excellent new premises in Salisbury and the operations in that territory of the "Royal Exchange," "Atlas" and "Motor Union" have been merged, with Mr H. N. Roper as manager.

Mr H. J. Burt, formerly our manager for India, has just recently been given the important new appointment of resident secretary for the group in Brazil where we have a substantial and growing business. Mr J. T. Dunlop, based in

Calcutta with the title of eastern manager now looks after India, Burma and Ceylon for all our companies, while Mr D. G. Whyte controls Pakistan from Karachi. Both these officials have done a splendid year's work and have successfully surmounted many difficult problems.

Every territory abroad in which we have a branch has been visited by a member of the Head Office executive during the past eighteen months and, while the benefit of the changes which have been made may not be apparent immediately, I am confident that before long the results will justify the hard work and tremendous amount of overseas travelling which they have entailed.

On the subject of our overseas business generally the year 1960 yielded, even by postwar standards, more than its fair share of problems and not a few of them had a political flavour—notably those associated with African territories. Impending legislation affecting the conduct of our affairs in a number of countries also required close study. Some of the features with which we had to contend included two severe cyclones in Mauritius and two earthquakes in Chile; and we encountered special difficulties in Cuba. There was heavy damage by flooding in Western Europe at the time of the floods in England.

The uncertainty of the future relationship between Great Britain and the countries of the European Common Market gives rise to problems which affect us in a number of ways and it is clearly desirable that the issue should not remain undecided for too long.

Our business in the United States, while not yet on a profitable basis, continued to receive the closest attention during the year and with a further encouraging drop in the expense ratio the result was a great improvement on 1959 in spite of heavy losses caused by hurricane Donna in September. I would like to record our thanks to Mr S. V. Bangert and his colleagues at the "Sun"—with which office we operate under common management in the States—for the time they have devoted to our joint interests. We also greatly appreciate the untiring efforts of Mr Leicester Parker in New York.

#### LIFE AND ANNUITY FUNDS

| Year | ROYAL EXCHANGE            |                                       | Total of Life and Annuity Funds at end of year |
|------|---------------------------|---------------------------------------|------------------------------------------------|
|      | Net New Life Sums Assured | Total Life and Annuity Premium Income |                                                |
| 1958 | 11,191,381                | 3,966,493                             | 33,291,604                                     |
| 1959 | 16,026,967                | 4,795,404                             | 36,254,059                                     |
| 1960 | 22,204,254                | 5,291,750                             | 39,529,515                                     |

The foregoing table amply illustrates the tremendous progress made during the triennium which has just ended and we were in the happy position of being able to declare a bonus on life assurance policies at the highest rate in our history—namely 60s per cent.

An increased rate of bonus was also declared on all participating annuity contracts.

## ATLAS

| Year | Net New Life Sums Assured £ | Total Life and Annuity Premium Income £ | Total of Life and Annuity Funds at end of year £ |
|------|-----------------------------|-----------------------------------------|--------------------------------------------------|
| 1958 | 10,303,875                  | 4,483,679                               | 36,531,893                                       |
| 1959 | 16,377,760                  | 4,485,918                               | 39,718,437                                       |
| 1960 | 16,821,937                  | 5,202,130                               | 43,821,110                                       |

This fund has also had another very successful year, and in addition to its record life business new deferred annuities of £1,026,214 per annum were completed in 1960—again a record.

The next bonus declaration by the "Atlas" falls to be made at the end of 1961 and in the light of the present strong position we look forward with confidence to the outcome of the triennium.

The mortality experience continued to be favourable for both offices and the year's operations resulted in very satisfactory surpluses.

In the departmental reviews which follow the figures are on a consolidated group basis.

## FIRE DEPARTMENT

In the United Kingdom 1960 was notable for a continuance of the heavy fire wastage which, estimated at nearly £44 million for material loss alone, was practically the same as that of the previous year.

Whereas the major part of the increase in the wastage in 1959 coincided with an abnormally long, hot, dry spell, 1960 was officially described as being the wettest for 100 years, so in addition we had unusually severe losses caused by storm and flood—particularly in Wales and the West Country—in the closing months of the year.

The following analysis illustrates again that comparatively few very large fires have been responsible for an unduly large proportion of the annual wastage. It once more emphasises the fact that modern large, freely-communicating buildings provide fire loads too great for brigades to control and at the same time expose too great a value to the risk of destruction by one incident—

| Proportion of annual wastage caused by :— | 1958 | 1959 | 1960 |
|-------------------------------------------|------|------|------|
| 3 largest fires .....                     | 11%  | 20%  | 20%  |
| 6 largest fires .....                     | 15%  | 25%  | 25%  |
| 10 largest fires .....                    | 19%  | 29%  | 30%  |

The vital necessity for industrialists to segregate these vast risks by adequate fire breaks and to provide sprinkler protection is high-lighted by the disturbing fact that in each of the last two years at least 30 per cent of the national fire bill was caused by less than 0.02 per cent of all the fires in buildings attended by fire brigades in these periods. It is a very expensive matter for this country and deserves serious attention.

Insurers are anxious to make their experience and specialised knowledge of these matters available to industry and they particularly invite all who are responsible for planning or operating large factories and warehouses to consult them.

The world-wide premium income written in the fire department in 1960 was £18,566,518 and resulted in a surplus of £296,008 to which both the home and overseas fields contributed.

## MARINE DEPARTMENT

Our 1958 underwriting account was better than the previous year and at the present time the outlook for 1959 is favourable, largely due to the absence of total losses. In recent months, however, there have been numerous and heavy casualties which I am afraid must influence the results of our 1960 account.

So far as hull insurance generally is concerned there has been, apart from the North American continent, a relative stabilisation of ship repair costs and this of course is a very important factor in the final result of hull underwriting. But with the danger of higher costs in the shipyards there is real anxiety that we may be heading for another inflationary period similar to that experienced some years ago when hull underwriting accounts were so seriously affected.

The cargo side of the business still remains very competitive indeed and although our own experience has been reasonably satisfactory this has been largely due to our good fortune in missing a number of total losses. In all parts of the world claims for theft and pilferage remain far too high with, unfortunately, little sign of any improvement—in fact in certain areas the position has deteriorated to a distressing extent.

We are able to transfer the sum of £349,485 to the Consolidated Profit and Loss Account and leave the Fund at £5,050,929 representing 174.77 per cent of the premium income.

## AVIATION DEPARTMENT

A year ago reference was made to our decision to enter the aviation insurance field and the aviation department started operations at 37 Lime Street on September 1st last.

While no clear indication of results can be forthcoming for another year it would appear that a modest but satisfactory start has been made. Meanwhile we welcome into the Corporation's service Mr C. F. R. Ward, our aviation underwriter.

## ACCIDENT DEPARTMENT

The world-wide premium income in this department increased last year by £1,813,476 to reach a figure of £29,249,216. A surplus of £153,251 has been transferred to the Consolidated Profit and Loss Account.

It is interesting to reflect that in 1950 the total accident premiums of the companies now included in our group amounted to a little over £12 million; thus in the space of ten years the account has more than doubled.

With the rapid expansion in the use of motor transport it is only to be expected that the largest single contribution to this growth comes in the motor account, but the non-motor classes—personal accident, employers' liability, public liability, burglary and so on—have shown comparable increases.

The remarkable progress of accident insurance at home and abroad over the past decade has only in part been achieved by a development of the traditional classes of business: the changing conditions in which we live have presented to accident insurers numerous challenges, and a spirit of adventure has been seen in the development of the new classes of insurance that have been offered to the public.

For example, the various forms of cover now available to travellers arose from the demand created by the increasing popularity of holidays abroad; again, a legal decision that emphasised the liability attaching to a private individual to pay heavy damages for the consequences of careless walking led to a demand for insurance protection. The policies devised provide insurance against a wide range of personal liabilities, at a very low price, and have become deservedly popular. In these and other ways accident insurers have evolved policies whereby the individual for a modest sum may relieve himself of risks which could otherwise become a crushing burden.

Accident insurers may well take pride in their past achievements in serving all sections of the public and I am sure that we may look forward to the continuance of this trend in the future.

## TRUSTEE AND EXECUTOR DEPARTMENT

The aggregate trust funds together with the nominal amount of debenture and loan stocks for which the Corporation acts as trustee exceeded £379 million at the end of 1960, which compares with £300 million in 1957. To the former figure must also be added this year the funds similarly administered by the "Atlas" trustee department and this results in a combined total of over £407 million.

The inflow of new business has continued at a good level. A feature has been the increasing appeal of the service offered in managing and supervising the investments of private individuals and of company pension schemes.

## INVESTMENTS

The London stock market at the beginning of 1960 seemed to be pervaded by a false spirit of confidence but as the year wore on falling quotations reflected increasing pessimism about economic affairs in both the United Kingdom and North America. The following table based on well-known investment indices illustrates the adverse movement in respect of securities such as are to be found in all insurance funds:

|                                                                                    |                          |
|------------------------------------------------------------------------------------|--------------------------|
| Approximate percentage fall : end December, 1960 compared with end December, 1959. |                          |
| British Government Securities .....                                                | 7 1/4% (Financial Times) |
| Other Fixed Interest Securities .....                                              | 8 1/2% (Financial Times) |
| Equities .....                                                                     | 9 3/4% (Financial Times) |
|                                                                                    | 4 3/4% (Actuaries)       |

These movements can be explained in retrospect by the disappointing level of the country's industrial output coupled with its adverse balance of payments and the reluctance of the authorities against this background to relax credit and other restrictions.

However, falling security prices and an active new issue market presented many investment advantages to the group's life and annuity funds which annually generate a large volume of new money. To these funds we were able to add some £4 1/2 million of British Government loans upon particularly attractive yield bases. Over £1 million was added to mortgages but there was some net disinvestment in the other categories of fixed interest bearing securities.

It will also be seen that considerably over £1 million was added both to ordinary shares and to properties. In the latter category of investment we have formed associations with certain experienced property developers and we expect these to operate to our mutual benefit.

The gross average yields of interest income upon the life and annuity funds show a satisfactory upward trend:

| Fund                                 | 1958    | 1959    | 1960    |
|--------------------------------------|---------|---------|---------|
|                                      | £ s. d. | £ s. d. | £ s. d. |
| Royal Exchange Life .....            | 6 3 2   | 6 5 8   | 6 12 2  |
| Royal Exchange General Annuity ..... | 6 6 1   | 6 5 3   | 6 14 1  |
| Royal Exchange Pension Annuity ..... | 5 3 8   | 6 3 0   | 6 4 11  |
| Atlas Life and Annuity .....         | 5 17 4  | 5 19 4  | 6 7 7   |

Our investment policy in relation to the general funds has also been well rewarded with a rise in the consolidated total interest, dividends and rents of £515,000 to a total of £3,375,893.

With these funds one of our main investment preoccupations has been—and is likely to continue to be—the improvement of accommodation

for our branches both at home and overseas. I have already referred briefly to the completion of our new office block in Sydney and to the start that has been made upon a new building in Adelaide. In addition to these we are adding several more floors to the modern "Atlas" property in Melbourne. In New Zealand we intend to build a new group headquarters in place of our two smaller buildings on Customhouse Quay, Wellington.

In the United Kingdom plans are well advanced for the construction of new group offices in Liverpool, Birmingham and several other large provincial cities. In Eire we are to re-develop upon our fine site on College Green, Dublin.

The Court of Directors had this substantial building programme in mind at the time of our new capital issue in 1959 and these properties will certainly represent quite a large amount of money. They are all being "purpose designed" in whole or in part for our own occupation and they are expected to prove remunerative investments quite apart from helping to fulfil our group integration plans.

## CONSOLIDATED PROFIT AND LOSS ACCOUNT

The major items of revenue comprise gross interest of £3,375,893, transfers from the general departments of £810,334; also £173,802 being the Proprietors' share of life valuation surplus of earlier years.

Against the total income of £4,363,696 taxation amounts to £1,457,173 while the pre-acquisition profits of "Atlas" brought into that Company's books in 1960 account for £137,371. The profit for the year of £1,790,476 is carried to the Profit and Loss Appropriation Account where there remains, after deducting the cost of

the interim dividend and making provision for the recommended final dividend as well as the supplementary transfers to the trustees of the group pension funds, the sum of £4,227,414 to be carried to the Balance Sheet.

## DIVIDEND

In the light of the results disclosed, the Court of Directors has recommended that a final dividend at the rate of two shillings and three pence (less income tax) be paid for each £1 stock, making a total distribution of three shillings and nine pence (less income tax) for the year.

All in all 1960 was a very busy year for us throughout the world and I think it might fairly be described as one of consolidation. But little could have been achieved without the willing and active co-operation shown by the directors of all our associated companies and the team-spirit which was so evident among our executive officers throughout the group. I would like on your behalf to thank them, the departmental and branch managers and the whole staff at home and abroad for their efforts during the year.

At the end of June this year our General Manager, Mr H. A. Walters, will complete his two-year term of office as Chairman of the British Insurance Association, a position which he has held with great distinction, following on two years as Deputy Chairman. It is a matter of congratulation both to Mr Walters and to the Corporation that he should have been chosen for this high office and our thanks are due to him for carrying out these duties with such conspicuous success and for the extra burden which he has borne for the past four years. He has now expressed a wish to be allowed to retire

and your directors have agreed that he should do so on September 30, 1961.

Mr Walters entered the service of the Corporation 47 years ago and, apart from four years 1915 to 1919—with the Armed Forces, mainly in the Middle East, he has been continuously with the Corporation covering service at our branches in Paris, Brussels, Madrid and Budapest. After six years as Assistant General Manager he was appointed General Manager in 1954. I have had the pleasure of close collaboration with Mr Walters for the past fifteen years and I have learned to appreciate his wisdom, his administrative qualities and the human touch he has always displayed in dealing with staff matters. I know that all connected with the Corporation will wish both Mr and Mrs Walters many years of good health and happiness in which to enjoy his retirement.

Fortunately we have Mr H. R. Roberts, our Deputy General Manager, to succeed Mr Walters as General Manager. Mr Roberts has had 41 years of uninterrupted service with the Corporation. He has spent 25 years overseas—in Ceylon, India and South Africa, the last seven years of which he was manager for South Africa. I have worked closely with Mr Roberts for the past ten years and I have no hesitation in saying that he will be a worthy successor to Mr Walters and I wish him every success in his new and responsible position.

Finally, I send world-wide greetings to our local boards and advisory committees as well as to our agents and other friends. We greatly value the advice and support which we continue to receive from them in increasing measure. I must also thank the Sub-Governor, the Deputy-Governor and all members of the Court for the help which they have constantly given to me personally.



## BANCO DI SANTO SPIRITO

Established 1605

ROME

THE ANNUAL GENERAL SHAREHOLDERS MEETING was held in Rome on April 10, 1961, the Marchese Giovanni Battista Sacchetti being in the chair. In the course of the meeting the following Balance Sheet was approved :

## BALANCE SHEET AT DECEMBER 31, 1960

| LIABILITIES                          |                      | ASSETS                                   |                      |
|--------------------------------------|----------------------|------------------------------------------|----------------------|
| Capital .....                        | Lit. 3,000,000,000   | Cash and Balances with other Banks ..... | Lit. 31,071,220,857  |
| Reserves .....                       | " 1,850,000,000      | Bills and Government Bonds .....         | " 55,658,751,649     |
| Deposits .....                       | " 80,830,543,988     | Securities :                             |                      |
| Current Accounts (Creditors) .....   | " 102,907,119,195    | Real estate securities .....             | " 14,178,153,452     |
| Bankers' Drafts .....                | " 4,598,243,287      | Miscellaneous shares .....               | " 619,232,499        |
| Creditors (Bills Endorsed) .....     | " 2,974,362,218      | Holdings .....                           | " 592,034,398        |
| Miscellaneous Creditors .....        | " 9,605,595,342      | Stock Exchange Transactions .....        | " 10,083,926,954     |
| Staff Retirement Fund .....          | " 4,900,000,000      | Bills on hand .....                      | " 36,101,225,143     |
| Assets Rediscouted .....             | " 1,077,452,000      | Current Accounts (Debtors) .....         | " 44,562,576,114     |
| Profit Balance Brought Forward ..... | " 6,333,053          | Staff Retirement Fund .....              | " 4,889,873,085      |
| Net Profit 1960 .....                | " 524,320,327        | Miscellaneous Debtors .....              | " 3,229,368,206      |
|                                      |                      | Drafts for Collection .....              | " 10,395,872,052     |
|                                      |                      | Premises .....                           | " 891,735,000        |
|                                      |                      | Furniture, Fixtures and Fittings .....   | " 1                  |
|                                      |                      |                                          |                      |
| Unsecured Accounts .....             | " 212,273,969,410    | Unsecured Accounts .....                 | " 212,273,969,410    |
| Counter Accounts .....               | " 16,702,573,509     | Counter Accounts .....                   | " 16,702,573,509     |
|                                      |                      |                                          |                      |
|                                      | Lit. 321,743,501,769 |                                          | Lit. 321,743,501,769 |

It was further resolved to transfer Lit.250,000,000 to reserves and to distribute a 10 per cent dividend (*pro rata* on new shares).



# NORTHERN & EMPLOYERS ASSURANCE

## FIRST GROUP RESULTS

### EXCELLENT LIFE PROGRESS CONFIRMED BY QUINQUENNIAL VALUATION

#### LORD KNOLLYS' REVIEW

The annual general meeting of Northern & Employers Assurance Company Limited, will be held on June 14th in London.

The following are extracts from the circulated statement of the Chairman, the Rt Hon Viscount Knollys, GCMG, MBE, DFC:

These are the first Annual Accounts of the Northern & Employers Assurance Company, which bring together those of The Northern Assurance Company and The Employers' Liability Assurance Corporation. I am confining my remarks to the joint results of the two Operating Companies in order to give to shareholders as clear a picture as possible of the first year's results of the new Group.

#### PROGRESS OF INTEGRATION

In the United Kingdom a joint Staff Department and a joint Property Department are already in operation. Integration of the other Home Head Office departments has been planned to take effect by January 1, 1962, and the aim is to complete integration on the Home side, including that of branches, by the end of 1964. Each of the companies in the group will continue to operate under its own name, but within the general designation of "Northern & Employers Group."

Integration has already been completed in the United States by the merging of The Northern's United States Branch, the American Marine & General and The Halifax into a company named "The Northern Assurance Company of America." This came into being on January 1, 1961, and is being operated as a member of "The Employers' Group of Insurance Companies." Integration plans for other Overseas territories are now in the discussion stage.

#### RESULTS FOR 1960

The total underwriting profit of our group of companies for 1960 on Fire, Accident and Marine Accounts was just over £450,000. This is not so good a result as that which was achieved in 1959, but you may remember that for The Employers' that year was an exceptional one. Our total profit after taxation was £2,266,000, an increase of 23 per cent over the combined net profit of our companies in 1959. The interim dividend of 8½ per cent, together with the final dividend of 11½ per cent now recommended (making rather more than the total of 18½ per cent forecast in the offer to shareholders when the merger was announced last year), requires £1,277,868 net. The Northern is adding £100,000 to Contingency Reserve and the amounts carried forward on the Consolidated Profit and Loss Accounts of the two Operating Companies (after provision for their dividends) add up to £4,857,544.

The total non-Life premium income of our group increased during the year by £5,310,000, or 7.2 per cent, to £78,874,000. Some £1,000,000 of this increase was accounted for by substantial alterations in our reinsurance

arrangements in the United States. After allowing for this the percentage increase is fairly evenly spread between Fire and Accident business and is rather higher in North America than in the rest of the world.

The results for the United States show a comparatively small loss following a good year in 1959.

Canada's excellent underwriting profit, which was over £500,000, or 10 per cent, was the only one of any size. The results in most other Overseas areas and at Home were unprofitable in varying degrees.

#### FIRE

In the United Kingdom our companies, like very many others, suffered both from their participation in certain very large fires and from flood losses in November and December.

In Canada there were good results on our Fire Accounts. In the United States, where hurricane Donna cost us over \$1,000,000, we made a loss, a certain part of which was a book loss of a non-recurrent kind.

#### ACCIDENT

Here again our branches in Canada made the brightest showing, with a total result even better than that for 1959. At Home The Northern and The Employers' each made a small profit.

In the United States a loss on Motor business was more than made up for by fair profits on Workmen's Compensation and certain other Accident classes. Motor rates have been increased in certain States, some of them important to us, and we shall get part of the benefit of this in 1961.

#### LIFE

The Clerical, Medical and General Life Assurance Society is, as shareholders are aware, taking action to attain complete mutualisation, which will mean the end of its association with our group of companies, but shareholders can feel, I am glad to say, that the new Northern & Employers can count on the large, active and growing Life Account which has come to it with The Northern.

That this is so is evidenced by the results of the quinquennial valuation of The Northern Group made at December 31, 1960. As the result of this it is recommended that, out of the profits for this quinquennium on the Life, Annuity and Capital Redemption funds, £1,160,000 should be transferred to shareholders. This compares with a transfer of approximately £150,000 five years ago. Both figures are net of income tax, and the amount now recommended to be transferred represents a gross profit of over £1,900,000. As in the past, the amount transferred will be placed in a Shareholders' Reserve, from which it will pass to Profit and Loss Account by five equal instalments of £232,000 net of tax over the period 1960 to 1964 inclusive.

These gratifying figures are a reward for the policy of expansion of Life business which has been pursued vigorously by The Northern and its associated companies for the last fifteen years. New Life, Sums Assured in 1950 were approximately £7,000,000, in 1955 £27,000,000, and in 1960 £60,000,000.

The Northern has a separate Life Participation Fund for its with-profits policyholders, who are entitled to the whole of the profits of that Fund. As a result of the valuation as at December 31, 1960, bonuses have been allotted for the past five years at the satisfactory rate of 58s. per cent per annum. Furthermore, we are currently allowing interim bonus at the rate of 55s. per cent per annum on policies becoming claims in the present quinquennium.

In the United States The Employers' Life Insurance Company of America, in which we have a 49 per cent participation, wrote new sums assured of over £8,500,000 in 1960.

#### MARINE AND AVIATION

The Group's Marine premium income continued to rise during 1960, and satisfactory transfers were made to Profit and Loss Account. The casualties which occurred at the close of the year are, however, bound adversely to affect the settlements for that year's account during 1961.

In the Marine Account the improving trend was nevertheless continued, and each of the three open years showed a smaller loss ratio than its immediately preceding year at a corresponding stage.

Apart from the mid-air collision over New York of a DC8 and a Super Constellation last December, The Northern Group's own Aviation

#### SUMMARY OF THE CONSOLIDATED ACCOUNTS OF THE OPERATING COMPANIES

|                                                                              | Total<br>£'000 | Northern<br>£'000 | Employers'<br>£'000 |
|------------------------------------------------------------------------------|----------------|-------------------|---------------------|
| Premiums Written (excluding Clerical, Medical & General):                    |                |                   |                     |
| Fire .....                                                                   | 19,971         | 12,277            | 7,694               |
| Motor .....                                                                  | 26,636         | 9,513             | 17,123              |
| Other Accident .....                                                         | 24,923         | 6,602             | 18,321              |
| Marine .....                                                                 | 7,344          | 6,780             | 564                 |
| Life .....                                                                   | 9,281          | 9,281             | ...                 |
| Total .....                                                                  | £88,155        | £44,453           | £43,702             |
| Results:—                                                                    |                |                   |                     |
| Underwriting:—                                                               |                |                   |                     |
| Fire .....                                                                   | —295           | —467              | 172                 |
| Accident (including Motor) .....                                             | 214            | 32                | 182                 |
| Marine .....                                                                 | 539            | 514               | 25                  |
| Total .....                                                                  | £458           | £79               | £379                |
| Life Profits .....                                                           | 306            | 232               | 74                  |
| Shareholders' Investment Income before Tax .....                             | 4,216          | 2,026             | 2,190               |
| Net Profit after Tax .....                                                   | 2,266          | 1,227             | 1,039               |
| Total Resources of the Group (excluding Clerical, Medical and General) ..... | £189,582       | £115,924          | £73,658             |

Account has enjoyed a relative freedom from major casualties, and this has resulted in a reduced first-year settlement.

#### INVESTMENTS

As a result of the merger, the Total Resources of the Group at the end of last year, excluding those of the Clerical, Medical and General Life Assurance Society, amounted to £189,600,000. The amount of funds invested, nearly half of which are attributable to the Life Assurance Funds of The Northern Group, grew by £12,000,000 to £154,000,000. The gross investment income derived from non-Life funds, that is to say, the investment income which accrues to shareholders, rose by £722,000 to £4,216,000, which should be looked upon as an exceptional increase. The Employers' has always held the major proportion of its investments in the United States, while The Northern's percentage in that country has been small. The joint world-wide holdings of the two partners now provide a more even spread between American and non-American investments.

Our total non-Life investments at market prices at December 31, 1960, showed an excellent appreciation over the values at which they stood in our books. Moreover, the trend of the markets since the end of the year has been such that there would be a further appreciation if our holdings were valued again at present prices.

## LISBON ELECTRIC TRAMWAYS

The sixty-third Annual General Meeting of Lisbon Electric Tramways Limited will be held on June 7th in London.

In the course of his circulated statement, the Chairman, The Right Honourable The Lord Rathcavan, commented on the considerable changes which had taken place in the traffic pattern in Lisbon following the commencement on December 29, 1959, of the running of the Lisbon Underground Railway. Under the terms of their contract with the Lisbon City Council, on May 15, 1960, the Company was called upon to withdraw certain tram services which ran along the route of the new Underground Railway. These were substituted by three new bus routes. The changes had had a detrimental effect on the Company's revenue.

Passengers carried, 377,717,367, showed a decrease of 3,991,678; miles run at 30,839,252 showed an increase of 42,460.

Although revenue has increased slightly in total, operating expenses have increased by a similar proportion. Due to the traffic changes previously mentioned tram operation has become exceedingly expensive and, despite every endeavour it has not been possible to cut expenditure in the same proportion as the decrease in revenue.

Of our net profit of £69,223 no less than £32,203 is derived from advertising revenue and sundry income. During the year the Company contributed £498,257 to the State Revenue of Portugal and to the Municipal Revenue of Lisbon, an increase of £8,069.

The profit for the year after all charges and Depreciation Reserve amounts to £69,223. This compares with £46,806 for 1959, an increase of £22,417. The Directors recommend an ordinary dividend of 6 per cent net for the year.

## THE LONDON ASSURANCE

### A MEMORABLE YEAR

The Annual General Court of The London Assurance will be held on June 7th in London.

The following is an extract from the circulated statement of the Governor, Mr Harald Peake:

The year 1960 has been a memorable one for the following reasons:

The Issued Capital has been increased from £2,550,000 to £5,053,750.

The Sea Insurance Company Limited, together with the Beacon Insurance Company Limited, and its other subsidiaries has been acquired.

For the first time the Group Assets exceed £100,000,000.

Following the Quinquennial Valuation of the Life Assurance Fund made on December 31, 1960, larger bonuses than ever before have been declared. In future, valuations are to be made every three years.

The yield on investments has continued to increase.

Good progress is being made with the gradual integration of the group business.

**LIFE DEPARTMENT:** The business of "The London" continues to expand. New sums assured in 1960 exceeded £14,000,000 and constituted a record. Total premium income has increased from £2,804,970 to £2,937,140. Interest earned on the fund has continued to increase, the rates being £6 9s. 0d. per cent gross and £4 18s. 5d. per cent net. At the end of the year the fund exceeded £33,000,000.

The Quinquennial Valuation of the fund was made at December 31st, 1960. The surplus arising has enabled us to declare a compound reversionary bonus of £2 15s. 0d. per cent per annum which is 10s. per cent over the rate declared five years ago. In addition, a special bonus has been declared on this occasion out of realised profits on the sale of investments. In the current series this special bonus amounts to £1 per cent per annum, thus making a total declaration of £3 15s. 0d. per cent per annum on a compound basis.

The figures disclosed in the Life Assurance Account of Beacon Insurance Company Limited, a subsidiary of "The Sea" are good and the premium income for the year has risen to £1,559,944.

**FIRE ACCOUNT:** Both "The London" and "The Sea" groups have returned a modest increase in premium income, the consolidated total being £11,282,965. The transfer of £41,417 to Consolidated Profit and Loss Account, whilst being higher than a year ago, is disappointing. Excellent results in some parts of the world have been offset by substantial losses in other parts.

**ACCIDENT ACCOUNT:** Premium income of both "The London" and "The Sea" groups has increased considerably from a total of £15,440,979 in 1959 (including "The Sea") to £17,198,164 in 1960. It has been necessary to charge an underwriting loss of £357,780 against a profit of £35,910 transferred a year ago in respect of "The London" only.

**MARINE ACCOUNT:** This department has had another very good year resulting in a transfer of £700,000 to the Consolidated Profit and Loss Account compared with £350,000 (for "The London" only) in 1959. Both "The London" and "The Sea" have contributed to this increase which is very creditable in view of the more competitive conditions.

**PROFIT AND LOSS ACCOUNT:** The Group profit for the year after taxation amounts to £1,651,326. The directors have recommended dividends on the Ordinary Shares totalling 1s. 9d. per 5s. share. The amount of profits retained in the business as a result of the year's operations is £736,918.

**PROSPECTS:** During recent years the insurance industry has been in a state of transition with progressive grouping into larger units. Our recent acquisition of "The Sea" and the "Beacon" fits well into this pattern, following as it does other amalgamations in previous years.

Your directors do not think that size alone will necessarily provide better services to policyholders, improved conditions to employees or larger dividends to shareholders. They believe that benefits will accrue to all concerned by a gradual and closer integration within the group and that medium sized and very personally conducted branches are likely to expand existing connections and to attract new business.

In spite of the difficult conditions for underwriting in many parts of the world I think that the future can be faced with confidence.

## BANQUE FRANCAISE DU COMMERCE EXTERIEUR

The Meeting of the Shareholders of the Banque Française du Commerce Extérieur was held on March 22, 1961, under the Chairmanship of Mr Georges Assémat, Vice-Chairman and Managing Director.

On opening the meeting, Mr Assémat made a speech referring in high terms to the late Chairman, Mr Jacques Belin, who will be sadly and universally missed by all his colleagues on the Board and by his collaborators in the Bank; he gave a brief account of Mr Belin's career, and outlined the work performed in the Bank of which he was the Founder.

Mr Assémat, on behalf of the Board of Directors, read out the Report on the Company's financial year 1960.

Thanks to the expansion of business with foreign countries and growth in the Bank's activities, the total of the Balance Sheet has increased by 35 per cent against 18 per cent during the previous financial year. Despite the improvement in business, the net profit shows a slight reduction, because the financial year suffered over one whole year from the incidence of the reductions of terms decided upon in December, 1959, and which were of considerable importance as regards business with foreign countries.

The net profit, after deduction of all charges, amounts written off for depreciation and provisions, amounts to NF4,118,949.46 against NF4,923,870.84 in 1959.

After having made provision for statutory allocations in favour of shareholders, staff and welfare services, the Board allocated NF1,300,000 to the General Reserve Fund and placed at the disposal of the Meeting of Shareholders a balance of NF1,395,159.56.

The Meeting, after having heard the Report of the Auditors and taken note of the approval of the Welfare Committee, unanimously approved the accounts and, in particular, resolved to allocate to the shareholders an additional dividend of 5 per cent and to transfer to the General Reserve Fund a sum of NF250,000.

The whole of the Bank's own funds, excluding provisions and depreciation, will accordingly reach a sum of NF38,372,000.

## SNIA VISCOSA

SOCIETÀ NAZIONALE INDUSTRIA APPLICAZIONI VISCOSA

(Manufacturers of Man-made and Synthetic Fibres)

MILAN, ITALY

The Annual General Meeting of SNIA VISCOSA was held in Milan on April 15th, with Mr Franco Marinotti in the Chair, and the following are details of the report presented by the Board of Directors:

### REVIEW

The Report begins by reviewing the artificial and synthetic fibre industry's development in Italy and throughout the world.

In 1960, new world records were achieved both in production and exports. Moreover, activity in the Italian industry was marked by a particularly favourable trend, with a production of 443 m. lb of fibre representing an increase of 8 per cent over the previous year. Exports of natural and man-made fibres also showed considerable increases.

Particular reference was then made to the development of the SNIA VISCOSA Group which in 1960 produced 242.5 m. lb of fibre. Full information, of an economic and technical nature, was supplied regarding these fibres, as well as in respect of the activities of the various companies in the Group. Production and sales of rayon and staple fibres were satisfactory. There was an increase of 45 per cent in the production of "Lilion" polyamide fibre. The situation as regards "Merinova" proteic fibre improved considerably. The increase in the production of acetate fibres was higher than the national average.

The Experimental and Research Centre contributed largely to placing SNIA VISCOSA in a prominent position as regards technical progress and achievements. The new process for the production of caprolactam was the object of positive acclaim all over the world. Licences for the use of this process were granted to foreign Groups of world standing and further negotiations are pending. As for the production of "Lilion", it was stated that the construction of a new polymerisation plant and a new staple fibre plant will shortly be completed. Caprolactam produced by the process evolved by the SNIA VISCOSA Group proved to be most efficient plastic material. Production on an industrial scale also began of "Velicren" polyacrylic fibre. Finally, it was stated that the methane based carbon sulphide plant was put into operation.

### ASSOCIATED COMPANIES

The Report also gives details of the activities of the various companies in the Group, both in Italy and abroad.

In particular, S.A.I.C.I. considerably increased production of cellulose as well as chemical products, agricultural products and electric energy. A plant for the production of polyvinyl chloride is in an advanced stage of preparation. Construction of a new hydro-electric plant has started.

Gisa Viscosa, in addition to its normal activity, started the production of transparent cellulose, "cisafan," and the production of material in sheets.

Cotonificio Vittorio Olcese and Cotonificio Veneziano, both made marked progress, whilst Società per la Filatura dei Cascami di Seta also recorded satisfactory results.

As regards companies operating outside Italy, the Report mentions that the SNIA VISCOSA Group now has an interest in South India Viscose, which has a plant for rayon, staple fibre, sulphuric acid and carbon sulphide in an advanced state of construction.

The Spanish subsidiary, Sniace, closed the financial year with favourable results, thanks to the cellulose plant which helps to produce staple fibre, and also sells textile cellulose and paper cellulose on the Spanish market.

In Argentina, Sniafa was able to pay a good dividend at the close of the financial year, as its regular output was fully taken up by the market.

Fibra S.A., the Brazilian company, was affected by the difficult economic position of the country, but the improved plant should provide good results in the current year.

In spite of keen competition, Cechisa and Vichisa, the two Mexican subsidiaries, managed to achieve a satisfactory output to meet the demands of the market.

### CHAIRMAN'S SPEECH

During the discussion, the Chairman, Mr Marinotti, further developed several points already mentioned in the report, and in particular he emphasised the need for large-scale investments, especially for scientific research, in order to keep the SNIA VISCOSA Group to the fore in its particular field. At the same time, the important foreign Groups which share in the company's capital, were also aware of the necessity and economic value of the financial effort required. He then gave some facts regarding the Group's turnover and the labour force employed, which were the source of the progressive strengthening of the Group itself, both at home and in international markets.

### RESULTS

The Meeting then unanimously approved a resolution which expressed satisfaction with the favourable results, appreciation of the technical progress achieved, and confidence in the prospects of new products at low prices. The same resolution also expressed thanks to the Chairman who, together with the Board of Directors and all employees, is firmly leading SNIA VISCOSA towards a secure future.

The Meeting also approved the Balance Sheet and the Profit and Loss Account which had closed with a net profit of Lit. 4,300 m., a considerably higher figure than the Lit. 2,900 m. recorded for the previous year. The Balance Sheet showed that Lit. 6,000 m. had been appropriated to the Sinking Fund as against Lit. 4,500 m. in the preceding year.

The Meeting then approved the proposal to distribute a dividend of Lit. 140 for each old share and of Lit. 70 for those shares participating in profits as from July 1, 1960, as against Lit. 120 in the previous year.

## ATLAS ELECTRIC AND GENERAL TRUST LTD.

CONTINUED INCREASE IN REVENUE

The fifty-third Annual General Meeting of Atlas Electric and General Trust Limited will be held on June 8th in London.

The following is an extract from the circulated Statement of the Chairman, The Right Honourable Lord Remnant, MBE:

Gross Revenue of £1,579,460 shows an increase over the previous year of £128,064, or 8.8 per cent, whereas the previous increase was £161,619, or 12.5 per cent. Additional income received from Double Taxation Relief has fallen from £172,693 to £119,946. This amount will inevitably fluctuate from year to year.

This year we have received income from some of our few remaining fixed interest investments in excess of the amount applicable to one year.

Based on the valuation of the investments, the average gross return is 4.9 per cent.

Expenses show an increase of £4,226, whilst taxation on our larger net revenue has increased by £50,355 to £593,571.

The ordinary shareholders are participating fully in the continuing prosperity of the Trust. The actual dividend of 9 per cent compares with the equivalent of 7½ per cent last year.

It is satisfactory to note from the statistical record, which is contained in the Report, that in the 14 years since the Company became solely an Investment Trust, there has been a uninterrupted rise in its gross income and net revenue, and in dividends paid on the Ordinary Shares.

The valuation of the investments at £32,055,551 is satisfactory, being £3,658,133 or 12.9 per cent greater than the previous year. During the year we have continued to pursue the policy of improving the quality of our portfolio. In doing so we have reduced the total number of investments, which now number 992, and sacrificed the high return obtainable on some of the stocks, principally fixed interest stocks, which we have sold.

Nothing has happened during the past year to shake our conviction that the policy of reducing our fixed interest investments is the right one. Our holdings of such have now been reduced to a fraction over 2 per cent of the whole. Geographically, holdings in Great Britain still comprise by far the largest part of the total. We have slightly increased our investments in the USA and Canada and the percentage of such investments in the USA has risen from 13.08 per cent to 14.42 per cent and in Canada from 2.88 per cent to 3.18 per cent.

After reviewing the events of the year—the continual changes in the financial sphere and the many aspects of national and international affairs—which had a bearing on the problems of investment, Lord Remnant concluded:

Despite all difficulties, there is undoubtedly a growing feeling of optimism. Great Britain's present export trade of some £3,000 million a year may well be a springboard from which a further substantial advance can be made, and there can be no denying the inventive genius of the British race.

Having regard to the very substantial increases in our gross income which we have enjoyed during the last two years in particular, I cannot anticipate a continuance of such a rate of increase but I am of opinion that we shall show some increase during the current year.

## COMMERCIAL UNION ASSURANCE

INCREASED PREMIUM INCOME

The Annual General Meeting of the Commercial Union Assurance Company Limited will be held on June 5th in London.

The following are extracts from the Review for 1960 by the chairman, Mr Ronald C. Brooks, OBE, MC:

We were sorry to lose in May last year the services of Lord Portal, who found it necessary to resign from the Board on becoming Chairman of the British Aircraft Corporation Limited. Lord Portal joined us in 1949 and we wish him well in this new and important appointment.

The departmental results are given in some detail later in this review but, in general terms, the year 1960 has been a difficult one. Our business again increased in practically every territory in which we operate and our net premium income in the Fire, Accident and Marine Accounts expanded to over £112 million. The Life Department had another very good year, with net new sums assured reaching a record £73 million. The Fire and Accident Accounts both produced an underwriting loss, due primarily to another unsatisfactory year in the United States, where the damage caused by hurricane Donna largely offset the substantial improvement which would otherwise have been seen. The continued underwriting losses in America are not unnaturally a cause for concern but we are beginning to reap the benefit of more economical working as we gradually integrate the various component parts of the Group organisation, and, provided there is no major economic disturbance, there is reason to hope that the fundamental improvement which is now evident will continue in the present year. In the Marine Department the Accounts for 1958 have been closed and the surplus of £756,084 has been transferred to Profit and Loss Account.

You may have seen some reference in the national press to the purchase by this Company of buildings in Great St. Helen's and an adjoining site in St. Mary Axe. The growth of our organisation in recent years has resulted in our having to operate from a number of separate offices in the City of London, and it has long been our intention, as and when opportunity arose, to build ourselves a new headquarters for the entire Group. The purchase of this site has given us the opportunity we have been looking for and we hope to carry out its development over the course of the next few years.

**Fire Department.**—Net Premium Income 1960 £47,723,463 (1959 £47,001,988); increase £721,475. The ratio of claims paid and outstanding was 55.44 per cent, commission 21.42 per cent and expenses of management 23.20 per cent. After adjustment of the provision for unexpired risks there was an underwriting loss of £390,846 (82 per cent of the premium income), which has been transferred to Profit and Loss Account. The Fire Fund now amounts to £36,361,731, or 76.19 per cent of the premium income.

**Accident Department.**—Net Premium Income 1960 £59,727,139 (1959 £55,439,027); increase £4,288,112. The ratio of claims paid and outstanding was 60.48 per cent, commission 15.62

per cent and expenses of management 21.29 per cent. After adjustment of the provision for unexpired risks there was an underwriting loss of £146,740 (25 per cent of the premium income), which has been transferred to Profit and Loss Account. The Accident Fund now amounts to £32,640,856 or 54.65 per cent of the premium income.

**Marine Department.**—Net Premium Income 1960 £5,289,143 (1959 £4,984,798); increase £304,345. The claims paid amounted to £3,530,360, and out of the surplus of the 1958 underwriting year and previous years now closed, the sum of £756,084 has been transferred to Profit and Loss Account. The Marine Fund now stands at £7,638,156, which is 144.41 per cent of the premium income.

**Life Department.**—New Sums assured £73,327,371 (1959 £62,217,750); increase £11,109,621; new annuities £2,733,658 per annum (1959 £2,729,831); increase £3,827; claims by Death £2,565,467 (1959 £2,359,936); increase £205,531. Matured Endowment Assurances £4,688,370 (1959 £4,607,778); increase £80,592. All these figures are net, after allowance for reinsurance ceded, and they represent the aggregate of the figures of the Commercial Union and North British and Mercantile Life Funds and of the Life Fund of The Dominion Life Assurance Office of New Zealand. All these Life Funds remain open for the transaction of new business and all have produced record figures.

The Commercial Union Fund increased by £7,018,635 to £79,237,011 during the year, and the gross income from interest, dividends and rents now represents a yield of £6 2s. 6d. per cent on the total invested assets.

In the North British and Mercantile activities the Life Fund and the Annuity Fund are invested separately and together they increased during 1960 by £5,400,064 to the impressive total of £80,673,358.

The Dominion Life Assurance Office of New Zealand operates exclusively in the country of its title. Its financial year ends on September 30th and the figures have been incorporated with those of the other Life Funds, whose years all end on December 31st. During the year ended September 30, 1960, the Dominion Life Office Fund increased by £1,098,523 to £9,362,698 and the effective gross yield thereon was £5 1s. 11d. per cent.

**Profit and Loss Account and Appropriation Account.**—Gross interest, dividends and rents at £8,133,991 show a very substantial increase, to which, of course, the investment of the proceeds of the share issue we made last July has contributed. Underwriting profits, however, have fallen and there is a small reduction in the total of our Life and Leasehold Redemption profits.

At the time of the new share issue last July the Directors forecast for 1960 an Ordinary dividend of 2s. per 5s. share on the increased capital, and an interim Ordinary dividend of 1s. per 5s. share was paid last November. In view of the substantial increase in our interest income, it is satisfactory that in this our Centenary year

the Directors are able to recommend a final Ordinary dividend of 1s. 3d. per 5s. share, making, with the interim dividend of 1s. paid in November, a total for the year of 2s. 3d. per 5s. Ordinary Share. Our revenue from interest, dividends and rents, together with the Shareholders' Life Profits, is more than sufficient to meet all taxation thereon and the net cost of the dividends paid and recommended.

## BEYER, PEACOCK & CO., LIMITED

(Locomotive Builders and General Engineers)

MR HAROLD WILMOT'S SURVEY OF WIDESPREAD ACTIVITIES

The Annual General Meeting of Beyer, Peacock & Co., Ltd., was held on May 17th in London, Mr Harold Wilmot, CBE (Chairman), presiding.

The following is an extract from his circulated review:

In 1960 the working of the Holding Company type of structure which was instituted in the previous year and the organisation of the Group as a whole have brought some improvements in our operations and given indications of useful further development.

With Beyer, Peacock & Co., Ltd., as the Holding Company all the other Companies are grouped under five principal subsidiaries, i.e. Beyer, Peacock Gorton, Ltd., Richard Garrett Engineering Works, Ltd., Denings of Chard, Ltd., Anti-Attrition Metal Co., Ltd., and Air Control Installations, Ltd. These are the major operating Companies (excluding, of course, our associated Company Beyer Peacock [Hymek] Ltd.). Each of the five groups has made a profit in 1960.

The reorganisation of the factory at Gorton is complete with regard to the change-over of productive facilities from being wholly steam to being predominantly diesel traction. The first of a series of ninety-five main line diesel hydraulic locomotives ordered by the British Transport Commission successfully underwent its trials approximately three months ahead of schedule and it is more than gratifying to be able to report that our first major effort in this field has commenced so smoothly. Great credit for this must be given to Mr James Hadfield and executives at Manchester, and to our Hymek partners—Bristol Siddeley Engines Ltd. and J. Stone & Co. (Deptford) Ltd. After all that has been said in the press and elsewhere concerning late deliveries by British manufacturers I feel that shareholders will like to know the degree of success of your own Company in this connection.

As I indicated last year the Richard Garrett Engineering Works of Leiston have increased their production of machine tools and have also made deliveries of some new machinery (which is applicable to the packaging and cartoning industry) as a result of a twenty-year agreement we have made with the S & S Corrugated Paper Machinery Co. Inc. of Brooklyn, New York. Your Board feels that the packaging industry has considerable expansion ahead of it and entry into this field in collaboration with one of the American leaders is likely, over a long term, to be highly advantageous to our Group and to be a significant Group Export contribution.

The agricultural equipment industry has suffered in 1960 by reason of the credit squeeze imposed by the Chancellor. It was, therefore,



vital to fill the obvious gaps by additional export work and our efforts in this direction were satisfactory.

Anti-Attrition Metal Co. Ltd. emerged at the end of 1960 with a result considerably better than the previous year. I reported to the shareholders of Anti-Attrition when their accounts were recently posted to shareholders that although by means of increased sales pressure our total turnover for the year was increased, this was at the expense of profit margins. The Board of that Company is considering by what means the fortunes of Anti-Attrition can be still further improved.

With regard to Air Control Installations Ltd.'s activities I am pleased to be able to say that the licence agreement we made with Svenska Flaktfabriken of Stockholm, Sweden, in connection with their "Velovent" High Velocity System for Air Conditioning is showing every indication not

## COMPANY MEETING REPORTS

only of adding to our range of production but also of being satisfactory in the financial sense.

You are aware that until recent times our Gorton Works was fully engaged on the production of main line Beyer-Garratt steam locomotives. We were, nevertheless, not slow to appreciate that the modern trend in railway operation was away from steam and towards diesel and electric traction and we formulated our long-term plans accordingly. In consequence, as our Gorton Works was fully occupied in the construction of Beyer-Garratt locomotives, the Metropolitan-Vickers-Beyer, Peacock Company was formed some eleven years ago for the purpose of manufacturing diesel electric and straight electric locomotives.

In view of the reduced demand for steam locomotives, our Gorton Works has been reorganised and is now capable of meeting all foreseeable demands on your Company for

THE ECONOMIST MAY 20, 1961

steam, diesel and electric locomotives, so that the capacity at Stockton-on-Tees has become surplus to our requirements. We have, therefore, along with our partners in this enterprise, decided to place the Metropolitan-Vickers-Beyer, Peacock Company in voluntary liquidation.

In summarising the results of 1960 I think I can say that the forecast I made last year has been borne out by the events. I see no reason to expect that the results for 1961 will not be at least as good as those for 1960.

On December 31, 1960, I came to the end of my service contract as Managing Director of Beyer, Peacock & Co., Ltd., having attained the age of 65. As a result of this the Board have appointed Mr James Hadfield, MBE, to be Managing Director of the Holding Company, and to be either Chairman and/or Managing Director of a number of the other subsidiaries.

The report and accounts were adopted.

THE ECONOMIST MAY 20, 1961

COMPANY MEETING REPORTS

## G. & J. WEIR HOLDINGS

### REDUCTION IN TRADING VOLUME AND PROFITS GROUP DEVELOPMENTS

The sixty-seventh Annual General Meeting of G. & J. Weir Holdings Ltd., will be held on June 7 at the Registered Office, Cathcart, Glasgow.

The following are extracts from the Statement of the Chairman, The Viscount Weir, CBE, which has been circulated with the report and accounts for the year ended December 31, 1960:

#### GENERAL REVIEW

As a result of the year's trading your Group of Companies shows a reduction of 10 per cent on total output compared with 1959, when the output achieved was over £21 millions. Despite the reduction in trading volume, 1960 was in other respects a year of genuine growth and progress for the Group.

An outstanding technical event was the successful introduction of the Weir Multiflash Land Evaporating Plant, exemplified by the starting up of the installations at Kuwait and Guernsey. This was the successful culmination of three years' intensive research and development, and emphasises our pre-eminence in the important sea water distillation field, with its marked possibilities for future expansion.

Notable product development also continued throughout the Group, particularly at Drysdale's and Zwicky's, with all the promise of future benefits. We are not, however, content to rely exclusively on our own efforts and your Board has continued its policy of growth in increasing the diversification of your Group's activities both through the acquisition of other companies and by agreements for manufacture under licence. Licensing is a relatively rapid method of supplementing our product range through the addition of well-tried and established designs and we continue our efforts in this direction.

#### THE ACCOUNTS

The current year's output which, as I have already mentioned, was approximately 10 per cent lower than last year, resulted in a Trading Surplus of £1,796,323 against £2,476,387. As well as having a direct effect on profits, the reduced output also resulted in unabsorbed overheads and this, together with the effects of keener competition and higher costs, resulted in profits being disproportionately lower than the fall in output.

Taxation absorbed £971,111, a higher proportion of gross earnings than the comparable figure in 1959 which received the benefit of a substantial over-provision from previous years.

The resultant Group net profit was £795,993 compared with £1,256,143, and after deduction of a reduced amount retained by subsidiary Companies, the available profit of the Holding Company was £700,690 against £1,041,365. With the addition of £590,188 brought forward from last year, the amount available for disposal was £1,290,878 and your Directors have applied £148,297 of this sum to General Revenue Reserve. They now recommend a Final Dividend of 12 per cent, thus maintaining the previous year's total distribution of 18 per cent.

Under Fixed Assets you will note the increased investment in Associated Companies due mainly to our newly acquired interest in WEIRITAM SA. There is also included under this heading

the initial capital of Weir-Chicago Bridge Inc. and a 50 per cent participation in a small selling Company incorporated in Spain. The additional amount of Trade Investments is accounted for by a rights issue of unsecured convertible Notes made by our Australian Associate, Federated Engineering Industries Limited, during the year. The other Fixed Assets, namely, Buildings, Plant, etc., show a reduction compared with last year due to the depreciation charge being in excess of the amount expended on new equipment.

The investment in net current trading assets showed a slight reduction on last year reflecting the somewhat lower output and shorter order books. As a consequence, the liquid position has improved on what was already a very healthy figure.

A considerable amount has been transferred from Capital Reserves to Revenue Reserves so that the former now includes only gains on sale of Fixed Assets and Investments in excess of original cost of assets sold. Previously the Capital Reserves reflected gains in excess of book value of assets sold.

The only other item to which I would draw your attention in the Consolidated Balance Sheet is the heading "Other Specific Provisions" which includes £225,000 in respect of the replacement of equipment supplied to an Overseas customer in 1959. As explained in the Directors' Report £175,000 of this amount has been provided out of existing provisions and reserves of G. & J. Weir, Limited, at December 31, 1959, leaving £50,000 to be charged against net profits in 1960.

#### DEVELOPMENTS

The following are the major developments of your Group since my last Statement:

**Weiritam.**—In March, 1960, G. & J. Weir, Limited, announced they had acquired a substantial interest in the issued capital of Société Anonyme Installations Thermiques et Auxiliaires de Machines (ITAM). ITAM is a long-established French Company with a high reputation as designers of heat exchange equipment and complete feed systems for both marine and land applications.

Weir and ITAM have also entered into an agreement for the co-ordination and exchange of technical effort on products in which they are jointly interested and, in addition, ITAM will act as exclusive agent for the sale of all Weir products in France and Belgium. Having regard to the development of the Common Market I feel that this association is one likely to prove of considerable future value to your Group.

**Alley Compressors Limited.**—In November, 1960, G. & J. Weir, Limited, purchased the trading assets of the Compressor business of Alley and MacLellan (Polmadie), Limited, and arrangements were made to continue manufacture of compressors to Alley designs at Cathcart and to maintain the service and spare parts to the former customers of the Polmadi Company.

**Weir-Pacific Valves Limited.**—An important development by Weir Valves Limited was announced in December. This Company has entered into an agreement under which it made an issue of Shares to Pacific Valves Inc. of Long Beach, California, in return for which Weir

Valves were given the right to manufacture and market Pacific Valves Inc. products throughout the world excluding the United States and Canada.

As a result of this agreement, Weir Valves Limited, although still remaining under the control of the Holding Co., has now changed its name to Weir-Pacific Valves Limited.

**Weir-Catton Limited.**—In 1958 your Company acquired 50 per cent. of the issued capital of Weir-Catton Limited, a Holding Company with two wholly-owned operating subsidiaries—Weir Foundries Limited (formerly Argus Foundry Limited) and Catton & Company Limited, Leeds. As indicated to you in my statement last year, the company made good progress and I am glad to report that in respect of the current year the results have also exceeded expectations.

In view of the continuing good prospects for this undertaking, your Board decided that it would be advantageous to the Group if we could acquire the whole of the issued capital, and arrangements to this end have been successfully concluded.

## CHERSONESE (F.M.S.) ESTATES LIMITED

### MR T. B. BARLOW'S REVIEW

The Fifty-first Annual General Meeting of Chersonese (F.M.S.) Estates Limited was held on May 16th in London. The following is a summary of the review by the Chairman, Mr. T. B. Barlow:—

The profit for 1960 was £85,132 compared with £113,000 for the previous year, the difference was caused by the fall in the profit on copra from £35 to £21 a ton. £24,000 has been provided for taxation and £25,000 has been transferred to Replanting Reserve. A dividend of 5d. per 2s. stock unit, less income tax, requiring £38,828 is recommended.

Replanting in 1960 cost £31,900 but most of the arrears of this work has been done and expenditure under this heading will diminish.

The rubber crop was 839,775 lbs. and as the young areas are reported to be in good order a substantial increase is expected in the second half of 1962 and may well reach 2 million lbs. in three year's time. Similarly the crop from the 600 acres of young coconuts is also increasing.

The high price of 42d. attained by spot rubber, caused by a technical shortage, was detrimental to the Plantation Industry as it stimulated plans for more synthetic factories. This industry's output has risen from 535,000 tons in 1950 to 1,887,500 tons in 1960, a formidable increase until it is recalled that consumption has risen in proportion.

No great disparity between consumption and production of natural rubber is expected and therefore the recent price of 25d. may prove to be the year's average.

Copra is usually a steadier market and the present price of £54 a ton in Malaya leaves a moderate margin of profit providing labour costs are not increased by high rubber prices. Wage rates in Malaya for all estate labourers are tied to a scale based on the price of rubber. The local demand for copra is steady. With rubber and copra to rely on the current year should be reasonably satisfactory although unless something unforeseen occurs it will not be as good as 1960.

The report and accounts were adopted.



## Bayerische Hypotheken- und Wechsel-Bank

MUNICH

Theatinerstrasse 9-18

Kardinal-Faulhaber-Strasse 10

279 Branch Offices in Bavaria, the Palatinate, and Baden-Württemberg

Offices of the Mortgage Department  
at Augsburg, Berlin, Düsseldorf, Frankfurt/Main, Hamburg, Hannover, Ludwigshafen a.Rh., Nürnberg,  
Regensburg, Saarbrücken, and Würzburg.  
Agent for Southern Baden at Freiburg i. Br.

At the General Meeting held on April 12, 1961, it was agreed to distribute a dividend of 16 per cent and a bonus of 5 per cent on nominal DM 100,000,000.—Common Stock for the business year 1960. Payment will be effected as from April 13, 1961, through any branch of our Bank and the other pay offices that have been publicly announced against presentation of coupon No. 11 and less 25 per cent capital revenue tax, 10 per cent of which can be recovered upon request, in accordance with the Anglo-German agreement on double taxation.

#### The following are some figures from the Balance Sheet as per December 31, 1960:

|                                                                   |                          |
|-------------------------------------------------------------------|--------------------------|
| Capital (capital stock and reserves) .....                        | DM 255,000,000.—         |
| Deposits with the Banking Department .....                        | about DM 2,301,654,000.— |
| Savings Deposits included therein .....                           | about DM 948,462,000.—   |
| Pension Fund .....                                                | about DM 73,717,000.—    |
| Debtors .....                                                     | about DM 1,217,409,000.— |
| Long-term Loans of the Mortgage Department .....                  | about DM 1,686,858,000.— |
| Outstanding Bonds and Borrowings of the Mortgage Department ..... | about DM 1,789,006,000.— |
| Net Profit .....                                                  | about DM 21,177,000.—    |

Munich, April, 1961.

THE BOARD OF DIRECTORS.

# DICTAPHONE COMPANY LIMITED

A YEAR OF STEADY PROGRESS AND ACHIEVEMENT

MR LLOYD M. POWELL ON CONSTANTLY EXPANDING OPERATIONS

The Annual Meeting of Dictaphone Company Ltd. was held on May 10th in London.

Mr Lloyd M. Powell, the chairman of the Company, and president of Dictaphone Corporation, presided and, in the course of his address, prefaced his statement by referring to the annual meeting of the parent Company, Dictaphone Corporation, which covered the same period under review, that being the year ended December 31, 1960.

He explained his election to the board, of which he had been appointed chairman, followed the death of Mr C. King Woodbridge during a visit to this Company in October of last year, and paid tribute to the previous chairman, who was responsible for the formation of this company and had guided its destiny with remarkable skill and ability for nearly twenty-five years.

Continuing, the chairman reported that the sales of the Dictaphone 'Time-Master' dictating machines had exceeded those of any other period in the history of the Company. He went on: "The year has been one of steady progress and our achievements will compare very favourably with the improved picture, I find, of British industry generally."

The market shows a particularly satisfactory increase, and the sales of Dictaphone 'Time-Master' dictating machines and Dictabelt records have increased by 15 per cent over the previous year. I think, I may claim, without fear of contradiction, that the Dictaphone 'Time-Master' is the world's most successful dictating machine. It is as ideally suited to the needs of overseas business men as it is to the British, and it is chosen for the same reasons. Only Dictaphone's exclusive Dictabelt record gives you all these advantages: (1) Clearest recordings; (2) Visible recording; (3) Unbreakable plastic; (4) Mailable; (5) Filable; (6) Low cost and non-erasable records.

## DIVERSITY OF BUSINESS

While the Company's major business is Dictaphone 'Time-Master' dictating machines, and Dictabelt records, it also is constantly expanding its field of operations, and has found a large potential market of increasing interest in recording and reproducing machines for a variety of applications. Dictaphone is the oldest name in our fields of operation and is the registered trade mark of Dictaphone Corporation. The new Dictaphone 'Time-Master' is the most advanced dictating machine in the world. Our range includes machines for monitoring radio broadcasts and a host of others for such useful tasks as air traffic control, telephone recording and police and fire calls. Our notable time-announcer, best described as a 'talking clock', remains popular and our recent entry into the educational field has met with unprecedented success. In our electronic classrooms, students are instructed by recorded lessons.

## A UNIQUE INDUSTRY

Ours is a highly integrated organisation, unique in its industry. It plans, designs, researches, engineers, manufactures, sells and services its own products directly. Therefore it has complete control over every phase of its business—and not the least of the benefits is a

quality control that extends through all phases of marketing and service as well as manufacture.

## DIRECT SALESMANSHIP

Every Dictaphone product is bought ultimately from a Dictaphone salesman or authorised agent; no dealers are involved. Dictaphone salesmen are selected and trained not just to sell but to serve. In calibre and stature they rank at the top of the office equipment industry. They are business men who believe in their business. To help them sell and serve, the Company continually brings its message to the public through a programme of advertising that is both extensive and intensive.

## COMMON MARKET

During the period covered by the accounts, this Company, being alive to the scope that has been offered in Europe by reason of the establishment of the Common Market, decided on a major development in West Germany. In line with our policy of firmly grasping sound opportunities, a wholly owned subsidiary company, Dictaphone Company mbH., has been formed with sales offices and service facilities at Düsseldorf. From this headquarters, development throughout Europe has already begun.

## APPOINTMENTS

There have been some changes made in the executive control of this Company necessitated by the ever increasing responsibilities that arise during a period of rapid growth and development.

The Company is fortunate in having as its overall supervisor Mr Robert W. Belcher, with fourteen years of Dictaphone Corporation experience including four years as managing director of this Company. He has been appointed general manager of the International Division, and has been elected to a seat on the board of this Company.

Mr Clement Shread, who has had twenty years of sales and administrative experience in the office equipment industry in Great Britain, Europe and the Middle East, has been appointed managing director of Dictaphone Company Limited.

## THE DICTAPHONE OBJECTIVE

'Service' is the motivating thought in the Dictaphone objective. It is based on the conviction that proper use of what the Dictaphone organisation offers can truly 'double a person's capacity to get things done!'

During the last 12 months we have developed and augmented our sales force both here and on the continent of Europe. We are employing more people, we are increasing our activity, and, while we are never complacent, we have reason to be pleased with the efforts that are being made to meet the receptive market we find ourselves facing, and to meet the increased demand for our products, our factories in Acton are again being expanded."

The report and accounts were adopted and the retiring directors re-elected. The proceedings terminated with a hearty vote of thanks to the chairman moved by the deputy chairman, Mr C. Harold Vernon, and seconded by Mr F. Graham Maw.

# TAYLOR WOODROW LIMITED

The Twenty-sixth Annual General Meeting of Taylor Woodrow Limited will be held in London on June 6. The following is an extract from the Statement by the Chairman, Mr. Frank Taylor, which has been circulated with the Report and Accounts for the year ended 31st December, 1960:

The trading results for the year ended 31st December, 1960, are lower than those for the previous year and this position is in the main attributable to the unfavourable weather conditions experienced on building and civil engineering sites in the United Kingdom during the year, coupled with continuing intensive competition which adversely affected profit margins. Overseas, too, international competition for suitable contracts is particularly intense.

In previous Statements I have frequently stressed the necessity for judging the results of a Building and Civil Engineering business such as ours over a number of years rather than a single year and I wish to emphasise this point once again when you are considering the results for the year.

## ACCOUNTS

The profits for 1960 after taxation at £446,003 compare with £702,812 for 1959. The turnover of the Group for 1960 (not including associated companies) was £33½ million compared with £29½ million in 1959.

The Directors recommend a final dividend for the year of 7½d. per share on the ordinary issued capital which is the same as the previous year.

## AT HOME

Building and Civil Engineering—The year under review has not been an easy one for building and civil engineering work at home. A reduction in profits despite increased turnover reflects the unfavourable weather conditions which persisted throughout the year.

A highlight of the year was the success of the tender which, in association with English Electric and Babcock and Wilcox, we submitted for the 580,000 k.W. Atomic Power Station at Sizewell in Suffolk. In conjunction with our Partners, designs and tenders are being prepared for further atomic power stations for both home and overseas customers.

Myton Limited—During the year a number of important contracts were completed including two multi-storey office blocks in the City of London, Austral House and Kempson House, and progress was made on other substantial office developments under construction in the City. Good progress was also made with our Zidpark Automatic Multi-Storey Garage adjoining Southwark Bridge.

House Building—The position of the Company's land ownership has improved over the past year and a steady build-up of output is now planned.

Arcon Export and Home—1960 brought the anticipated improvement in business forecast twelve months ago. Export orders obtained from Overseas customers during 1960 showed a 50 per cent increase over 1959 in terms of superficial area of structures to be shipped but continuing competition restricted Profit margins.

# Getting upward...

We can again look back on a successful year. Deposits and advances have been further considerably increased.

The raising turnovers of our foreign business of which — joining the old tradition of our institution — we especially care for show the prosperous development of German trade. Own foreign representations as well as a close network of corresponding banks guarantee prompt and reliable services all over the world.

During 1960 the number of orders in the stock exchange business has been almost doubled and there were quick returns in foreign securities. We took part in introducing foreign shares at the German stock exchanges.

For the year 1960 we pay a dividend of 16 per cent to our more than 20,000 shareholders. Before that we added the amount of DM 22 million to the reserves and so our total resources amount to DM 360 million. In consequence of the intended increase of capital our own resources will be further enlarged by DM 20 million.

| BALANCE SHEET AS OF DECEMBER 31, 1960                               |                                                     |
|---------------------------------------------------------------------|-----------------------------------------------------|
| ASSETS                                                              | LIABILITIES                                         |
| Cash . . . . . 797 719 652.27                                       | Capital stock . . . . . 180 000 000.—               |
| Due from banks . . . . . 325 713 520.11                             | Reserves . . . . . 180 000 000.—                    |
| Bills of exchange . . . . . 1 554 815 729.93                        | Special Reserves . . . . . 156 404 244.47           |
| Treasury bills, etc. . . . . 287 769 550.82                         | Deposits                                            |
| Short and medium-term notes . . . . . 59 339 025.53                 | a) Sight . . . . . 2 509 149 265.15                 |
| Securities . . . . . 480 565 803.36                                 | b) Time . . . . . 2 365 227 955.67                  |
| Equalization claims against the Government . . . . . 114 940 679.79 | c) Saving . . . . . 929 517 345.14                  |
| Debtors . . . . . 2 394 868 125.65                                  | Due to banks . . . . . 131 588 009.57               |
| Long-term lendings . . . . . 427 657 716.95                         | Acceptances outstanding . . . . . 3 344 602.99      |
| Participations . . . . . 57 000 000.—                               | Long-term borrowings . . . . . 405 671 664.55       |
| Bank premises, etc. . . . . 96 000 000.—                            | Other liabilities . . . . . 47 557 591.09           |
| Other assets . . . . . 141 009 765.84                               | Net profit . . . . . 28 938 891.62                  |
|                                                                     | 6 937 399 570.25                                    |
|                                                                     | 6 937 399 570.25                                    |
|                                                                     | Guarantee liabilities . . . . . 851 015 947.35      |
|                                                                     | Bills sold with endorsement . . . . . 77 153 765.79 |

Notice as to dividend payment  
The General Meeting held on April 10, 1961 resolved that a dividend of 16% is to be paid for the 1960 fiscal year.

# COMMERZBANK

AKTIENGESELLSCHAFT

HEAD OFFICES IN  
DUSSELDORF · FRANKFURT A.M. · HAMBURG  
Offices throughout the Federal Republic of  
Germany and in West Berlin



SINCE 1870



# SUN ALLIANCE INSURANCE LIMITED

## EXTRACT FROM THE REVIEW OF THE REPORT AND ACCOUNTS FOR THE YEAR 1960 BY THE CHAIRMAN, MR T. D. BARCLAY

Reporting on the combined results of Sun Insurance Office Limited and Alliance Assurance Company Limited.

### FIRE DEPARTMENT

|          | 1960         | 1959         |
|----------|--------------|--------------|
| Premiums | £ 19,294,667 | £ 18,791,081 |
| Claims   | 9,253,418    | 8,677,220    |
| Surplus  | 1,427,165    | 1,814,080    |

The increase in the premiums has come from most parts of the world where we operate and would have been much greater but for a reduction in the Sun's fire income from the United States where a considerable amount of business that has proved unremunerative has been discontinued.

The claims show a marked increase with the result that the total surplus available from these Accounts, for transfer to the Profit and Loss Accounts is reduced by some £387,000. One of the main causes of this rather disappointing result has been what I might call weather damage, i.e. floods and windstorms. These catastrophes affect large tracts of country causing thousands of claims, mostly relatively small, but in total coming to a very large figure. Insurance against these perils has become very general and this is bound to lead from time to time to considerable fluctuation in the results of our Companies' Fire Departments.

### ACCIDENT DEPARTMENT

|          | 1960         | 1959         |
|----------|--------------|--------------|
| Premiums | £ 22,553,364 | £ 21,629,186 |
| Claims   | 12,765,075   | 12,107,728   |
| Surplus  | 1,254,080    | 1,245,399    |

The growth of the Companies' business in this Department, which covers a wide variety of perils, has been considerable resulting in an increase in premium income of over £900,000.

The major class of business coming into this Account and producing nearly 50 per cent of the premiums is Motor insurance which, as you know, has been a most difficult class to undertake profitably. The combined results of the two Companies for this class of business resulted in a loss, entirely due to unfavourable experience in the United States, but I am glad to say that at home the two Companies together succeeded in making a profit. This is a tribute to the very careful underwriting policy adopted by both Companies for there is much evidence that the incidence and cost of road accidents continues to increase.

### MARINE DEPARTMENT

|                                   | 1960        | 1959        |
|-----------------------------------|-------------|-------------|
| Premiums                          | £ 3,624,290 | £ 3,654,309 |
| Fund at end of the year           | 5,933,065   | 5,575,222   |
| Transfer to Profit & Loss Account | 166,822     | 1,645 Loss  |

The premium income of the two Companies in this Department shows a slight reduction as compared with 1959 but, as you will see, the transfer to the Profit and Loss Account has increased.

The cargo side of the market remains highly competitive and after losses from perils of the

sea have been provided for, there is little, if any, balance of premium left to cover extraneous claims such as theft and pilferage which remain at a high level almost throughout the world.

### LIFE DEPARTMENT

|                                       | 1960         | 1959         |
|---------------------------------------|--------------|--------------|
| Net new sums assured                  | £ 20,925,293 | £ 18,632,138 |
| Premium income thereon                | 455,748      | 424,706      |
| Total life premium income             | 3,368,415    | 3,270,064    |
| Total annuity considerations          | 1,650,570    | 1,291,235    |
| Claims by death                       | 917,623      | 669,316      |
| Life and Annuity Funds at end of year | 44,082,598   | 40,929,398   |

The Sun Insurance Office does not transact Life business and the results shown here relate to the Alliance Life Department only. New business continued to expand satisfactorily but at a rather slower rate than in the previous two years. Progress in the latter part of the year was noticeably slowed down by the reimposition of credit restrictions which affected the amount of business received from our important Building Society connections.

The gross income yield on the Fund showed an apparent decline from £5 12s. 6d. per cent to £5 10s. 2d. per cent. This is, however, entirely due to the fact that the past practice of accruing estimated dividends on equity investments has been discontinued. This is, of course, a non-recurring accounting matter; no actual loss of

income is involved and, in fact, if the change had not been made the yield would have again shown a substantial increase.

### PROFIT AND LOSS ACCOUNT

Underwriting profits total £2,848,067; this is a reduction of approximately £200,000 as compared with a year ago and arose almost entirely from the less favourable experience in the Fire Department.

The investment income credited to the Profit and Loss Accounts of the two Companies is increased by £331,213 to a total for the year of £3,160,063. This continued growth in our investment income, which is a satisfactory feature, has contributed to the increased net profit of the two Operating Companies.

The provision for taxation is on this occasion somewhat lower than usual and after making full provision for this and for contributions to Pension and Widows and Orphans Funds, the final profit of the two Operating Companies amounts to £2,862,967 as compared with £2,724,733 in the previous year. In the light of this increased profit and of the steady expansion in the investment income, the Operating Companies have increased their dividends payable to the Holding Company, in the case of the Sun from 10s. 6d. per share, less income tax, to 11s. 3d. and, in the case of the Alliance, from 5s. per share, less income tax, to 5s. 4d. This has enabled Sun Alliance to declare a dividend of 2s. 8d. per share, less income tax, for the year compared with the equivalent of 2s. 6d. in the previous year; an interim dividend of 1s. having already been paid, the balance of 1s. 8d. per share, less income tax, will be payable in July next.

## BANCA TOSCANA, FLORENCE (ITALY)

### BALANCE SHEET AT 31st DECEMBER, 1960

| ASSETS                                                |                   | LIABILITIES                                   |                   |
|-------------------------------------------------------|-------------------|-----------------------------------------------|-------------------|
| Cash                                                  | £ 2,206,629,046   | Savings Accounts                              | £ 58,924,395,103  |
| Bills, including Treasury Bills                       | 47,750,701,498    | Current Accounts                              | 47,573,956,675    |
| Securities:                                           |                   |                                               |                   |
| Government or Government-guaranteed                   | £ 15,927,659,948  | Cheques in circulation                        | 106,498,351,778   |
| Mortgage Bonds                                        | 4,229,817,443     | Sundry Creditors                              | 2,448,061,282     |
| Miscellaneous                                         | 1,044,281,102     | Staff Indemnity Fund                          | 2,801,013,602     |
| Participations                                        | 21,201,758,493    | Unclaimed dividends                           | 2,797,974,701     |
| Advances                                              | 327,328,561       | Unpaid interest                               | 1,967,793         |
| Real Estate                                           | 35,521,043,840    | Bills for Collection                          | 1,047,380,725     |
| Furniture and Fittings                                | 1,210,760,821     | Acceptances and Guarantees                    | 531,609,180       |
| Sundry Debtors                                        | 1,280,739,823     | Unaccrued Interest and Discounts              | 1,916,918,254     |
| Customers' Liabilities for Acceptances and Guarantees | 531,609,180       | Balance of profit from previous years         | 1,075,667         |
| Bills for Collection                                  | 10,301,526,544    | NET PROFIT                                    | 266,726,674       |
|                                                       |                   | TOTAL LIABILITIES                             | £ 118,311,079,656 |
| TOTAL ASSETS                                          |                   | CAPITAL AND RESERVES                          |                   |
|                                                       | £ 120,932,097,807 | Capital                                       | £ 1,500,000,000   |
|                                                       |                   | Ordinary Reserve                              | 1,021,018,151     |
|                                                       |                   |                                               | 2,521,018,151     |
| CONTRA ACCOUNTS                                       |                   | TOTAL OF LIABILITIES AND CAPITAL AND RESERVES |                   |
| Securities deposited by way of Guarantee, etc.        |                   |                                               | £ 120,832,097,807 |
| Pension Fund                                          | £ 432,700,000     |                                               |                   |
| Outside Parties                                       | 17,880,528,196    |                                               |                   |
|                                                       | 18,313,228,196    |                                               |                   |
| Other Securities deposited                            | 34,612,574,328    |                                               |                   |
| TOTAL                                                 | £ 173,757,900,331 |                                               |                   |
| CONTRA ACCOUNTS                                       |                   | TOTAL                                         |                   |
| Securities deposited by way of Guarantee, etc.        |                   |                                               | £ 173,757,900,331 |
| Pension Fund                                          | £ 432,700,000     |                                               |                   |
| Outside Parties                                       | 17,880,528,196    |                                               |                   |
|                                                       | 18,313,228,196    |                                               |                   |
| Other Securities deposited                            | 34,612,574,328    |                                               |                   |
| TOTAL                                                 | £ 173,757,900,331 |                                               |                   |

In extraordinary session the General Meeting also resolved to increase the Capital from Lire 1,500 million to Lire 2,500 million.



# DEUTSCHE BANK

## 1960 — a favourable business year

The balance sheet total of the Deutsche Bank grew by 7.1 % from DM 10,500 million to DM 11,200 million in 1960. All business sectors took a successful development. The turnovers with our customers (except those with banks at home and abroad) rose by 13.7 % to DM 403,900 million.

The cash balances held by the Deutsche Bank amounted to approximately DM 1,400 million. The overall liquidity came to 47.2 %.

Deposits increased to DM 9,900 million (+ 6.6 %). DM 2,200 million of that sum fell to savings deposits.

At the end of 1960, the Deutsche Bank had outstanding loans in a total sum of approximately DM 7,000 million. The utilizations of loans for import and export transactions were by about 15 % higher than in 1959.

The General Meeting of Shareholders on May 4, 1961, decided

- to allocate another DM 50 million to the special reserve fund;
- to distribute a dividend of 16 %;
- to increase the share capital by DM 50 million to DM 300 million — in a ratio of 5:1 (one for five) — at an issue price of 100 %.

After the capital increase, the bank's own resources amount to DM 600 million.

At the end of 1960, a staff of 19,106 persons worked in 410 branches of the Deutsche Bank.

### Balance Sheet as at 31st December 1960 with comparable figures

(abridged)

| ASSETS                                               | Dec. 31, 1960 |          | Dec. 31, 1959 |          |
|------------------------------------------------------|---------------|----------|---------------|----------|
|                                                      | in Mill. DM   |          | in Mill. DM   |          |
| Cash Balances                                        | 1,389.1       | 1,008.6  | 250.0         | 250.0    |
| Balances at Credit Institutions                      | 446.7         | 548.6    | 300.0         | 250.0    |
| Bills of Exchange                                    | 2,109.1       | 2,171.9  | 9,903.8       | 9,288.2  |
| Treasury Bills                                       | 481.8         | 320.0    | 4,775.5       | 4,607.3  |
| Medium-Term Interest-Bearing Notes (Bonds de Caisse) | 97.7          | 395.3    | 2,927.9       | 2,766.5  |
| Securities                                           | 941.8         | 1,058.4  | 2,200.4       | 1,914.4  |
| Equalization and Covering Claims                     | 501.0         | 502.2    | 16.0          | 16.2     |
| Holdings in Syndicates                               | 223.5         | 188.5    | 50.7          | 55.9     |
| Debtors                                              | 4,230.3       | 3,532.7  | 299.1         | 257.4    |
| Long-Term Lendings                                   | 434.3         | 390.5    | 64.6          | 59.8     |
| Loans on a Trust Basis at Third Party Risk           | 64.6          | 59.8     | 146.2         | 138.8    |
| Participations                                       | 80.5          | 66.5     | 135.0         | 79.7     |
| Real Estate and Buildings                            | 153.8         | 148.6    | 16.5          | 37.8     |
| Other Assets                                         | 67.7          | 82.2     | 40.0          | 40.0     |
|                                                      | 11,221.9      | 10,473.8 | 11,221.9      | 10,473.8 |

### Profit and Loss Account for the Year 1960 with comparable figures

| EXPENDITURES                                          | 1960        |       | 1959        |       |
|-------------------------------------------------------|-------------|-------|-------------|-------|
|                                                       | in Mill. DM |       | in Mill. DM |       |
| Expenditure on Personnel                              | 204.6       | 181.5 | 218.4       | 175.3 |
| Expenditure for Social Purposes, Welfare and Pensions | 32.7        | 30.2  | 312.7       | 284.8 |
| Other Operating Expenses                              | 57.6        | 53.7  |             |       |
| Taxes and Similar Dues                                | 136.2       | 109.7 |             |       |
| Additional Depreciation on Real Estate and Buildings  | 10.0        | 10.0  |             |       |
| Allocation to Legal Reserve Fund                      | 25.0        | —     |             |       |
| Allocation to Special Reserve Fund                    | 25.0        | 35.0  |             |       |
| Profit                                                | 40.0        | 40.0  |             |       |
|                                                       | 531.1       | 460.1 | 531.1       | 460.1 |

We are represented in Berlin by the BERLINER DISCONTO BANK, in Kiel by the Bankhaus WILH. AHLMANN, in the Saar by the SAARLANDISCHE KREDITBANK. An extensive network of correspondents and own representative offices abroad connects the DEUTSCHE BANK with all important places of the world.

# DEUTSCHE BANK

AKTIENGESELLSCHAFT

DUSSELDORF · FRANKFURT (MAIN) · HAMBURG

## STEEL CONSTRUCTION : CONCRETE PRODUCTS : BUILDERS JOINERY



## WIRE &amp; WIRE PRODUCTS : FENCING : BUILDERS EQUIPMENT

**Boulton & Paul Limited**

The Annual General Meeting of Boulton & Paul Limited was held on May 9th at Norwich. The Chairman, Mr J. H. Treslon, presided. The following is an excerpt from his Statement circulated with the Report and Accounts.

**The Year's Results**

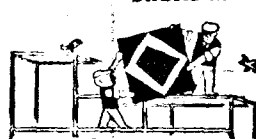
The results have turned out a little disappointing and below our expectations if we exclude the special stock surplus. In particular Moreland Hayne made a loss pending reorganisation of their steel fabricating works. However, in total the results are good and profits before taxation have generally continued at a satisfactory level.

Conditions are still reasonably favourable in our fields of operation. In steel we have a good order book; the scale of house building should benefit our joinery interests; in wire and wire products margins continue to be narrow; the demand for our mechanised steel fabrication plants is active; in builders' equipment we look for improved results and in concrete products, expansion continues.

**Developments**

Moreland Hayne & Company, Limited, is being equipped with a Boulton & Paul fully mechanised fabricating plant.

Other factories and plants have also seen a number of additions. Our largest future development will, however, be in joinery. Since the end of the financial year we have acquired a large site at Lowestoft where, ultimately, we shall have a unit manufacturing joinery in advance of any in this country.

**Structural Engineering**

The combination of Boulton & Paul and Moreland Hayne, gives us a much enlarged capacity and despite keen competition and narrow margins, we have managed to increase our turnover. The past year has not been an exceptionally good one on the structural engineering side. But we look forward to an improvement in the future.

Our fully mechanised automatic plants for structural steel fabrication continue to meet with increased demand.

**Wire and Wire Products**

The year under review saw the completion of our wire drawing and wire galvanising plants in the Midlands. The trade in wire netting



remained difficult and highly competitive, but turnover in wire and wire products increased. The fencing department has had a good year with increased output and profits in the face of intense competition.

**Timber Products**

We have great difficulty in meeting the demand for our joinery, but we shall take steps

to increase our output by developing at Lowestoft.

With our record turnover this year, the results of our joinery efforts have been most satisfactory.

**Builders' Equipment**

Stephens & Carter Limited continued to make progress. Their steel scaffolding both for erection and hire was in excellent demand. A new depot is being built at Luton and two scaffolding businesses at



Norwich and Ipswich have been acquired.

**Concrete Products**

Our associated company, Anglian Building Products Limited, and its subsidiaries had a most active and successful year. Very substantial orders for the railways, motorways and building work generally were executed.

Several additional depots for "readymixed" concrete were opened, and the main works at Lenwade near Norwich are now an impressive size and extremely well equipped.

**Balance Sheet**

The totals of the Consolidated Balance Sheet have risen by £1,300,000, on account of the new share capital.

Capital and Revenue Reserves now exceed £1,000,000 and have fully overtaken their level at the time of our last scrip issue.

On the other side of the accounts, Fixed Assets have risen by £300,000. Current Assets by over £1,100,000, with the main increase (£800,000) in stocks, which reflects substantially increased turnover.

**Group Profits**

The profits of the Group before taxation were at the £400,000 level. We have again made substantial allocations to reserves. After providing for the fixed return on the Preference shares, and paying an interim ordinary dividend of 5 per cent., we are recommending a final ordinary dividend of 7½ per cent., making a total of 12½ per cent. for the year.

**Summarised Results**

|                               |       |          |
|-------------------------------|-------|----------|
| Group Profits before taxation | 100 % | £412,967 |
| Taxation                      | 47 %  | £193,565 |
| Minority Shareholders         |       | £2,785   |
| Retained Profits              | 28    | £115,581 |
| Distributed Profits           | 24½   | £101,036 |
|                               | 100 % | £412,967 |

GROUP PROFITS, as above, attributable to Ordinary Shareholders before Taxation as a return on:

|                                                   |            |       |
|---------------------------------------------------|------------|-------|
| ISSUED ORDINARY CAPITAL                           | £825,000   | 45 %  |
| NET TANGIBLE ASSETS                               | £2,110,498 | 17½ % |
| ORDINARY DIVIDEND before Taxation as a return on: |            |       |

|                         |            |       |
|-------------------------|------------|-------|
| ISSUED ORDINARY CAPITAL | £825,000   | 12½ % |
| NET TANGIBLE ASSETS     | £2,100,498 | 5 %   |

\* Before new issue at year-end.

The Report and Accounts were adopted.

**LIMMER & TRINIDAD  
LAKE ASPHALT****SIR JOHN HATHORN HALL'S  
STATEMENT**

The eighty-ninth annual general meeting of The Limmer & Trinidad Lake Asphalt Co., Ltd., will be held on June 22 at the company's offices, in London.

The following is an extract from the circulated statement of the Chairman, Sir John Hathorn Hall, GCMG, DSO, on the 1960 accounts:—

Nowadays when a considerable amount of new road construction is being undertaken we find ourselves carrying out an increased proportion of our paving work in the capacity of sub-contractors to a main contractor instead of directly for the employing authorities. The advantages which such authorities derive from being able to deal with one contractor in respect of the whole of a large contract rather than with a number of contractors specialising in different aspects of the work are fully appreciated. Nevertheless the practice does entail the main contractor sub-letting relatively substantial contracts for specialised activities such as Asphalt paving, and while I realise that the employing authorities whether they be of Ministry, County or Municipal status, stand in no direct contractual relationship to the sub-contractors, I submit that there is at least a moral obligation to introduce a code of practice which may go some way to protecting the sub-contractors' interests.

Too often there is the temptation for the small contractor to "have a go" at large-scale work which he has not the capacity to undertake and it cannot be of satisfaction to Government Departments and Local Authorities to know that such work, frequently obtained at the fiercely competitive prices prevailing in the civil engineering industry, is sometimes done at the expense of unpaid sub-contractors.

It would, I feel, be sad if the splendid prospect of our National road programme were to be marred by the avoidable failures of general contractors who have endeavoured to operate beyond their resources.

**LARGER PROFIT AND DIVIDEND**

For 1960 the Group's trading surplus before depreciation is some £50,000 in excess of that for 1959. As is to be expected, however, in an expanding business depreciation absorbs more, so that the Group profit before taxation at £530,979 is £26,000 greater than in the previous year. Taxation is a great leveller, and after this has been charged and minority adjustments made the improvement has been whittled down to £11,500.

After taking into account, the profits retained in the Subsidiary Companies, the amount available for distribution in the Parent Company is £343,901. Pension Reserve absorbs slightly more this year, and your Directors recommend the transfer of £100,000 to General Reserve and the payment of a final dividend of 13 per cent., making a total distribution for the year of 19 per cent. compared with 17 per cent. for 1959.

Looking at the prospects for 1961 generally, I think I can sound a reasonably optimistic note. Our operations in this country during the early months of this year have continued at a very high rate, and if we are able to maintain this throughout the year we should be able to better the 1960 results.

**NORTH BRITISH & MERCANTILE INSURANCE****UNFAVOURABLE UNDERWRITING EXPERIENCE IN THE UNITED STATES****NEW LIFE BUSINESS AGAIN A RECORD****MR CYRIL H. KLEINWORT'S STATEMENT**

The one hundred and fifty-first Annual General Meeting of North British & Mercantile Insurance Limited was held on May 11th in Edinburgh.

The following statement has been issued to the shareholders by Mr Cyril H. Kleinwort, Chairman of the General Court of Directors, in connection with the accounts for the year ended December 31, 1960:

Before dealing in detail with the Accounts for the past year there are two matters I should like to mention.

The first concerns our London Head Office building in Threadneedle Street, which has been our chief London address for nearly one hundred years, as we took possession shortly after the "North British and Mercantile" was formed out of the merger of the "North British" and "Mercantile" in 1862.

The building is adjacent to the Stock Exchange and we were approached for our co-operation when the rebuilding of the Stock Exchange upon its present site was first under consideration, as such a plan was only feasible if its present ground area could be extended.

In the general interests of the City, the General Court of Directors agreed to sell 61, Threadneedle Street to the Stock Exchange to enable the re-building to take place and no doubt you have seen reference to this sale in the Press.

We were naturally reluctant to leave the building in which we have been housed for so many years but with the accommodation now available in our Group offices we felt that we should assist in a project so important to City interests generally which could not take place without our help.

The other item for mention is that Mr L. H. Campling, who was appointed an Assistant Manager in June, 1949, retired in June last after nearly 45 years' service with the Company. He has our best wishes for a long and happy retirement.

Turning now to our Accounts for the past year, I am sorry to say that our overall experience has been unsatisfactory as we have underwriting losses to report in both our Fire and Accident Departments although the results in the Marine Department have been satisfactory.

As I have mentioned on previous occasions, our figures are materially influenced by the experience in the United States where we have such important interests. Unfortunately, 1960 was a poor year there from the underwriting standpoint, not only for us but also for many other Companies working in that field. You will recall that a major hurricane—known as "Donna"—swept the Atlantic seaboard last September doing extensive damage to property and causing very substantial losses to Insurance Companies. Such visitations must unfavourably affect our results in a year when they occur but it is nevertheless disappointing to have to report a setback after the improvement we were able to record in the previous year. On the Casualty

side too our results in the United States of America though showing some improvement are still not satisfactory and we again incurred an underwriting loss.

**FIRE DEPARTMENT**

The total Fire premiums at £19,079,039 are very little different from those for 1959 but losses at £10,776,506 have increased during the year by £563,434. Expenses increased by £82,229.

After adjustment of the Provision for Unexpired Risks on a 50 per cent basis, there is a loss on the year's working of £503,935, 2.64 per cent of premiums.

I have already referred to the United States of America. In the United Kingdom, Fire losses again reached very high figures—almost level with the hitherto highest recorded total in 1959 of £44,000,000. We naturally had our share of those losses and in addition there were the substantial storm and flood losses in the latter part of the year which adversely affected our Home Fire figures. I am pleased to say that there seems to have been some improvement in Fire losses in the United Kingdom in recent months and it is greatly to be hoped, in the national interest, that that improvement is maintained.

Canada and the rest of the Overseas field I am glad to say showed satisfactory increases in premiums with excellent profits.

**CASUALTY DEPARTMENT**

Total Casualty premiums were £12,678,911, an increase of £676,003 over the 1959 figure of £12,002,908. Total claims incurred were £7,207,147, an increase of £335,863, but the percentage of claims to premiums of 56.8 per cent was slightly less than the corresponding figure for 1959 of 57.2 per cent.

After adjusting the Provision for Unexpired Risks on the usual basis which, following the increase in premium income, entailed an addition in 1960 of £270,402 against £1,926 in 1959, there is an underwriting loss of £54,527, .43 per cent of premiums compared with an underwriting profit of £123,129, 1 per cent of premiums for 1959.

Our Home business continues to develop satisfactorily but the results are somewhat overshadowed by the experience in the United States of America to which I have already referred. In the remainder of the Overseas field our experience has varied: it has been less favourable in Australia and South Africa but our Canadian business has been very good.

**MARINE DEPARTMENT**

The premium income was £1,952,031 compared with £1,844,045 for the previous year and the overall experience has been quite satisfactory, with the run-off of the 1958 and 1959 Accounts encouraging.

Unfortunately, in recent months there have

been a number of major casualties which without doubt will have an influence on the final outcome of the 1960 underwriting.

I referred last year to a levelling-off in the cost of ship repairs. There are some indications that this improvement may be difficult to maintain which would be regrettable because if a further rise should occur hull insurance will be again considerably affected.

On the cargo side of our Account, whilst conditions remain very competitive the overall position has been satisfactory to us.

We have transferred the sum of £333,516 from the Marine Fund to Profit and Loss Account.

**LIFE DEPARTMENT**

I am pleased to be able to say that the new business secured by the Life Department constituted yet another record, with new sums assured of £22,800,000. This figure represents an increase of 12 per cent on the total for 1959. We transact a very considerable proportion of Group business which is liable to fluctuate appreciably from year to year, and the effect is sometimes to mask the underlying rate of progress of our Life business as a whole. New business under individual contracts again showed a very satisfactory increase in 1960.

The introduction of the Government Graduated Pension Scheme, whilst it has stimulated public interest in the provision of pensions for employees, has inevitably entailed for our specialised staff the expenditure of much time in advising and assisting holders of our existing schemes with problems arising out of this complicated piece of legislation. We are glad to have had this opportunity to be of service to our connections in spite of the considerable additional work involved.

The gross rate of interest earned on the Life Fund in 1960 was £5 16s. 6d. per cent—an increase of 7s. 6d. per cent on 1959. The Life expense ratio was 12.2 per cent against 12.4 per cent in 1959.

Our progress during the year is shown by the advance of our Life and Annuity Funds which together total £80,000,000, an addition of £5,000,000 in 1960, and in the increase of just over £250,000 to £1,500,000 in our combined new Life and Annuity Premiums and Considerations.

**INVESTMENTS**

During the whole of 1960 interest rates on long term fixed interest securities remained at a relatively high level and the opportunity was taken of increasing our holdings of Debenture Stocks. At the same time, substantial additions have been made to our Equity holdings. Although there was a fall in many market prices ruling at the end of 1960 when compared with those at the close of the previous year, the value of our investments still showed a considerable surplus over the value placed upon them in the Balance Sheet.



## CONSOLIDATED PROFIT AND LOSS ACCOUNT

This Account summarises the results of our operations for the year 1960. Gross Interest on Investments shows an increase of £263,392 over the previous year at £2,446,632. As I mentioned last year, it is our intention to make our next valuation of the Life Branch at the end of 1963 and the Shareholders' profit from the last valuation is spread, therefore, over four years. Accordingly, credit has been taken for a further one-fourth of the profit arising in 1959 leaving two-fourths in reserve. The operations in the Fire, Accident and Marine Departments during the year resulted in a net loss of £224,946.

It is proposed to maintain the dividend of 2s. 6d. per share, of which 1s. 3d. is being paid as an interim dividend. The total dividend of 2s. 6d. per share, with the dividend on the Preference Stock, will absorb £885,062.

After charges for taxation amounting to £1,158,354 and transfers to the Staff and Widows' Pension Funds of £311,000, the final balance on Profit and Loss Account is £13,574,525.

No annual review of our activities would be complete without an expression, with which my colleagues of the General Court warmly associate themselves, of cordial thanks and appreciation to all those who throughout the past year have so loyally and efficiently devoted themselves to the Company's interests. These include not only those who have assisted us in directorial capacities and the officers and staff of the "North British" and Associated Companies both here and overseas, but the many agents who represent us throughout the world.

The report and accounts were adopted.

## HUDSON'S BAY COMPANY

The 292nd Annual General Court of the Governor and Company of Adventurers of England trading into Hudson's Bay was held on May 12th in London, Mr W. J. Keswick, the Governor, presiding.

The following is an extract from the report to the proprietors:

The Company's move into the major Eastern Canadian markets through the merger with Henry Morgan & Co. Limited, Eastern Canada's third largest department store organisation, was the highlight of the year.

The trading profit was £5,229,000 but excluding special items, the trading profit was £4,893,000 (£4,952,000) and the profit after tax was £2,432,000 (£2,495,000). The total sales of the Group were £88,032,000. The proposed final trading dividend is 14 per cent (total 24 per cent) and the proposed final Land Account distribution is 2½ per cent (total 5 per cent).

During the year the Company continued its policy of modernisation and expansion.

The difficulties experienced by the Canadian economy in 1960 are vividly shown by the marked drop in the rate of increase in Gross National Product for 1960 which was 2 per cent compared with over 6 per cent average from 1954-59. Against this economic background it proved impossible to maintain the rate of increase in the Company's retail sales achieved in recent years. Nevertheless, the increase this year of 3 per cent on a comparable basis was not unsatisfactory.

The report was adopted.

## COMPANY MEETING REPORTS

### THE PYRENE COMPANY

#### INCREASED TRADING PROFIT

The Forty-seventh Annual General Meeting of The Pyrene Company Limited will be held on June 8th in London.

The following are extracts from the circulated statement by the chairman and managing director, Mr Francis A. J. Harrison:

In a year when the Motor Industry's activity has been seriously curtailed it is good to report that at £912,506 your Company's Group trading profit shows an increase of £57,891 and that Net Profit before tax is £54,297 higher at £755,825 (£387,758 after tax). This result has been achieved despite various increases in wages and salaries and after considerable charges for plant changes and product development.

The directors recommend a final ordinary dividend of 18½ per cent, less tax, making 30 per cent, less tax, for the year against 27½ per cent, less tax, last year.

#### THE PARENT COMPANY

The Pyrene Company Limited: The Company's over-all sales increased by 2.6 per cent which though only a modest gain was in fact a new record for total sales. Home sales and rental-maintenance of hand fire extinguishers were up by some 7 per cent. Although many thousands of "Pyrene" Home Fire Extinguishers have been sold, this wonderful new product has not yet been bought by enough home occupiers to achieve the reduction of home fire losses for which we introduced it.

Metal Finishing Division produced another sales record, being 10 per cent above 1959, a very creditable achievement.

### ABERDARE HOLDINGS

The 25th ordinary general meeting was held on May 16 in London, Sir John Pascoe (the chairman) presiding. The following is an extract from his circulated review: Group net profits amount to £343,784 as against £378,164. We are recommending a final dividend of 10 per cent, making 17½ per cent for the year.

**Aberdare Cables Limited:** In spite of the unremunerative price level which obtained throughout the year the Cable Company operated at a profit. At the present time, we are obtaining slightly higher prices, and with the improved turnover it should make a greater contribution to Group profits during the year.

**South Wales Switchgear Limited:** The rate of increase in turnover was well maintained.

**Treforest Electrical Services Limited:** Operations of this Company have been merged with South Wales Switchgear, with the result of an expansion in our range of products of low voltage switchgear, and this, combined with the development in the Company's main factories, has meant that the range of switchgear products has been considerably extended.

**Transformer Division:** The range of transformers manufactured has been considerably increased.

The expansion of the turnover of South Wales Switchgear Limited, generally, has been largely responsible for the Group's satisfactory results.

**Aberdare Engineering Limited and the African Subsidiary Companies:** Encouraging progress continues to be made.

The report was adopted.

## THE ECONOMIST MAY 20, 1961

The value of Export Sales was somewhat lower although the effort devoted to this Department was increased. Sales were made to 114 countries during the year.

The Parent Company's increase in profits was just two-thirds of the total Group Trading Profit increase. The value of orders in hand at the turn of the year was some 47 per cent higher than twelve months previously.

#### WHAT'S AHEAD

We have orders on the Parent Company's books to the value of about two-thirds of the anticipated year's sales. Actual shipments in the first quarter of the year are 7 per cent lower than those of the first three months of 1960. Sales of fire equipment are actually higher, but this is more than offset by lower deliveries of bumpers and metal finishing products to the Motor Car Companies. The demand, however, is now increasing.

Fire Extinguisher sales at home, due to the effect of the Factories Act, are running at a higher increase than we had anticipated. An important development which has just been started is the setting up of a separate Fire Detection Division. Some months will be required to complete supplies and bring the Division into full operation. Then it should provide an essential fire safety service in many locations.

After a slower start to the year the Parent Company expects to increase sales during the second quarter and go steadily on in an upward direction (unless any limiting factor is applied to the Motor Car Industry). Every effort will be made to run the business as economically as possible. The Group is a hive of industry and I do trust that by the end of 1961 there may be a commensurate weight of honey to be taken.

### UNITED MOLASSES

The Thirty-fifth Annual General Meeting of The United Molasses Company Limited will be held on June 6th in London.

The following is an extract from the circulated statement by the chairman, Mr G. W. Scott, CBE:

The gross profits of the Group for 1960 amount to £4,516,674, a reduction of £303,001 over the gross profits for 1959, and the net profits of the Group at £2,007,799 show a reduction over the previous year of approximately £182,000. These results are somewhat better than could be anticipated last year when I indicated the Group profits might well show a reduction from those of 1959. It is recommended that the ordinary dividend be continued at the same rate, free of tax, as for 1959. Your directors have decided once again to supplement the return to ordinary stockholders by recommending a cash distribution of 4½d. per unit, not subject to income tax.

The financial position of the Company remains strong and the balance sheet indicates that current assets of £18,519,237 exceed current liabilities, provisions, etc., by £12,116,496.

We are facing a difficult year. Molasses trading has been unsettled by the political situation in the Caribbean which, aided by the continuing low tanker freight market, has made competitive conditions more difficult. Prospects for shipping continue to be depressing with no evidence of the likelihood of a material improvement in either dry cargo or tanker freights. However, your directors hope once again, barring any unforeseen occurrences, to be able to recommend dividends out of revenue profits for 1961 at the same net rate as for 1960.

## THE ECONOMIST MAY 20, 1961

## COMPANY MEETING REPORTS

### REICHHOLD CHEMICALS LIMITED

#### FACTORS AFFECTING PROFITS

#### THE LATE MR WALTER H. BREUER'S STATEMENT

The Ninth Annual General Meeting of Reichhold Chemicals Limited will be held on June 13th at Winchester House, Old Broad Street, London, EC.

The following is the statement prepared by the late Mr Walter Hugo Breuer, Chairman and Joint Managing Director, which has been circulated with the report and accounts for the year ended December 31, 1960:

The Annual Accounts for the Ninth year are presented in established form and reflect the year's operation of our Group.

During the second half of the year many difficulties arose and these have had an unsatisfactory impact on Profit margins.

An Interim Dividend of 7½ per cent less Income Tax on the Ordinary Share Capital of the Company (as increased by the issue of 704,102 New Ordinary Shares of 5s. each fully paid on July 6, 1960) was paid in October. A Final Dividend in respect of the year to December 31, 1960, of 15 per cent less Income Tax at the Standard Rate ruling on the date of payment is now recommended thus maintaining the 22½ per cent overall dividend on the Capital increased both by the bonus issue February, 1960, and the Rights Issue last July.

The large Capital Expenditure programme of the operating Companies makes it essential for us to "plough back" money each year, in addition to the provision we make for depreciation and it is proposed to place a further £125,000 to General Reserve.

#### THE SUBSIDIARIES

BECK, KOLLER & Co. (ENGLAND) LTD. A drastic shortage of Naphthalene developed in the early part of the year and it was essential to safeguard resin production by the purchase at high prices of Phthalic Anhydride. During the later months however the supply position became and remains normal so it was necessary to dispose of the surplus stocks at a substantial loss.

Apart from this set-back a desperately short supply position developed in Maleic Anhydride and World prices were trebled with limited amounts available. In order to meet the increasing demands for Polyester Resins based on this essential Raw Material, contracts were placed for delivery during the remainder of the year.

In September the World supply position changed suddenly. Prices were rapidly reduced and supplies became much freer so that the Beck, Koller Company were confronted with having to accept contracted deliveries at a premium resulting at the end of December in writing off a substantial amount in respect of Maleic Anhydride stocks held at that time.

The stock losses on these two Chemicals amounted to some £45,000. These factors are not likely to be repeated during 1961.

VINATEX LTD. Modern plant at New Lane, Havant is expected to be in full production within a few months and should increase the present rate by one-third.

Months of delay in plant delivery and subsequent teething troubles have substantially reduced the profit earning capacity of that Com-

pany during the period under review.

The transference from Carshalton of this activity has proved more costly than envisaged and we expect that for the second half of the current year a material improvement of its profit-earning capacity will result from the installation of the latest type of Plant which should yield substantially increased output.

VINYL PRODUCTS. During the last quarter of 1960 fierce competition developed without any substantial reduction in Raw Material costs and sales, due in some measure to the effects of the Credit Squeeze, showed a downward trend.

With the removal of the Vinatex Company to New Lane, Havant the congestion at Carshalton will become easier.

The Directors have decided to defer for the time being plans for building the proposed new Vinyl Factory at Brockhampton.

There are signs during the last few months of a welcome reversal of the earlier trend and on a note of cautious optimism I would expect an increasing improvement in profitability during the present year from this Company.

#### GENERAL

During the year all Companies were faced with very substantial increases in labour costs. Due to exceptional weather conditions the installation of the new Resin Plant at Speke could not be completed as hoped in December last but in spite of unexpected delays in delivery of Plant it should be in production by the end of this month.

I deplore that due to the reasons stated the Group has sustained a "set-back" but I do not believe that these factors will affect us as adversely in the current year.

We continue to enjoy full interchange of technical information with Reichhold Chemicals Inc., and their affiliate Companies throughout the World and the arrangement concluded between Beck, Koller & Co. (England) Ltd. and Spencer Kellogg & Sons Inc. (as mentioned in my previous report) should shortly result in a welcome addition to the manufacture and sales of our new resinous products.

It is with feelings of regret that owing to increased Managerial responsibilities in connection with my commitments on the Continent I have decided to resign as Chairman at the conclusion of the Annual General Meeting but shall remain a Member of the Board. I am happy to know that my colleague, Mr G. S. Bache, our Joint Managing Director, will be appointed in my stead.

Once again I am sure you will wish to associate yourselves with the tribute I am happy to pay on behalf of the Board of Directors to all Factory Employees, Technical and Administrative Staffs and Directors of Operating Companies for their loyalty and enthusiastic support during the unexpectedly difficult period under review.

MR WALTER H. BREUER

Mr W. H. Breuer, who was killed in a motor-car accident on April 26, 1961, was appointed

Chairman and Joint Managing Director of Reichhold Chemicals Limited, on the formation of that Company in 1952; he had previously been closely associated with the Beck, Koller Company for many years.

As the Executive Vice-President for European Affairs of Reichhold Chemicals Inc., of the U.S.A., he had had, during the last few years, increasing managerial responsibilities on the Continent.

His wise counsel, geniality and charm will be sadly missed by all his colleagues and friends.

### THE LUNUVA (CEYLON) TEA & RUBBER ESTATES, LIMITED

#### EXTRACTS FROM CHAIRMAN'S STATEMENT

In 1960 the company produced the largest tea crop harvested in the 54 years of its existence. This achievement represents the result of much anxious thought over past years and attention to improving the yielding capacity of the bushes, whilst maintaining the standard of the made tea. It is disappointing that the company should not have benefited in increased profit from the bumper crop of tea. On the contrary, the trading profit on tea was about £32,000 lower than last year, the net average selling price for our 1960 teas being about 1½d. less than that for 1959. This was offset to some extent by the larger quantity sold and, as a result of the increased crop, the all-in cost of production was slightly lower than that for 1959, after absorbing payments to the compulsory Government fund for estate labourers.

The contribution to trading profit by rubber showed a reduction of about £23,800 owing to a smaller area in tapping, a smaller crop, lower selling prices and higher costs.

The taxation to which the company and its products, tea and rubber, were subjected for the past year totalled £635,000 (of which £492,000 was in respect of export duties and cesses and £143,000 tax on profits plus land tax) equivalent to almost 75 per cent on the issued capital of the company.

It will be apparent that the poor results for 1960 are not due primarily to lower selling prices of our products but to crippling taxation.

In the circumstances explained, the Board consider that a final dividend of 4 per cent, making, with the interim dividend paid in November last, a total of 6 per cent for the year, is the maximum which can be justified, and they recommend it accordingly. This will leave £97,959 to be carried forward.

*Orders and copy for the insertion of Company Meeting reports must reach this office not later than Wednesday of each week and should be addressed to: The Company Meetings Department, The Economist, 22 Ryder Street, S.W.1.*

## LONDON BRICK COMPANY LIMITED

PRODUCTION AND DELIVERIES REACH NEW PEAKS

BENEFITS ACCRUING FROM RECENT EXTENSIONS  
OF OUTPUT FACILITIES

MR A. T. WORBOYS ON CONTINUING HEAVY DEMAND  
FOR ALL PRODUCTS

The 61st Annual General Meeting of London Brick Company Limited was held on May 16 in London.

Mr A. T. Worboys, CBE (the Chairman) presided and, in the course of his speech, said:

The Profit on Trading and Sundry Income for the year is £2,989,806 compared with £2,855,468 for 1959. After deducting various items, including £500,000 for Depreciation of Fixed Assets, the net profit before taxation amounts to £2,409,924 compared with £2,315,598 for the previous year.

Taxation amounts to £1,220,613 and the net profit after taxation is £1,189,311 and, after adding the balance of the Profit and Loss Account brought forward at the beginning of the year, there remains an available balance of £1,618,561. Of this sum we have transferred to General Reserve the amount of £500,000 which compares with £600,000 in the previous year, but this increased appropriation in 1959 was influenced by the larger taxation adjustment in that year of £100,533. After deducting the net dividends on the 8 per cent Cumulative Preference Stock and the net interim dividends of 1½ per cent on the Ordinary Stock, there is a balance carried forward of £402,242. The Directors do not recommend any further dividend for the year 1960.

Dealing now with our two Subsidiary Companies, Stewartby Housing Association Limited continued in full operation.

With regard to Transformers (Watford) Limited, our manufacturing Subsidiary, the output during the year shows an improvement over that of the preceding year, notwithstanding severe competition both in the home and export markets, a condition which is continuing.

### THE PARENT COMPANY

Returning to the Parent Company, let me tell you at once that the satisfactory results have been obtained during a year which was beset with difficulties and problems, not the least of which was the very bad weather in the second half of the year which gave rise to atrocious working conditions. It is at times like these that our policy of mechanisation is fully justified and proves its value. The high degree of mechanisation which we have achieved so far has enabled us, in spite of the appalling conditions, to attain new records in production and deliveries.

The year was one of general progress in the fields of production and engineering. The extensions which we have undertaken during the last two years have called for considerable planning and extensive shop work and much has been achieved as a result of close liaison between the departments directly concerned. Our efforts continue to be mainly directed towards furthering our programme of mechanisation which, in

addition to safeguarding our rate of production in adverse weather conditions, becomes an increasing necessity when faced with a shortage of labour.

The extended use and development of new equipment in our engineering shops will give increasing output to cater for the growing needs of our production units.

Our research programme has continued to give priority to improving the performance of our plant and processes with the primary objective of increasing productivity. Such improvements have undoubtedly made a significant contribution to our high production figures.

### LABOUR RELATIONS

Negotiations with our Trade Unions on matters of wages and conditions of employment were more frequent in 1960 than in any previous year. Two consequences of the negotiations may be mentioned as being of major importance. One, the reduction of the standard working week to 42 hours without loss of pay has meant a consequent advance of something over 5 per cent in the basic hourly rate, and the other was the introduction of a weekly payment to employees who are absent from work through sickness or works injury.

Through our Joint Advisory Councils, and in less formal ways, the Company has continued to derive much benefit from consultation on matters of mutual interest, for it must not be forgotten that, whilst management must maintain its right to manage, employees have points of view which deserve consideration.

### YEAR OF INTENSE ACTIVITY

1960 was a year of intense activity in the building industry. It is estimated that the value of output in building and construction rose about six or seven per cent over the previous year and, as far as housing was concerned, where the greatest consumption of bricks takes place, ten per cent more houses were built in the first three-quarters of the year than in 1959. During 1960 economic conditions were still favourable towards a high level of building, but the same could not be said for the weather. As bad weather can still greatly hinder building progress, the increased output of the industry in 1960 is the more remarkable.

With building at such a high level, the year was one of continuing heavy demand for all the Company's products. In spite of the fact that the total deliveries of bricks and hollow clay blocks were higher than ever before, the demand continued to exceed the capacity to supply. In circumstances like these the task which faced our Sales organisation was not an enviable one, their job being to ensure that available supplies were distributed fairly and in accordance with a system that would apply equitably to our

customers. Broadly speaking, the effect of this system during the year under review was that all orders were accepted and were dealt with in strict sequence according to the date they were sent in and delay periods were the same for all customers coming under one sales office. Each sales office, and therefore each area of the country, had a fair share of the total deliveries.

Whilst all varieties of "Phorpres" bricks were in heavy demand, the overwhelming popularity of our newer types of facing brick was most evident. Architects and planning authorities are becoming increasingly interested in the use of colour in the design of modern buildings. Whilst many forms of cladding material cater for this need, the traditional facing brick still provides the ideal material for adding colour and texture to overall design. Not only are the colours produced more attractive and subtle, but the architect's client has the satisfaction of knowing that no maintenance will be required and that time will enhance the beauty of the brick finish. The call for colour has meant that in 1960 the demand for our Sandfaced, Golden Buff and Dapple Light facing bricks was particularly heavy. The production of each of these types was increased and provision is being made for still further increases by the installation of additional facing machines which are built in our own engineering shops.

Last year, after a period of price stabilisation lasting over three years, it was with great reluctance that we had to impose advances in the prices of all products, one on July 1st and another on December 1st. The price advances were not regarded by the industry as excessive, coming as they did after over three years of price stabilisation.

It has been a good year for our trade in hollow clay blocks. Production and deliveries have been higher and orders for future work are most satisfactory. Hollow clay flooring, for which we provide the bulk of the clay floor blocks used, also continues to more than hold its own with its competitors.

### CURRENT PROSPECTS

Now, as to the prospects for the current year, I do not want in any way to embark upon the role of a prophet but, as I have already stated, we are working at full capacity and are now reaping the benefits of our recent extensions. Our general orders and contract commitments are heavy and the demand for our products at the present time exceeds our ability to supply.

We have now completed almost five months trading of the current year and the results are satisfactory and exceed those for the same period of last year. We therefore face the future with confidence and, unless anything unforeseen crosses our path, we hope to produce results for 1961 that will give our Stockholders satisfaction.

The report and accounts were adopted.

## BANK OF WEST AFRICA, LIMITED

CONTINUED FLOW OF FOREIGN CAPITAL INTO AFRICA  
VITALLY NECESSARY

MR SYLVESTER GATES ON THE CONCEPT OF NATIONALISATION  
IN UNDERDEVELOPED COUNTRIES

The sixty-seventh annual general meeting of the Bank of West Africa Limited will be held on June 8th at the office of the company, 37, Gracechurch Street, London EC3.

The following is an extract from the statement by Mr Sylvester Gates, CBE, the Chairman, which has been circulated with the report and accounts for the year ended March 31, 1961:

The Balance Sheet shows no change in the capital of the Bank; but the Reserve Fund has been increased by £600,000, of which £200,000 has been allocated from the profits of the past year and £400,000 transferred from Contingencies Account. The total of the Reserve Fund is now £3,300,000. Our inner reserves remain amply sufficient for their purpose.

Current, Deposit and other Accounts show a small decrease by comparison with a year ago, mainly due to the fact that issues of Treasury Bills by the Governments of Ghana and Nigeria have attracted many millions of pounds which would otherwise have been left in the banking system. The changes on the assets side of the Balance Sheet reflect the increased demand for accommodation made upon us in the course of the year owing to the exceptionally heavy crops and the general buoyancy in trade.

Money at Call and Short Notice is lower than a year ago but there is an increase in our holdings of commercial bills, while our Loans, Advances and other Accounts are very sharply increased at £36,789,937. Though our liquidity ratio is thus lower than that of a year ago it will rise over the next two or three months as our seasonal advances are liquidated.

I am glad to be able to report that the business we have done over the year in West Africa and with other countries who are developing a greater interest in West Africa has not only met our increasing costs but has resulted in a better profit enabling your Board to recommend to you an increase of 1 per cent in the dividend.

The changes which have swept over the continent of Africa during the past decade have been so swift and spectacular, have so deeply affected agriculture, industry and social and political relationships that we must view them as forming parts of a great revolution whose final pattern is not yet discernible. One prediction, however, can safely be made.

Unless foreign investment continues to flow into Africa on a massive scale, the upward surge we have witnessed will prove to have been largely abortive, and the newly emerged nations will be in danger of relapsing into a poverty all the more embittered by the brief glimpse they have had of better possibilities.

The new states are confronted by two fundamental tasks—to create national unity and to build up a diversified economy. In order to mould their peoples into national entities with a common purpose political leaders must of necessity foster national sentiment.

But unfortunately, the easiest way to arouse it is to deflect grievances outwards so that they become directed against foreigners, and more

particularly against the very people who are providing the money and the skills without which the second aim of economic development cannot be carried out. Threats of nationalisation and discrimination against overseas companies are perhaps the most harmful of the manifestations of which I am thinking.

It is not enough for a government to give guarantees and pledges; these must be seen to be backed by public opinion in its country. More than once highly placed persons have expressed hostile views at variance with official policy, and though the more extreme of such statements have been quickly repudiated by the government, the threats live on in the minds of the threatened.

### THE CONCEPT OF "NATIONALISATION"

But there has been some lack of understanding in the investing countries as well. One cause of distrust and hesitancy has been an emotional reaction to the concept of "nationalisation." In Britain it has popularly become associated with the suppression of private enterprise, compulsory acquisition, inadequate compensation, inefficiency and waste.

In West Africa and other countries with like problems, the term has a different connotation. These are places where liquid capital in private hands is relatively small and immobile compared with the reserves which have come into the keeping of public bodies. So it is reasonable that public funds should be used to participate in new industries; indeed, the readiness of overseas investors to set up major ventures in Africa is often conditional on such collaboration.

The prospects of growth in Nigeria and Ghana, their substantial holdings of funds overseas, their small national debts, their wealth of natural resources, the potentialities of their domestic markets and their proved determination to protect their new industries, should provide an attractive setting for industrial enterprise. These nations have only to prove their political stability to ensure the continuing support of private investors abroad.

### TREMENDOUS NEED FOR DEVELOPMENT

Wherever one looks in Africa one finds territories, mostly now independent, which, whatever their local problems, have one thing in common—a tremendous need for development that only foreign capital can provide. Sometimes that capital will be in the form of money, sometimes in other forms. Whatever shape it takes, however, it is bound to come from the goodwill, or, if you prefer, the enlightened self-interest of some highly industrialised states.

Though there are comparatively few of these states they appear hitherto to have made little attempt to co-ordinate their efforts. Their assistance over the past fifteen years has certainly been of great value in Asia, Africa and Latin America, but it would have been far more valuable still had it been made as part of a carefully thought out plan.

This is not an original idea of course, but it is worth repeating because far too little has yet

been done—through such instruments as the International Bank for Reconstruction and Development and the International Development Association—to turn it into a reality. The day we get real co-operation between all countries able to contribute—and I think here particularly of the extremely valuable help that could be given by Western Germany—I am sure that the future of those countries which this Bank exists to serve will be much brighter.

## COMPAGNIE MARITIME BELGE

AN EVENTFUL YEAR

The following is an extract from the Report by the Board of Directors which was submitted to the Ordinary General Meeting held on May 3, 1961:

During the year 1960, a certain improvement showed itself in marine freight, due to the following factors: uniform improvement in the transport of goods by sea throughout the world, the substantial speeding up of the breaking-up of old ships and the considerable reduction in deliveries of new ships.

Discussions between shipping lines have led to some modest adjustments in certain rates which have clearly fallen below the profit-earning level.

The shipping business continues to suffer from the ill-effects of practices entailing flag discrimination which is being intensified in many countries.

Our Company has been unable to derive any benefit from the slight general improvement which we have just explained, on account of two events which affected its business during this financial year. The first in date, and by a long way the most important, was the Congo crisis.

After outlining the events and the steps taken to meet the situation, the report continued:

The overall volume of trade is being restored to a certain equilibrium and our resources combined with those of the Compagnie Maritime Congolaise are no longer excessive: whence an improvement in the results of the voyages. This stage, however, remains below the possibilities of the Congo, the trade of which with foreign countries, could be quickly re-established, in a secure and orderly manner, since its economic machinery is practically intact.

The position with respect to our African lines therefore remains a precarious one, although on the occasion of several contacts which we have had with the authorities of the Congo, we were pleased to observe a constant anxiety to do everything possible to restore normal trading relations as soon as possible.

Our business was furthermore affected, at the end of the financial year 1960, by strikes which prevailed in Belgium and paralysed activities in the port of Antwerp for several weeks; they had a harmful influence on several of our services; the effects were considerable up to the beginning of March of this year.

### SUBSTANTIAL INTEREST IN ARMEMENT DEPPE

As we have indicated in official statements to the press, we have taken up a substantial interest in the ARMEMENT DEPPE, the oldest Belgian shipping business. We have co-ordinated the working of both fleets so as to secure the maximum return.



NORWICH UNION  
INSURANCE SOCIETIESANNUAL MEETINGS  
LIFE SOCIETY

After eliminating three small vessels, overhauling one freighter and delivery of two new ships, this shipping concern will have at its disposal an efficient and homogenous fleet of ten vessels, providing the following services: Europe-Cuba-Mexico-Houston; Europe-Florida-American Ports in the Gulf of Mexico; Europe-Near East.

Briefly, the financial year 1960 has therefore suffered from the impact of events in the Congo, from the disturbances which followed therefrom in some of our lines and, at the end of the year, from incidents at the Port of Antwerp.

Our business has now been re-adapted and tonnage is being allocated to the Congo line at a level which we consider to be a minimum.

The participation which we have taken up in the Armement Deppe is evidence of our wish to develop unceasingly the headway made by the Belgian flag and offers us the means of extending our sphere of activity.

Included with the Report was an analysis of the Balance Sheet and Profit and Loss Account as at December 31, 1960. With Fr. 795,748 brought forward and Fr. 58,136,244 earned during the year, the year's profit is Fr. 58,931,992. If Shareholders approve the Board's proposals the dividend for 1960 will be payable at Fr. 125 net.

over the profits of the previous quinquennium. The rates of bonus in the United Kingdom were 13s. per cent higher than at the last distribution.

## FIRE SOCIETY

At the one hundred and sixty-third annual meeting of the Norwich Union Fire Insurance Society Limited, Sir Robert Bignold said last year consolidated fire premiums totalled £14,106,256, compared with £13,698,909 in 1959. Although fire losses generally in the United Kingdom last year equalled those of 1959, the Society's underwriting profit of £356,309 was a considerable improvement on the 1959 figure of £115,302.

There was a further increase of £1,644,213 in the Home and Overseas accident income to the record figure of £16,627,654, but unhappily the account showed an underwriting loss of £232,557.

Marine premiums at £3,380,041 also showed an increase on the previous year, and £105,000 was transferred to the profit and loss account (against nil in 1959) leaving a Group Marine fund of £3,834,608.

Total group premium income was £37,910,288, an increase of £2,568,138, whilst assets had grown by £4,592,604 to exceed £81 millions.

## COMPANY AFFAIRS

## Beecham Group

As is usual, profits of the Beecham Group dipped in the second half of the year to March 31st, but the fall was not quite so marked as in the previous year, being 9.2 per cent, against 11.7 per cent, in gross income. Thus profits of the group for the full year rose by 7 per cent from £7,424,000 to £7,950,000 and net profits by 9 per cent from £3,790,000 to £4,127,000, to leave unchanged the two-fold cover for the ordinary dividend as raised, as had been expected, from 27 to 30 per cent.

Profit margins have continued to decline and with advertising expenditure particularly heavy in the second half of the year this was not unexpected. In the last few years Beecham has had to spend large sums on research, notably in the field of antibiotics, and the fruits of this expenditure should be seen as sales and royalties in this field increase. The expansion of overseas

| Six months ended | Sept. 30, 1959 | Mar. 31, 1960 | Sept. 30, 1960 | Mar. 31, 1961 |
|------------------|----------------|---------------|----------------|---------------|
| Sales            | 24,525         | 25,434        | 26,988         | 29,356        |
| Gross income     | 3,943          | 3,481         | 4,166          | 3,784         |
| Taxation         | 1,925          | 1,693         | 1,965          | 1,842         |
| Net income       | 2,018          | 1,788         | 2,194          | 1,933         |

|                    | % 1959 | % 1960 | % 1961 |
|--------------------|--------|--------|--------|
| Gross income/sales | 16.1   | 13.7   | 15.4   |
| Net income/sales   | 8.2    | 7.0    | 8.1    |

markets has also meant that larger sums have had to be spent on promotion and advertising and sales in these markets seem likely to have shown a further marked advance. Investors' confidence that margins will improve and that at least the present rate of growth will be maintained is reflected in the yield of 3 per cent offered by the 5s. shares now standing at 49s. 10½d.

## Albert E. Reed

EXPANSION was the keynote for Albert E. Reed in 1960 and indeed the acquisition of Anglo Canadian Pulp and Paper Mills and Imperial Mills altered the scope of the group by giving it an increased interest in newsprint. Outside North America

SALES AND PROFITS  
(£'000s)

| Year to March 31  | 1960   | 1961   |
|-------------------|--------|--------|
| Sales             | 74,000 | 87,000 |
| Trading profit    | 6,957  | 9,103  |
| Depreciation      | 1,804  | 2,513  |
| Gross profit      | 5,153  | 6,590  |
| Tax               | 1,860  | 2,800  |
| Net profit        | 3,293  | 3,687  |
| Ordinary dividend | 1,555  | 1,940  |

the Reed group acquired interests in Norway, Australia and in the common market through the formation of an Italian company in which Reed has a 50 per cent interest.

The impact of this expansion programme is already apparent in some measure in the

results of the group for the year to March 31st. They include, for instance, four months of the earnings of the major Canadian acquisition and they show a rise in sales from £74 million to £87 million; in the current year sales are running at an annual rate of over £100 million. A direct comparison of the latest results with those for 1959-60 is hardly possible, but the directors say that profits in this country changed little over the year, so that all the increase in profits came from overseas.

That profits in this country remained virtually unchanged is not surprising, for since July the reduction of tariffs on imported paper under the EFTA agreement has been reflected in lower prices and profit margins and competition in paper and packaging has become even more vigorous. Shareholders are warned that profit margins are likely to come under still greater pressure and that so far in the current year demand for the group's products has not been quite so strong as it was. On the dividend of 16 per cent the £1 shares at 52s. 3d. yield 6.1 per cent.

## Shell Transport

THIS week's annual meeting of the "Shell" Transport and Trading Company was marked by the retirement of the chairman, Lord Godber, after 57 years' service with the group. In his valedictory statement he must have pleased many shareholders when he said that in the "not too distant future" the directors intended

## Discount Houses

PROFITS in the London money market and changes in Bank rate are closely related. The four discount houses that reported at the turn of the year all recorded lower profits, having suffered the effects of two increases in Bank rate on bond portfolios and a narrowing of the margins between the rates at which they could borrow and employ their funds. A further six houses have now reported and all but Smith St Aubyn have achieved increases in net profits, the best performance being that of King and Shaxson with an increase of 50 per cent. These houses have enjoyed the advantage of the reduction in Bank rate to 5 per cent for four and in some cases five months, while the effects of the first Bank rate increase last year were borne by the 1959-60 accounts.

|                            | Date of accounts | Net profits | Per-centage change | Dividend | Middle price, May 18, 1961 | Yield |
|----------------------------|------------------|-------------|--------------------|----------|----------------------------|-------|
| Allen Harvey & Ross        | April 5          | 136,000     | + 3                | 14       | 59½                        | 5.6   |
| Clive Discount             | March 31         | 137,000     | + 9                | 10       | 32½                        | 6.3   |
| Jessel, Toynbee            | March 30         | 111,000     | + 11               | 10       | 38½                        | 5.3   |
| King & Shaxson             | April 30         | 218,000     | + 50               | 12½      | 72½                        | 4.4   |
| Secombe Marshall & Campion | April 30         | 97,000      | + 7                | 10       | 47½                        | 5.3   |
| Smith St Aubyn             | March 31         | 248,000     | - 3                | 17½      | 82½                        | 4.9   |

to split the £1 stock units. The market's initial reaction was to mark up the shares to 166s., a price which, as the chairman pointed out, was regarded as rather "heavy." Before any action is taken the directors will proceed with the proposed one for five scrip issue. After this issue and assuming a split into 5s. shares the price would be brought down to about 34s. 9d. At this price they would be more likely to attract the smaller investor, who is understandably reluctant at the moment to receive only 12 shares for £100. But it is by no means certain that the new shares would carry a par value of 5s. The shares have a New York quotation, where institutions are supposed to look unfavourably upon too low priced shares, and a four for one split would bring the price below the prices of other British shares quoted in New York.

SALES AND INCOME  
(£ million)

|                  | Quarter 1 | 1960  | 1961 |
|------------------|-----------|-------|------|
| Sales —          |           |       |      |
| Including duties | 661.5     | 663.1 |      |
| Excluding duties | 498.6     | 494.8 |      |
| Gross income     | 79.5      | 78.7  |      |
| Net income       | 41.8      | 42.1  |      |

Gross income/sales\* 15.9 15.9  
Net income/sales\* 8.4 8.5  
\* After deducting sales taxes, excise duties, etc., from turnover.

The first quarter's results gave no immediate justification for a rise in the price of the shares, whatever their par value. The table shows that both the sales and profits of the Royal Dutch-Shell Group showed very little change from those of the first three months of 1960 or indeed of any of the other quarters in that year. The burden of sales taxes, particularly in Venezuela, continues to grow and only increases of £2 million in dividend income and reductions of a similar amount in both

## APPOINTMENTS

MORGANITE EXPORTS  
LIMITED  
(A Member of The Morgan Crucible Group)WANT —  
a man aged 26-32 to be trained as a  
FOREIGN REPRESENTATIVE

This vacancy has arisen through the expansion in our overseas commitments. We are looking for a man with balanced judgement and all-round experience, and preferably also having a sound knowledge of one or more foreign languages and/or technical experience in industry. The successful candidate can expect to attain executive status in the U.K. or overseas.

Apply, giving career details and quoting ref. AT/54, to the Staff Manager:

Morganite Exports Limited,  
Battersea Church Road, London, S.W.11.

THE UNIVERSITY OF  
MANCHESTER

Applications are invited for the CHAIR OF ECONOMIC HISTORY. Duties to commence as soon as possible. Salary not less than £2,600 per annum. Membership of F.S.S.U. and Children's Allowance Scheme. Applications (twenty copies), giving full details of qualifications, publications, experience, etc., and the names and addresses of at least three persons to whom reference may be made, should be sent not later than June 17, 1961, to the Registrar, The University, Manchester 13, from whom further particulars may be obtained. Overseas candidates may submit one copy of their application.

UNIVERSITY OF MELBOURNE  
SENIOR LECTURESHIPS AND  
LECTURESHIPS IN ECONOMICS

Applications are invited for the above-mentioned posts. For one of the senior lectureships preference will be given to a candidate with special qualifications in value theory, welfare economics or economics of industry. For one of the lectureships some experience in economic statistics would be an advantage. The salary ranges are: Senior Lecturer, £2,400 to £2,950 per annum; Lecturer, £2,100 to £2,650 per annum. Initial salary will be determined according to qualifications and experience. Superannuation similar to F.S.S.U. in Great Britain will be provided. Conditions of appointment may be obtained from the Secretary, Association of Universities of the British Commonwealth, 34 Gordon Square, London, W.C.1. Applications close in Australia and London, on June 30, 1961.

LONDON MERCHANT  
BANKING GROUP

requires additional

## INVESTMENT ANALYSTS

The group provides investment services on a widely diversified geographical and industrial basis. A large research department is maintained. Applicants, who must be under 30 years of age and have some experience in the analysis for investment purposes of industries and companies and a background in economics or finance, should write to Box May/82, c/o 95 Bishopsgate, London, E.C.2.

UNIVERSITY COLLEGE  
LONDON

Department of POLITICAL ECONOMY requires Assistant Lecturer or Lecturer. Duties to commence October 1, 1961. Salary ranges: Assistant Lecturer: £2,000-£2,500 p.a.; Lecturer: £2,050-£2,850 p.a., plus £60 London Allowance p.a. Initial salary according to qualifications and experience. Superannuation and family allowance. Applications, to be received by June 19, 1961, should be sent to the Secretary, University College London, Gower Street, W.C.1, from whom further particulars may be obtained.

## WOOLWICH POLYTECHNIC

LONDON, S.E.18.

Principal: Harold Heywood, D.Sc., Ph.D., A.C.G.I., Wh.Sc., M.I.Mech.E., M.I.Chem.E. Applications invited from Honorary Graduates for an Assistant Lecturer in Economics (Theoretical and Applied) including work to B.Sc.(Econ.) degree standard. Candidates should have research and/or teaching experience. Salary within £2,800-£3,400 according to qualifications and experience. Particulars and application form from Clerk to Governors, to be returned by June 3, 1961.

## E.M.I.

## Programmer/Investigator

An interesting vacancy has occurred in the Group Data Processing Department of E.M.I. Ltd., for a Programmer/Investigator. He will be required to programme the EMIDEC 1100 and to develop systems for Computer Service Bureau customers.

Applicants should be able to give evidence of a successful career to date in either the Commercial Accounting or O & M fields. Experience of Computer Service Bureau work would constitute a distinct advantage.

Initial salary will be based on qualifications and experience and it is a company policy to review salaries annually. Please write, quoting ref. CEN/DP/1, to:

Personnel Department,  
E.M.I. Ltd.,  
Blyth Road,  
Hayes,  
Middlesex.

ADAMANTLY—Assistant Statistician required for service in London. Applicants must be British subjects and possess either 1st or 2nd Class Honours Degree in Maths or Economics with Statistics as a Special subject. London salary scales £1,793 to £1,282. Starting pay depends on experience. Superannuation is provided through F.S.S.U. Annual leave: 4 weeks 2 days plus public holidays. Write giving age, full details of qualifications and experience, to: Manager (P.E. 1781), Ministry of Labour, Professional and Executive Register, Atlantic House, Farnham Road, London, E.C.4. Only those candidates selected for interview will be advised.

For further appointments and other classified advertisements see pages 842 and 843

THE UNIVERSITY OF  
SHEFFIELD

Applications are invited for a post of ASSISTANT LECTURER IN ECONOMICS to begin duties on October 1, 1961. A candidate should be interested in Economic Theory. Initial salary according to qualifications and experience on the scale £2,000-£2,950 with F.S.S.U. provision and family allowance. A grant towards removal expenses will be made. Further particulars may be obtained from the Registrar, to whom applications (four copies) including the names and addresses of three referees, should be sent by June 5, 1961.

THE Royal Institute of British Architects have a vacancy for a Research Assistant in the Economic Research Department. A young graduate in statistics, economics or other social science with statistics as a main subject, is required, to work on a series of enquiries relating to the architectural profession and the building industry. Some experience of research work desirable but not essential. Salary in the range £700 x £500—£1,250—Further information and form of application from the Secretary, R.I.B.A., 66 Portland Place, London, W.1.

NATIONAL FOUNDATION FOR  
EDUCATIONAL RESEARCH IN  
ENGLAND AND WALESRESEARCH OFFICER/  
ASSISTANT RESEARCH  
OFFICER (STATISTICS)

Applications are invited from graduates who have taken STATISTICS as an important part of their degree. The successful candidate will be required to assist with the analysis and research data. Students who expect to graduate in July will be considered for the A.R.O. post. Salary: Research Officer, £1,100 x £50 to £1,450; Assistant Research Officer, £750 x £50 to £1,000.

Application forms and further particulars from Director, 79 Wimpole Street, London, W.1.

THE UNIVERSITY OF  
MANCHESTERRESEARCH STUDENTSHIPS AND  
RESEARCH GRANTS IN ECONOMIC AND  
SOCIAL STUDIES

Applications are invited for the above. Studentships and Grants for research in Economics, Economic Statistics, Government, Social Administration, Social Anthropology or Sociology, tenable for one year in the first instance, and renewable for a further period not exceeding two years. The studentships are normally of the value of £350 or £400. They are offered to candidates who have obtained the degree of Bachelor or Master in this or any other approved University. Applications should be sent not later than July 1, 1961, 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

Applications are invited for appointment to a Research Fellowship in the Economics of Latin America. The Fellow appointed will be required to pursue research with a view to publication, research in that subject. Salary within the range £2,000-£3,000 a year with superannuation benefits and family allowances. Tenure for three years in the first instance, but with the possibility of renewal for maximum of seven years in all. Provision has been made for necessary travel and research expenses. The Research Fellow and for secretarial assistance. Further particulars should be obtained from the Secretary, London School of Economics and Political Science, Houghton Street, London, W.C.2, by whom applications should be received not later than June 8, 1961.

depreciation and taxation enabled the groups to report a tiny increase in the net profit margin.

### Vickers

THE preliminary results for Vickers were well received and on the publication of the full accounts the £1 ordinary shares improved further to 37s. 7½d., to yield 5.3 per cent. This is close to their peak for the year and is justified by the better results and the review's optimistic tone on the immediate outlook. At the same time the yield is still above average and it reflects the company's poor trading record in recent years. Sales in the engineering, steel and shipbuilding divisions all rose in 1960 and they all seem likely to do at least as well this year. The swing away from Vickers' traditional interest, armaments, continues and the engineering subsidiary has moved into new fields, notably chemical plant design and manufacture. Output of English Steel's foundry exceeded that of any previous year and the fall in production in the motor industry, to which the company is a major supplier of billets and bars, had had no serious effect on output at the end of 1960. Any revival in sales of cars should ensure full production of these products in 1961. Demand for heavy forgings was still only moderate.

Work has now begun on the £26 million expansion scheme at Tinsley. Arrangements have been made for short and medium term

|                                    | 1959<br>£'000s | 1960<br>£'000s |
|------------------------------------|----------------|----------------|
| Sales —                            |                |                |
| Steel .....                        | 33,000         | 38,000         |
| Engineering .....                  | 47,000         | 50,000         |
| Shipbuilding .....                 | 34,000         | 47,000         |
| Aircraft .....                     | 41,000         | 24,000         |
| Total .....                        | 155,000        | 159,000        |
| Trading profit .....               | 13,801         | 13,956         |
| Aircraft development .....         | 5,000          | 2,500          |
| Gross profit .....                 | 9,051          | 11,633         |
| Tax .....                          | 4,117          | 5,381          |
| Net profit .....                   | 4,235          | 5,304          |
| Ordinary dividend .....            | 2,511          | 2,511          |
| Ordinary dividend (per cent) ..... | 10.0           | 10.0           |
| Ordinary earnings (per cent) ..... | 15.2           | 20.1           |

|                    |        |        |
|--------------------|--------|--------|
| Fixed assets ..... | 49,799 | 46,344 |
| Investments .....  | 19,105 | 29,339 |
| Stocks .....       | 38,831 | 45,453 |
| Debtors .....      | 43,764 | 45,086 |
| Cash .....         | 11,977 | 4,577  |

|                                                   |        |        |
|---------------------------------------------------|--------|--------|
| Bank advances .....                               | 635    | 13,593 |
| Ordinary capital .....                            | 13,826 | 13,835 |
| Gross return on capital employed (per cent) ..... | 7.5    | 9.2    |

borrowings amounting to about £20 million; these will be eventually repaid from the cash flow. Longer term capital amounting to about £15 million will be raised in due course, partly by a further issue of English Steel debentures and partly by the issue of further ordinary shares to the parent companies, Vickers (75 per cent) and Cammell Laird (25 per cent). These two companies jointly own Metropolitan Cammell Carriage and Wagon which had another difficult year as fewer orders for rolling stock were placed with private contractors; competition for export orders has also intensified. Vickers' shipyards remained in full production last year and should do so again this year; but orders are still extremely scarce.

### COMPANY AFFAIRS

The formation of the British Aircraft Corporation, in which Vickers participated with English Electric and Bristol Aeroplane, was a major event for Vickers, but it will be some time before the effects of the merger are seen beyond the balance sheet. Aircraft in production or design at the time of the merger were excluded from it, so that the Viscounts, the Vikings and the VCros still remain Vickers' sole responsibility. Thus the substantial reduction in aircraft development expenditure represents not the effect of the merger but the fact that the Vanguard's development costs have now been completely written off. These have amounted to about £15

Two themes reoccur in recent statements from the spokesmen of the insurance companies: first, the benefits arising as a result of the many mergers of insurance companies and secondly the abnormally high fire losses. But it was Lord Blackford, the chairman of Guardian Assurance, who stole the thunder this week with the announcement of a two for one rights issue of 5s. shares at par. Since the shares stand at 160s. in the market the issue clearly contains a big bonus element and the rights are worth no less than 113s. 6d. The issue will raise £5½ million and will be used mainly to finance property developments required as a result of the mergers with Caledonian Insurance and more recently with the Union Insurance Society of Canton. Guardian's underwriting profits rose last year by £78,000 to £951,000 but the margin of profit showed little improvement; investment earnings, as expected, again rose sharply from £2.1 million to £2.7 million. Lord Blackford does not support the view that interest income should be treated as a trading profit; he considers that the main object is to make a profit on underwriting accounts but that it is from increases in investment income that shareholders must look for bigger dividends.

The combined fire and accident income of the Commercial Union group (which now includes North British and Mercantile) rose by a further £5 million to £107½ million but the better underwriting results of 1959 were not repeated, largely it seems as a result of the American hurricane Donna, and in these two offices there was a loss of £538,000. Investment income, including rents, rose substantially from £7.2 million to £8.1 million but this partly reflected the investment of the proceeds of last year's £11 million rights issue. At the time of the issue a dividend of 2s. a share was forecast but the payment has in fact been maintained at the 1959 rate of 2s. 3d. a share.

The rights issue of London Assurance brought in just under £5 million last September but this could not have much effect on investment income, which rose last year from £1½ to £2½ million. This substantial increase appears to reflect in part the

### THE ECONOMIST MAY 20, 1961

million in the last five years. Whether similar provisions will have to be made in the future depends on the success of the VCros. BOAC has so far placed an order for 45 of these jet airliners.

Though the 1960 provision was halved it was still equal to the net ordinary dividend payment, so that any further reduction in it might enable the directors to raise the dividend above the 10 per cent paid since 1955. But clearly such a decision must rest on the trading experience of the company's other interests, and while on balance it would seem likely that profits may improve further this year it will not be by any appreciable amount.

### Insurance Reports

merger with the Sea Insurance Company. The group now has a very strong marine account and it made an underwriting profit of £700,000 in 1960. This compares with an underwriting loss of £358,000 incurred in the accident department.

Unlike some other newly merged insurance groups the Sun and the Alliance still present separate accounts and trade as separate entities. The chairman of the combined companies, Mr T. D. Barclay, says that Donna contributed to the loss suffered by the Sun on its important American fire account. But the total underwriting profits of the companies have been fairly buoyant, falling by only £200,000 to £2.8 million even though they fell by £400,000 in the combined fire account.

While the business of the Royal Exchange Assurance in the United States is still not yet showing a profit Lord Kindersley, the governor, says that despite the heavy hurricane losses there was a great improvement in 1959. This is reflected in the substitution of a profit of £296,000 for a loss of £260,000 in 1959 on the fire account. In referring to the serious fire wastage the chairman makes the point that in the last two years 30 per cent of fire damage has been caused by less than 0.02 per cent of all the fires in this country and he urges industrialists to provide adequate fire breaks and sprinkler protection.

Lord Knollys in the first annual report of the combined Northern and Employers Assurance points to the many buildings still in use which are neither designed nor adapted to be reasonably proof against the spread of fire. The companies reported a total underwriting loss of £295,000 on this account, Northern reducing its loss and Employers adding to its profit. The integration of the two companies has been completed in the United States; in this country joint staff and property departments are already working. The amalgamation of other head office departments in this country is planned for the beginning of 1962 and the aim is to merge all branches by 1964. Since the distribution of the two companies' business is much more complementary than is the case with some other insurance mergers the scope for economies should be greater.

### THE ECONOMIST MAY 20, 1961

### Spicers

AFTER Spicers had declared a dividend of 12½ per cent for 1960, compared with an earlier forecast of a maintained payment of 10 per cent, the jobbers marked the shares down by 1s. to 51s. Then, on further consideration of the trading results, the shares were marked up to 51s. 6d., to yield 4½ per cent. The market's second thoughts were nearer the mark than its first, for the preliminary statement shows that the improvement in trading profits in the first half of last year was maintained in the second half. Over the full year trading profits rose by 11 per cent from £1,119,000 to £1,243,000 and after a smaller depreciation charge gross profits rose by 22 per cent, from £784,000 to £956,000.

The group sold British Waxed Wrappings for £3 million and last year's results do not include any of that company's profits; but they do include part of the profits earned by two companies purchased last year as well as interest on that part of the £3 million not absorbed by the group's capital programme designed to improve administrative and technical efficiencies. Ordinary earnings now amount to 26 per cent and compare with 19 per cent in 1959; the cover on the dividend has thus risen from 1.9 to 2.1 times. Last month Spicers paid £1.7 million for the Percy Boyden paper group so the figures for the current year should include nine months' profits from this acquisition.

### Granada

FEW company chairmen have ever been so happily placed as Mr S. L. Bernstein, the chairman of Granada group, in being able to tell shareholders last January that profits in the current year were likely to be two and a half times greater than in 1959-60. The reason for the chairman's confidence was soundly based, for the net working agreement with Associated Redifusion was ended last July. This had proved to be a great boon to the company in the early days of commercial television, but in the last two or three years it has meant that Granada had had to pay out some millions of pounds.

The first indication of what this will mean to shareholders has come with the announcement of an interim dividend of 45 per cent, against the equivalent of 16½ per cent. The market's reaction was to mark the shares up sharply by 8s. 9d. to 66s. 6d. and it is now looking for a total payment of at least 100 per cent (against the equivalent of 36½ per cent); this would put the shares on a yield of 7½ per cent. Not quite all the benefit from the ending of the networking agreement will be reflected in the current year's profits for the television subsidiary ends its financial year in April, five months earlier than the group. By 1961-62 the results should reflect for the first time the full profit earning capacity of the group, but the current ITA licence expires in 1964.

### COMPANY AFFAIRS

### Anglo-Israel Securities

IN November, 1959, Anglo-Israel Securities made an offer in London of 850,000 £1 shares at par and by January 31, 1960, £493,000 had been subscribed; a year later the authorised capital of £1 million was fully paid up, though the average amount of paid up capital in the year to March 31, 1961, was about £660,000. The gross profit on this amount of capital from August 4, 1959, to March 31, 1961, was £44,000, or 6½ per cent. This reflects the paucity of equity investment opportunities on the Tel Aviv stock exchange; this has limited the amount of buying which the directors could do in line with their policy of keeping their holdings of unquoted securities to a minimum. Thus it was not surprising that on March 31st the trust held £350,000 in short-term loans in this country.

The return the trust earns on its investments must have been affected by the sharp rise in equity prices in Israel, which has pushed yields down from the level of 9 to 10 per cent eighteen months ago to about 5 to 6 per cent today. But the reverse of this coin is capital appreciation and the company's investments in Israel securities now stand at a market value of £888,000, one-third over their book value of £664,000. The directors intend eventually to invest all the trust's funds in Israel. At the moment no Anglo-Israel shares are quoted, but the directors are now seeking a quotation on the London stock exchange. On its record to date and its strong appeal to Jewish investors its shares should be well received.

### Bowater Paper

UNDER the chairmanship of Sir Eric Bowater the Bowater Paper Corporation has built up a reputation for the fair manner in which it treats its shareholders. The company was among the first in this country to provide something a little out of the ordinary for shareholders at the annual company meeting. Several of them have been held at the company's mills and now they are held at the Festival Hall and often include a film of Bowater's operations.

The latest example of fostering better relations between shareholders and the directors is seen in Bowater's plans to deal with the small remnant of the £15 million issue of convertible unsecured loan stock which has so far not been converted. Holders have a last opportunity to convert in July and they are warned that once the conversion rights expire the price of the stock would fall from the current level of 140 to about 92. So that no stockholder should needlessly suffer this loss the trustees of the loan stock will exercise the conversion option on August 1st on any stock which has not been converted and the resulting shares will be sold and the proceeds distributed to the stockholders. Stockholders would be well advised, however, to exercise their conversion option and to retain the ordinary shares.

### London Stock Exchange

|                 |          |        |         |
|-----------------|----------|--------|---------|
| FIRST DEALINGS: | April 24 | May 8  | May 29  |
| LAST DEALINGS:  | May 5    | May 26 | June 9  |
| ACCOUNT DAY:    | May 16   | June 6 | June 20 |

BEFORE the week-end there was a substantial amount of profit taking but this selling was more than matched by fresh investment buying and with the supply of equities limited prices continued to rise. This week the pressure of selling has become stronger and buyers have tended to hold off before the Whitsun holiday. The amount of business done declined steadily to Wednesday and *The Economist* indicator fell slightly by 0.3 points to 426.9 over the week—its first fall for three months. Gilt-edged stocks have again had a quiet week, with a slight overall tendency for prices to slip back. Before the weekend long and undated stocks were in demand, and on Monday some medium dated stocks were bought but by mid-week the market was generally dull. Among the short dated stocks Treasury 5½ per cent 1962 was unchanged at 101½, but at the other end of the spectrum both 3½ per cent War Loan and 2½ per cent Consols lost 7½ to 56½ and 42½ respectively.

Insurance shares met profit taking after the weekend and their prices fell back over the week although Guardian was a notable exception, the shares gaining 16s. 3d. to a new "high" of 161s. 9d., after news of the rights issue. Bank shares rose slightly and several of the leaders touched new peaks. Among brewery shares interest focussed upon the latest merger so that Mitchells and Butlers lost 1s. 6d. over the week despite earlier gains of 2s. after the interim dividend. Bass also lost 1s. 6d., to 28s., but Vaux continued to rise, gaining 5s. to a new peak of 186s. 3d. Among contractors Costain lost 1s. 9d. to 25s. 1½d. and Wimpey lost 12s. 6d. to 159s. 4½d., after its disappointing results. Among electrical shares Ultra attracted American investors and gained 2s. 3d. to 28s. 9d. despite a fall on the news that it had sold its radio and television interests to Thorn, which gained 6d. to 59s. The hope that steel prices might go up caused rises in leading steel share prices; Dorman Long gained 1s. 1½d. to 37s. 7½d. and United Steel 2s. 1½d. to 68s. 4½d. Some industrial blue chips showed gains after the weekend, with Schweppes gaining 2s. 1½d. to 42s. 3d. and Beecham did not hold their early gains and closed 4½d. lower at 50s. 3d. Motors tended to fall slightly and Jaguar "A" lost 2s. 3d. to 81s.

Before the weekend paper shares reflected the market's pleasure at the continued good results from this sector, but the news of the high level of stocks caused prices to be marked down. The recent rise in property share prices came to a halt this week; London County Freehold lost 9d. to 38s. Cotton textile shares also fell back on renewed fears of heavier competition from Hong Kong. Kaffirs tended to drift lower as a result of the South African ban on forward currency dealings for covering share transactions.



## LONDON AND NEW

## YORK STOCKS

| Prices, 1961 |         | BRITISH FUNDS<br>GUARANTEED STOCKS  | Price,<br>May 10,<br>1961 | Price,<br>May 17,<br>1961 | Net Yield,<br>May 17,<br>1961 | Gross<br>Yield,<br>May 17,<br>1961 | Prices, 1961 |          | Last Two<br>Dividends<br>(a) (b) (c) | ORDINARY<br>STOCKS           | Price,<br>May 10,<br>1961 | Price,<br>May 17,<br>1961 | Yield,<br>May 17,<br>1961 | Cover |
|--------------|---------|-------------------------------------|---------------------------|---------------------------|-------------------------------|------------------------------------|--------------|----------|--------------------------------------|------------------------------|---------------------------|---------------------------|---------------------------|-------|
| High         | Low     |                                     |                           |                           |                               |                                    | High         | Low      |                                      |                              |                           |                           |                           |       |
| 921/16       | 891/16  | Savings Bonds 3%.....1955-65        | 921/16                    | 927/16                    | £ 4. d.                       | £ 5. d.                            | 94/6         | 65/9     | %                                    | BANKS, DISCOUNT & HP         | 94/6                      | 93/3                      | 2.79                      | ...   |
| 1001/16      | 991/16  | Conversion 4 1/2%.....1962          | 1001/16                   | 1001/16                   | 2 2 1                         | 4 8 0                              | 98/3         | 74/3     | 7 a                                  | Barclays.....£1              | 92/9                      | 98/3                      | 3.26                      | ...   |
| 961/16       | 951/16  | Exchequer 3 1/2%.....1962-63        | 961/16                    | 961/16                    | 2 11 0                        | 4 13 11                            | 80/-         | 58/7 1/2 | 6 a                                  | District.....£1              | 80/-                      | 77/-                      | 2.83**                    | ...   |
| 1011/16      | 1001/16 | Treasury 5 1/2%.....1962            | 1011/16                   | 1011/16                   | 2 9 7                         | 4 12 7                             | 137/6        | 127/6    | 7 a                                  | Lloyds.....£1                | 137/6                     | 127/6                     | 2.94                      | ...   |
| 931/16       | 921/16  | Exchequer 2 1/2%.....1963-64        | 931/16                    | 931/16                    | 3 14 4                        | 4 14 7 1                           | 137/6        | 127/6    | 8 a                                  | Marlins.....£1               | 137/6                     | 127/6                     | 3.17**                    | ...   |
| 991/16       | 981/16  | Conversion 4 1/2%.....1963          | 991/16                    | 991/16                    | 3 3 11                        | 4 19 6                             | 137/6        | 127/6    | 9 a                                  | Midland.....£1               | 137/6                     | 127/6                     | 2.89                      | ...   |
| 981/16       | 961/16  | Conversion 4 1/2%.....1964          | 981/16                    | 981/16                    | 3 7 9                         | 5 3 1                              | 97/3         | 73/-     | 10 a                                 | Nat. Provincial.....£1       | 97/3                      | 97/-                      | 2.79                      | ...   |
| 1011/16      | 981/16  | Exchequer 5 1/2%.....1966           | 1011/16                   | 991/16                    | 3 10 5                        | 5 10 1                             | 95/6         | 58/9     | 11 a                                 | Westminster 'B'.....£1       | 93/3                      | 95/6                      | 2.79                      | ...   |
| 811/16       | 811/16  | Funding 3%.....1959-69              | 811/16                    | 821/16                    | 4 11 10                       | 5 18 4                             | 43/6         | 37/3     | 12 a                                 | Australia & N.Z. £1 p.p.     | 43/6                      | 43/-                      | 5.58                      | ...   |
| 891/16       | 871/16  | Funding 3%.....1960-90              | 871/16                    | 881/16                    | 3 11 7                        | 5 5 3                              | 55/-         | 48/9     | 13 a                                 | Bk. Lond. & S. Amer. £1      | 52/9                      | 54/3                      | 3.69                      | ...   |
| 791/16       | 771/16  | Savings Bonds 3%.....1960-70        | 791/16                    | 791/16                    | 4 11 10                       | 5 19 21                            | 22 1/2       | 21 1/2   | 14 a                                 | Bank of Montreal.....\$10    | 22 1/2                    | 22 1/2                    | 3.04                      | ...   |
| 841/16       | 821/16  | Savings Bonds 2 1/2%.....1964-67    | 841/16                    | 841/16                    | 4 10 11                       | 5 12 5                             | 44/9         | 33 1/2   | 15 a                                 | Bank of New S. Wales £20     | 28 1/2                    | 29 1/2                    | 4.92*                     | ...   |
| 711/16       | 701/16  | Savings Bonds 3%.....1965-75        | 711/16                    | 721/16                    | 4 10 2                        | 5 19 21                            | 44/9         | 33 1/2   | 16 a                                 | Barclays D.C.O. £1           | 40/9                      | 41/3                      | 4.85                      | ...   |
| 831/16       | 811/16  | Funding 3%.....1966-68              | 831/16                    | 831/16                    | 4 11 7                        | 5 18 9                             | 41/3         | 34/9     | 17 a                                 | Chartered.....£1             | 62/3                      | 60/6                      | 4.96**                    | ...   |
| 971/16       | 931/16  | Victory 4%.....1920-76              | 971/16                    | 971/16                    | 2 17 8                        | 4 10 5                             | 70/6         | 53/3     | 18 a                                 | Hongk'g. & Shang. £25        | 119 1/2                   | 118 1/2                   | 4.00                      | ...   |
| 851/16       | 831/16  | Conversion 5%.....1971              | 851/16                    | 851/16                    | 4 8 8                         | 5 19 6                             | 22 1/2       | 21 1/2   | 19 a                                 | Nat. Com. Bk. Scot. £10      | 69/9                      | 70/6                      | 2.34                      | ...   |
| 931/16       | 901/16  | Conversion 5 1/2%.....1974          | 931/16                    | 931/16                    | 3 16 4                        | 5 18 4                             | 40/3         | 34/9     | 20 a                                 | Royal Bk. Canada.....\$10    | 22 1/2                    | 22 1/2                    | 3.02                      | ...   |
| 731/16       | 701/16  | Treasury 3 1/2%.....1977-80         | 711/16                    | 711/16                    | 4 6 1                         | 5 19 21                            | 165/-        | 95/-     | 21 a                                 | Royal Bk. of Scotland.....£1 | 118/6                     | 119/6                     | 3.10                      | ...   |
| 721/16       | 691/16  | Funding 3 1/2%.....1979-81          | 711/16                    | 721/16                    | 4 5 8                         | 5 19 11                            | 69/6         | 59/6     | 22 a                                 | Sand. Bk. S. Africa.....£1   | 36/9                      | 34/9                      | 8.06                      | ...   |
| 971/16       | 941/16  | Funding 5 1/2%.....1982-84          | 971/16                    | 971/16                    | 3 12 1                        | 5 17 0                             | 60/6         | 50/6     | 23 a                                 | Breweries, etc.              | 29/6                      | 29/-                      | 3.45                      | 2     |
| 591/16       | 571/16  | Redemption 3%.....1986-96           | 571/16                    | 571/16                    | 4 2 8                         | 5 17 6                             | 61/6         | 50/6     | 24 a                                 | Distillers.....£10           | 41/6                      | 41 10/16                  | 2.99**                    | 2 1/2 |
| 881/16       | 851/16  | Treasury 5%.....1986-89             | 861/16                    | 861/16                    | 3 16 9                        | 5 19 11                            | 18 10 1/2    | 17/9     | 25 a                                 | Flowers.....£10              | 22/-                      | 22/-                      | 2.27                      | 2     |
| 631/16       | 611/16  | Funding 3 1/2%.....1999-2004        | 621/16                    | 631/16                    | 3 19 8                        | 5 19 11                            | 21/9         | 19/9     | 26 a                                 | Guinness.....£10             | 57/6                      | 56/9                      | 3.88**                    | 2     |
| 941/16       | 901/16  | Treasury 5 1/2%.....2008-12         | 911/16                    | 911/16                    | 3 15 8                        | 5 19 11                            | 205/-        | 155/-    | 27 a                                 | Ind. Co-op.....£10           | 23/6                      | 23 1/2                    | 3.70                      | 2 1/2 |
| 651/16       | 631/16  | Consols 4%.....after Feb. 1957      | 631/16                    | 631/16                    | 3 17 7                        | 6 7 7                              | 71/2         | 61/6     | 28 a                                 | Teacher (Distillers).....£10 | 39/-                      | 38/-                      | 3.29                      | 2 1/2 |
| 591/16       | 561/16  | War Loan 3 1/2%.....after 1952      | 561/16                    | 561/16                    | 3 16 2                        | 6 4 4                              | 31/3         | 20/-     | 29 a                                 | Whitbread 'A'.....£1         | 133/6                     | 134/6                     | 4.01                      | 1 1/2 |
| 591/16       | 561/16  | Consols 3 1/2%.....after Apr. 1961  | 561/16                    | 561/16                    | 3 16 7                        | 6 5 6                              | 31/3         | 20/-     | 30 a                                 | Associated Portland.....£1   | 95/6                      | 96/3                      | 2.29                      | 3 1/4 |
| 501/16       | 481/16  | Treasury 3 1/2%.....after Apr. 1966 | 481/16                    | 481/16                    | 3 16 1                        | 6 4 8                              | 42/-         | 31/-     | 31 a                                 | British Plaster Bd.....£10   | 26/7 1/2                  | 25 10/16                  | 4.83                      | 2 1/4 |
| 441/16       | 411/16  | Consols 2 1/2%.....after Apr. 1975  | 421/16                    | 421/16                    | 3 12 10                       | 5 19 21                            | 26/9         | 13/-     | 32 a                                 | Richard Costain.....£10      | 26 10/16                  | 25 11 1/2                 | 3.18                      | 2 1/4 |
| 911/16       | 891/16  | British Electric 4 1/2%.....1967-69 | 911/16                    | 911/16                    | 4 2 7                         | 6 1 1                              | 24/6         | 20/3     | 33 a                                 | Crittall Mfg.....£12         | 11/9                      | 11/9                      | 5.52                      | 1 1/2 |
| 751/16       | 731/16  | British Electric 3 1/2%.....1968-73 | 751/16                    | 751/16                    | 4 11 8                        | 5 19 7                             | 19/4         | 16/6     | 34 a                                 | International Paints.....£13 | 14/6                      | 13/9                      | 3.40                      | 1 1/2 |
| 701/16       | 681/16  | British Electric 3 1/2%.....1974-77 | 701/16                    | 701/16                    | 4 9 6                         | 5 18 9                             | 19/4         | 16/6     | 35 a                                 | London Brick.....£105        | 103/-                     | 103/-                     | 3.40                      | 1 1/2 |
| 811/16       | 801/16  | British Electric 4 1/2%.....1974-79 | 811/16                    | 811/16                    | 4 1 0                         | 5 19 0                             | 134/6        | 106/6    | 36 a                                 | Rugby Portland.....£5        | 65/6                      | 66/9                      | 1.87                      | 3 1/4 |
| 731/16       | 711/16  | British Electric 3 1/2%.....1976-79 | 721/16                    | 721/16                    | 4 5 1                         | 5 19 1                             | 104/-        | 85/-     | 37 a                                 | Taylor Woodrow.....£5        | 25/9                      | 25 7/12                   | 3.70                      | 3 1/4 |
| 841/16       | 821/16  | British Gas 4%.....1969-72          | 841/16                    | 841/16                    | 4 4 8                         | 6 0 2                              | 96/9         | 70/3     | 38 a                                 | Wall Paper Delid.....£17     | 171/2                     | 181/3                     | 2.76                      | 3 1/4 |
| 811/16       | 791/16  | British Gas 3 1/2%.....1969-71      | 811/16                    | 811/16                    | 4 8 1                         | 5 19 5                             | 18 11 1/2    | 23 7/12  | 39 a                                 | Albright & Wilson.....£10    | 28/6                      | 28/3                      | 3.54                      | 2 1/2 |
| 591/16       | 561/16  | British Gas 3%.....1990-95          | 571/16                    | 571/16                    | 4 4 3                         | 5 18 11                            | 17/12        | 16/12    | 40 a                                 | Borax Delid.....£10          | 21/3                      | 21/3                      | 2.71                      | 3     |
| 751/16       | 731/16  | British Transport 3%.....1968-73    | 751/16                    | 751/16                    | 4 11 8                        | 5 19 7                             | 13/-         | 11/-     | 41 a                                 | Fisons.....£10               | 57/-                      | 55/-                      | 4.00                      | 1 1/2 |
| 801/16       | 781/16  | British Transport 4%.....1972-77    | 801/16                    | 801/16                    | 4 3 4                         | 5 18 9                             | 18/6         | 13/-     | 42 a                                 | ICI.....£10                  | 80/9                      | 80/9                      | 3.41                      | 2     |
| 611/16       | 591/16  | British Transport 3%.....1978-88    | 611/16                    | 611/16                    | 4 6 3                         | 5 19 8                             | 104/-        | 85/-     | 43 a                                 | Monsanto.....£10             | 24/-                      | 24/3                      | 3.09                      | 2 1/2 |

| Prices, 1961 |        | DOMINION AND<br>CORPORATION STOCKS       | Price,<br>May 10,<br>1961 | Price,<br>May 17,<br>1961 | Yield,<br>May 17,<br>1961 | 66/9 40/6 21 1/2 a 25 c Rugby Portland 5/- 65/6 66/9 1 87 3 1/4<br>28 4 1/2 22/3 71 1/2 a 12 1/2 b Taylor Woodrow 5/- 25/9 25 7/2 3 90 1 1/4<br>181/3 153/- 17 1/2 b 7 1/2 a Wall Paper Dclid.....£1 171/- 181/3 2 76 3 3/4 |                                                                                                                                                                                                                 |          |          |                            |           |           |      |       |
|--------------|--------|------------------------------------------|---------------------------|---------------------------|---------------------------|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|----------|----------|----------------------------|-----------|-----------|------|-------|
| High         | Low    |                                          |                           |                           |                           | 6 a 14 b 8 1/2 b 7 b 4 a 7 1/2 b 5 a 10 b                                                                                                                                                                                   | CHEMICAL<br>Abright & Wilson.....5/- 28/6 28/3 3 54 2 1/2<br>Borax Dclid.....5/- 21/3 21/3 2 71 3<br>Fisons.....£1 57/- 55/- 4 00 1 3/4<br>ICI.....£1 80/6 80 9 3 41 2<br>Montanto.....5/- 24/- 24/3 3 09 2 1/2 |          |          |                            |           |           |      |       |
| 82 1/8       | 79 1/4 | Australia 3 1/2%.....1965-69             | 82                        | 82                        | £ 2. d. 1                 | 22/3                                                                                                                                                                                                                        | 25/3                                                                                                                                                                                                            | 6 a      | 14 b     | Abright & Wilson.....5/-   | 28/6      | 28/3      | 3 54 | 2 1/2 |
| 101 1/16     | 98 1/4 | Australia 6%.....1974-76                 | 99 3/4                    | 99 3/4                    | 6 0 0 c                   | 58/9                                                                                                                                                                                                                        | 43/9                                                                                                                                                                                                            | 7 b      | 8 1/2 b  | Borax Dclid.....5/-        | 21/3      | 21/3      | 2 71 | 3     |
| 72 1/2       | 70     | Ceylon 4%.....1973-75                    | 70                        | 70                        | 7 11 0                    | 81/6                                                                                                                                                                                                                        | 63/1 1/2                                                                                                                                                                                                        | 7 b      | 4 a      | Fisons.....£1              | 57/-      | 55/-      | 4 00 | 1 3/4 |
| 101 1/8      | 98     | New Zealand 6%.....1976-80               | 100 3/4                   | 100                       | 6 1 6 c                   | 26/10 1/2                                                                                                                                                                                                                   | 23/3                                                                                                                                                                                                            | 5 a      | 7 1/2 b  | ICI.....£1                 | 80/6      | 80 9      | 3 41 | 2     |
| 80 1/2       | 74 1/2 | Rhodesia and Nyasaland 6%.....1978-81    | 75                        | 75                        | 8 17 0                    |                                                                                                                                                                                                                             |                                                                                                                                                                                                                 |          | 10 b     | Montanto.....5/-           | 24/-      | 24/3      | 3 09 | 2 1/2 |
| 81 1/2       | 75     | Southern Rhodesia 3 1/2%.....1965-67     | 76 1/2                    | 76 1/2                    | 8 1 0                     |                                                                                                                                                                                                                             |                                                                                                                                                                                                                 |          |          |                            |           |           |      |       |
| 59           | 56     | Southern Rhodesia 4 1/2%.....1987-92     | 56 1/2                    | 56 1/2                    | 8 12 0                    |                                                                                                                                                                                                                             |                                                                                                                                                                                                                 |          |          |                            |           |           |      |       |
| 94 1/4       | 93     | Agricultural Mortgage 5 1/2%.....1980-85 | 94 1/2                    | 94 1/2                    | 6 1 0                     | 91/3                                                                                                                                                                                                                        | 58/6                                                                                                                                                                                                            | 20 b     | 8 1/2 a  | Boots Pure Drug.....5/-    | 31/9      | 31/3      | 1 02 | 2 1/4 |
| 89           | 86 1/2 | Birmingham 4 1/2%.....1967-70            | 89                        | 89                        | 6 1 0                     | 91/3                                                                                                                                                                                                                        | 58/6                                                                                                                                                                                                            | 20 b     | 8 1/2 a  | Montague Burton.....84/-   | 91/3      | 91/3      | 3 91 | 2 1/4 |
| 92 1/2       | 90 1/2 | Bristol 5%.....1971-73                   | 92 1/2                    | 92 1/2                    | 6 1 0                     | 91/3                                                                                                                                                                                                                        | 58/6                                                                                                                                                                                                            | 20 b     | 8 1/2 a  | Debenhams.....10/-         | 63/-      | 65/4 1/2  | 2 94 | 1 1/2 |
| 93           | 90 1/4 | Corporation of London 5 1/2%.....1976-79 | 90 1/4                    | 90 1/4                    | 6 1 0                     | 91/3                                                                                                                                                                                                                        | 58/6                                                                                                                                                                                                            | 20 b     | 8 1/2 a  | G.U.S. 'A'.....5/-         | 58/10 1/2 | 58 10 1/2 | 3 19 | 2     |
| 48 1/2       | 46 1/8 | L.C.C. 3%.....after 1920                 | 46 1/8                    | 46 1/8                    | 6 8 0                     | 91/3                                                                                                                                                                                                                        | 58/6                                                                                                                                                                                                            | 20 b     | 8 1/2 a  | House of Fraser.....5/-    | 68/6      | 68/6      | 3 31 | 1 1/2 |
| 89 1/8       | 87 1/4 | L.C.C. 5%.....1980-83                    | 88 1/4                    | 88 1/4                    | 6 8 0                     | 91/3                                                                                                                                                                                                                        | 58/6                                                                                                                                                                                                            | 20 b     | 8 1/2 a  | Lewis's Invest. Tr.....4/- | 19/10 1/2 | 19 1/2    | 2 57 | 2 1/4 |
| 93           | 90 1/4 | Middlesex 5 1/2%.....1980                | 92 1/4                    | 92 1/4                    | 5 19 0                    | 63/1 1/2                                                                                                                                                                                                                    | 55/9                                                                                                                                                                                                            | 10 7 1/2 | 32 1/2 b | Marks & Spencer 'A' 5/-    | 114/9     | 115/3     | 2 06 | 1 1/2 |
|              |        |                                          |                           |                           |                           |                                                                                                                                                                                                                             |                                                                                                                                                                                                                 |          |          | United Drapery.....5/-     | 78/6      | 77/6      | 2 90 | 1 1/2 |

| NEW YORK PRICES AND INDICES |           |           |                      |           |           |                      |           |           |        |           |           |
|-----------------------------|-----------|-----------|----------------------|-----------|-----------|----------------------|-----------|-----------|--------|-----------|-----------|
|                             | May 10 \$ | May 17 \$ |                      | May 10 \$ | May 17 \$ |                      | May 10 \$ | May 17 \$ |        | May 10 \$ | May 17 \$ |
| Atch. Topoka.....           | 247 1/2   | 261 1/2   | Boeing.....          | 47 1/2    | 46 1/2    | Int. Harves.....     | 52 1/2    | 54 1/2    | 48/6   | 12 1/2    | 11 1/2    |
| Can. Pacific.....           | 25        | 25 1/2    | Celanese.....        | 36 1/2    | 35 1/2    | Inter. Nickel.....   | 79 1/2    | 80        | 40/43  | 50/41     | 5 1/2     |
| Pennsylvania.....           | 143 1/2   | 15 1/2    | Chrysler.....        | 42 1/2    | 41 1/2    | Inter. Paper.....    | 32 1/2    | 36 1/2    | 61 1/2 | 10 1/2    | 5 1/2     |
| Union Pacific.....          | 32 1/2    | 34        | Col. Perm. Inv.....  | 42 1/2    | 43 1/2    | Kennecott.....       | 92 1/2    | 93 1/2    | 14 1/2 | 14 1/2    | 5 1/2     |
| Amer. Electric.....         | 65 1/2    | 66 1/2    | Crown Zeller.....    | 58 1/2    | 57 1/2    | Monsanto.....        | 47 1/2    | 48 1/2    | 76 1/2 | 54 1/2    | 23 1/2    |
| Amer. Tel. & Tel.....       | 59 1/2    | 126 1/2   | Distillers Seag..... | 40 1/2    | 40        | Nat. Distillers..... | 291       | 282       | 52/—   | 42/—      | 12 1/2    |
| Cons. Edison.....           | 851 1/2   | 81 1/2    | Douglas.....         | 34 1/2    | 33 1/2    | Pan-American.....    | 191       | 191       | 76 1/2 | 54 1/2    | 23 1/2    |
| Int. Tel. & Tel.....        | 59 1/2    | 57 1/2    | Dow Chemical.....    | 7 1/2     | 7 1/2     | Procter Gamble.....  | 80 1/2    | 81        | 52/—   | 42/—      | 12 1/2    |
| Standard Gas.....           | 59 1/2    | 57 1/2    | Du Pont.....         | 20 1/2    | 21 1/2    | Radio Corp.....      | 64 1/2    | 63 1/2    | 38/—   | 25/—      | 5 1/2     |
| United Corp.....            | 8 1/2     | 8 1/2     | East. Kodak.....     | 112 1/2   | 114 1/2   | Sears Roebuck.....   | 60 1/2    | 60 1/2    | 52/—   | 42/—      | 12 1/2    |
| Western Union.....          | 45 1/2    | 47 1/2    | Ford Motor.....      | 85 1/2    | 80 1/2    | Shell Oil.....       | 44 1/2    | 43 1/2    | 38/—   | 25/—      | 5 1/2     |
| Alcoa.....                  | 70 1/2    | 73 1/2    | Gen. Electric.....   | 63 1/2    | 67 1/2    | Socomy-Mobil.....    | 47 1/2    | 48        | 33/9   | 24/7 1/2  | 10        |
| Am. Can.....                | 37 1/2    | 38 1/2    | General Foods.....   | 78 1/2    | 79 1/2    | Stand. Oil Ind.....  | 54 1/2    | 54        | 9 1/2  | 6 1/2     | 8 1/2     |
| Amer. Oil.....              | 40 1/2    | 40 1/2    | General Motors.....  | 40 1/2    | 40 1/2    | Stand. Oil N.J.....  | 47 1/2    | 47        | 39/9   | 28/10 1/2 | 12 1/2    |
| Am. Smelting.....           | 69 1/2    | 72        | Goodyear.....        | 40 1/2    | 40 1/2    | Union Carbide.....   | 35 1/2    | 35 1/2    | 17 1/2 | 13/6      | 21 1/2    |
| Am. Viscose.....            | 46 1/2    | 47 1/2    | Gulf Oil.....        | 42        | 39 1/2    | U.S. Steel.....      | 87 1/2    | 91        | 33 1/2 | 21/8 1/2  | 12 1/2    |
| Anacosta.....               | 61 1/2    | 64 1/2    | Heinz.....           | 58 1/2    | 58 1/2    | West. Electric.....  | 43 1/2    | 44 1/2    | 79/9   | 51/6      | 12 1/2    |
| Beth. Steel.....            | 46        | 48 1/2    | Int. Bus. Mach.....  | 700 1/2   | 455       | Woolworth.....       | 66 1/2    | 74 1/2    | 78/12  | 67/12     | 12 1/2    |

| ELECTRICAL & RADIO       |      |          |           |      |       |  |  |  |  |  |  |
|--------------------------|------|----------|-----------|------|-------|--|--|--|--|--|--|
| A.E.I.....               | £1   | 42/6     | 43/6      | 6-90 | 1     |  |  |  |  |  |  |
| Bell.....                | £1   | 12/9     | 14/-      | 4-60 | 1     |  |  |  |  |  |  |
| B.I.C.C.....             | £1   | 57/3     | 58/9      | 4-60 | 2     |  |  |  |  |  |  |
| Draughton Parkinson..... | 5/-  | 13/7 1/2 | 14/2 1/2  | 4-41 | 2 1/2 |  |  |  |  |  |  |
| Decca Record.....        | 10/- | 46/6     | 74/-      | 1-15 | 2     |  |  |  |  |  |  |
| E.M.I.....               | 4/-  | 46/6     | 3-68      | 1-15 | 2 1/2 |  |  |  |  |  |  |
| Elliot-Automation.....   | 5/-  | 36 7/16  | 36 10 1/2 | 3-72 | 2 1/2 |  |  |  |  |  |  |
| English Electric.....    | £1   | 35/-     | 35/3      | 5-67 | 1 1/2 |  |  |  |  |  |  |
| General Electric.....    | £1   | 37/3     | 39/3      | 5-10 | 2     |  |  |  |  |  |  |
| G. A. Parsons.....       | £1   | 61/6     | 61/3      | 4-08 | 4     |  |  |  |  |  |  |
| A. Rayle.....            | £1   | 66/6     | 46/3      | 4-22 | 2 1/2 |  |  |  |  |  |  |
| Thorn Electrical.....    | 5/-  | 58/6     | 59/-      | 2-12 | 4 1/2 |  |  |  |  |  |  |

| ENGINEERING              |      |          |         |      |       |  |  |  |  |  |  |
|--------------------------|------|----------|---------|------|-------|--|--|--|--|--|--|
| Babcock & Wilcox.....    | £1   | 32/9     | 34 1/2  | 5-66 | 2 1/2 |  |  |  |  |  |  |
| John Brown.....          | £1   | 47/9     | 47/3    | 4-24 | 3 1/2 |  |  |  |  |  |  |
| Camell & Laird.....      | £1   | 72/6     | 72/6    | 8-28 | 2 1/2 |  |  |  |  |  |  |
| Internat. Combust.....   | 5/-  | 33/3     | 32/9    | 4-58 | 1 1/2 |  |  |  |  |  |  |
| Rich'd'sns. West's. 10/- | 7/3  | 7/3      | 7/—     | 5-3  | 3 1/2 |  |  |  |  |  |  |
| Swan Hunter.....         | £1   | 38/9     | 39/3    | 5-03 | 2 1/2 |  |  |  |  |  |  |
| John Thompson.....       | 5/-  | 16 11/16 | 16/3    | 5-08 | 2 1/2 |  |  |  |  |  |  |
| Crane Engine.....        | 10/- | 32/3     | 33 1/12 | 3-49 | 1 1/2 |  |  |  |  |  |  |
| Alfred Herber.....       | £1   | 77/9     | 77/9    | 3-70 | 2 1/2 |  |  |  |  |  |  |
| Allied Ironworks.....    | £1   | 75/9     | 73/8    | 5-42 | 2 1/2 |  |  |  |  |  |  |

## Prices and Wages

## BANK OF ENGLAND RETURNS

| (£ million)                       | May 18,<br>1960 | May 1961    | May 17,<br>1961 |
|-----------------------------------|-----------------|-------------|-----------------|
| <b>Issue Department:</b>          |                 |             |                 |
| Notes in circulation .....        | 2,176.3         | 2,282.3     | 2,290.6         |
| Notes in banking dept. ....       | 74.0            | 43.0        | 34.8            |
| Govt. debt and securities ..      | 2,247.2         | 2,323.2     | 2,323.2         |
| Other securities .....            | 0.8             | 0.7         | 0.7             |
| Gold coin and bullion .....       | 0.4             | 0.4         | 0.4             |
| Coin other than gold coin ..      | 2.0             | 1.0         | 0.8             |
| <b>Banking Department:</b>        |                 |             |                 |
| Deposits :                        |                 |             |                 |
| Public accounts .....             | 10.2            | 10.2        | 10.2            |
| Special deposits .....            | 6.4             | 152.9       | 152.9           |
| Bankers .....                     | 241.2           | 249.2       | 254.1           |
| 64.1                              | 85.6            | 85.6        | 85.5            |
| Total .....                       | 321.9           | 497.9       | 502.2           |
| <b>Securities :</b>               |                 |             |                 |
| Government .....                  | 217.2           | 393.2       | 408.5           |
| Discounts and advances ..         | 29.2            | 60.5        | 57.6            |
| Others .....                      | 18.6            | 18.3        | 18.2            |
| Total .....                       | 265.0           | 472.0       | 484.3           |
| <b>Banking department reserve</b> | <b>74.8</b>     | <b>43.8</b> | <b>35.3</b>     |
|                                   | %               | %           | %               |
| "Proportion" .....                | 23.2            | 8.7         | 7.1             |

\* Government debt is £11,015,100, capital £14,553,000. Fiduciary issue increased by £25 million to £2,325 million on April 12th.

## TREASURY BILL TENDERS

| Date of Tender | Amount (£ million) |             | Three Months' Bills       |                       |       |
|----------------|--------------------|-------------|---------------------------|-----------------------|-------|
|                | Offered            | Applied for | Average Rate of Allotment | Allotted at Max. Rate |       |
| 1960           |                    |             |                           |                       |       |
| May 13         | 91 day<br>250.0    | 444.8       | s. 91                     | d. 56                 | % 658 |
| 1961           |                    |             |                           |                       |       |
| Feb. 10        | 230.0              | 387.1       | 86                        | 0.56                  | 31    |
| " 17           | 230.0              | 339.2       | 87                        | 7.63                  | 52    |
| " 24           | 240.0              | 418.3       | 87                        | 11.85                 | 36    |
| Mar. 3         | 240.0              | 356.7       | 88                        | 10.41                 | 54    |
| " 10           | 250.0              | 395.4       | 89                        | 5.54                  | 63    |
| " 17           | 260.0‡             | 395.4       | 89                        | 8.46                  | 47    |
| " 24           | 250.0              | 398.3       | 89                        | 8.46                  | 45    |
| " 30           | 260.0              | 418.1       | 89                        | 8.41                  | 40    |
| Apr. 7         | 260.0‡             | 473.7       | 88                        | 8.68                  | 42    |
| " 14           | 280.0‡             | 414.1       | 89                        | 7.69                  | 42    |
| " 21           | 260.0‡             | 411.3       | 89                        | 9.01                  | 38    |
| " 28           | 220.0              | 379.8       | 88                        | 1.71                  | 67    |
| May 5          | 240.0              | 416.2       | 87                        | 2.47                  | 49    |
| " 12           | 250.0              | 445.8       | 86                        | 5.04                  | 50    |

\* On May 12th tenders for 91 day bills at £98 18s. 5d. secured 50 per cent, higher tenders being allotted in full. The offer for this week was for £260 million of 91 day bills. † Allotment cut by £10 million. § Allotment cut by £30 million.

**Market Rates: Spot**

| One Month Forward Rates |                |                |                |
|-------------------------|----------------|----------------|----------------|
| 1-2gc. pm               | 1-2gc. pm      | 1-2gc. pm      | 7 1/2-15ct. pm |
| 5 1/2-15ct. pm          | 5 1/2-15ct. pm | 5 1/2-15ct. pm | 2-1gc. pm      |
| 2-1gc. pm               | 2-1gc. pm      | 2-1gc. pm      | 2-1gc. pm      |
| 31-33c. pm              | 31-33c. pm     | 31-33c. pm     | 31-33c. pm     |
| 15-10c. pm              | 15-10c. pm     | 17-12c. pm     | 17-12c. pm     |
| 31-24gc. pm             | 31-24gc. pm    | 31-24gc. pm    | 31-24gc. pm    |
| 2-24gc. pm              | 2-24gc. pm     | 31-24gc. pm    | 2-24gc. pm     |

| Three Months Forward Rates |                 |                 |                 |
|----------------------------|-----------------|-----------------|-----------------|
| 15-16c. 3gc. pm            | 15-16c. 3gc. pm | 15-16c. 3gc. pm | 12-14c. 3gc. pm |
| 15-16c. 3gc. pm            | 15-16c. 3gc. pm | 15-16c. 3gc. pm | 7-9c. 3gc. pm   |
| 15-16c. 3gc. pm            | 15-16c. 3gc. pm | 15-16c. 3gc. pm | 7-9c. 3gc. pm   |
| 8-8 1/2gc. pm              | 8-8 1/2gc. pm   | 8-8 1/2gc. pm   | 8-8 1/2gc. pm   |

### Gold Price at Fixing

|                            |        |        |     |                                    |                                   |       |
|----------------------------|--------|--------|-----|------------------------------------|-----------------------------------|-------|
| Price (s. d. per fine oz.) | 250/10 | 250/10 | ... | 250/10 <sup>1</sup> / <sub>2</sub> | 251/0 <sup>1</sup> / <sub>4</sub> | 251/- |
| (\$                        | 35.06  | 35.06  | ... | 35.06                              | 35.06                             | 35.06 |

**BRITISH**

## OVERSEAS

Western Europe..... Apr. 15th      United States..... May 6th

**Commodity Price Indicator<sup>(6)</sup>**  
All items

|           | 1958=100 |       |       |       |       |       |       |       |       |       |       |  |  |  |
|-----------|----------|-------|-------|-------|-------|-------|-------|-------|-------|-------|-------|--|--|--|
| Kir Items | 100      | 97    | 98    | 100   | 100   | 100   | 97    | 97    | 98    | 97    | 97    |  |  |  |
| Food      | 100-0    | 95-8  | 93-0  | 96-3  | 94-9  | 94-9  | 95-4  | 95-4  | 96-0  | 94-7  | 94-2  |  |  |  |
| Fibres    | 104-2    | 95-3  | 98-7  | 99-1  | 99-8  | 99-6  | 105-8 | 105-6 | 107-8 | 107-4 | 107-2 |  |  |  |
| Metals    | 101-2    | 113-0 | 122-4 | 127-5 | 122-4 | 121-1 | 114-1 | 114-1 | 115-6 | 118-1 | 119-3 |  |  |  |

**Materials used in :**

|                                           | 1954=100 | 1954=100 | 1954=100 | 1954=100 | 1954=100 | 1954=100 | 1954=100 | 1954=100 | 1954=100 | 1954=100 | 1954=100 |
|-------------------------------------------|----------|----------|----------|----------|----------|----------|----------|----------|----------|----------|----------|
| All manufacturing industries .....        | 100.8    | 101.7    | 101.8    | 102.9    | 102.5    | 102.6    | 101.0    | 100.6    | 100.7    | 100.8    | 101.2    |
| Mechanical engineering .....              | 123.5    | 124.5    | 126.2    | 125.9    | 125.7    | 126.5    | 126.0    | 126.6    | 127.0    | 127.6    | 127.7    |
| Electrical machinery .....                | 114.5    | 115.6    | 116.8    | 116.8    | 117.0    | 117.1    | 116.7    | 116.7    | 116.9    | 117.3    | 117.4    |
| Building and civil engineering .....      | 114.2    | 113.4    | 115.1    | 114.2    | 114.3    | 114.6    | 116.2    | 116.4    | 116.8    | 117.3    | 117.4    |
| House building .....                      | 111.9    | 111.0    | 114.0    | 112.5    | 112.7    | 113.2    | 115.8    | 116.3    | 116.6    | 117.2    | 117.3    |
| <b>Products of :</b>                      |          |          |          |          |          |          |          |          |          |          |          |
| All manufacturing industries .....        | 111.1    | 111.5    | 113.0    | 111.9    | 111.9    | 112.5    | 114.1    | 114.3    | 114.5    | 115.0    | 115.1    |
| Chemicals and allied trades .....         | 105.6    | 106.6    | 106.0    | 107.0    | 106.8    | 106.5    | 104.8    | 104.8    | 105.3    | 105.4    | 105.6    |
| Iron and steel .....                      | 129.9    | 129.0    | 128.5    | 128.3    | 128.1    | 128.3    | 128.6    | 128.9    | 128.9    | 128.9    | 128.9    |
| Textile industry .....                    | 97.9     | 96.0     | 100.8    | 98.9     | 99.5     | 100.1    | 102.9    | 103.4    | 103.8    | 104.4    | 104.4    |
| Food manufacturing .....                  | 104.9    | 106.9    | 106.9    | 107.0    | 106.2    | 106.1    | 107.4    | 106.7    | 106.4    | 106.3    | 107.0    |
| <b>Commodities :</b>                      |          |          |          |          |          |          |          |          |          |          |          |
| Cotton, raw (?) .....                     | 76.8     | 68.6     | 75.0     | 74.7     | 73.2     | 72.8     | 75.9     | 75.8     | 75.8     | 75.9     | 76.1     |
| Wool, raw .....                           | 72.4     | 76.6     | 76.3     | 78.2     | 80.2     | 82.5     | 71.9     | 71.6     | 71.2     | 74.4     | 74.5     |
| Rubber, No. 1 RSS, one month future ..... | 118.2    | 148.1    | 158.0    | 168.2    | 172.3    | 173.7    | 126.1    | 123.9    | 118.0    | 125.1    | 128.4    |
| Softwood, imported .....                  | 102.1    | 95.4     | 104.9    | 101.7    | 102.6    | 103.2    | 107.1    | 107.3    | 107.3    | 107.5    | 107.5    |
| Copper, ex-warehouse .....                | 79.4     | 95.6     | 99.0     | 106.2    | 101.9    | 105.5    | 92.9     | 88.5     | 90.0     | 90.6     | 92.2     |

All items (1).....

| Food .....                    | "                     | 107.1 | 108.2 | 107.4 | 107.4 | 106.8 | 106.6 | 108.1 | 107.7 | 107.5 | 107.4 | 108.5 |
|-------------------------------|-----------------------|-------|-------|-------|-------|-------|-------|-------|-------|-------|-------|-------|
| All items .....               | 1938=100 <sup>2</sup> | 271   | 273   | 276   | 274   | 273   | 275   | 279   | 280   | 280   | 281   | 282   |
| Food .....                    | "                     | 282   | 285   | 282   | 282   | 281   | 280   | 284   | 283   | 283   | 282   | 282   |
| Housing .....                 | "                     | 172   | 180   | 186   | 182   | 183   | 186   | 188   | 189   | 190   | 190   | ...   |
| Clothing .....                | "                     | 269   | 268   | 271   | 270   | 270   | 271   | 273   | 274   | 274   | 275   | ...   |
| Fuel and light .....          | "                     | 281   | 284   | 291   | 295   | 295   | 295   | 311   | 312   | 313   | 313   | ...   |
| Household durable goods ..... | "                     | 307   | 300   | 300   | 298   | 298   | 297   | 303   | 303   | 303   | 303   | ...   |
| Drink .....                   | "                     | 276   | 261   | 256   | 256   | 256   | 256   | 257   | 257   | 257   | 257   | ...   |
| Tobacco .....                 | "                     | 428   | 428   | 444   | 429   | 429   | 449   | 449   | 449   | 449   | 449   | ...   |

**Import prices :**

|                                        | 1954=100 |     |     |     |     |     |     |     |     |     |
|----------------------------------------|----------|-----|-----|-----|-----|-----|-----|-----|-----|-----|
| All items .....                        | 99       | 98  | 99  | 100 | 99  | 99  | 98  | 98  | 97  | 97  |
| Food, drink and tobacco .....          | 97       | 98  | 97  | 98  | 96  | 95  | 98  | 97  | 94  | 95  |
| Basic materials .....                  | 96       | 93  | 96  | 98  | 98  | 93  | 94  | 94  | 94  | 94  |
| Fuels .....                            | 112      | 104 | 98  | 100 | 100 | 100 | 96  | 95  | 96  | 96  |
| Manufactured goods .....               | 101      | 104 | 107 | 108 | 108 | 107 | 107 | 107 | 107 | 107 |
| <b>Export prices:</b>                  |          |     |     |     |     |     |     |     |     |     |
| All items .....                        | 110      | 109 | 111 | 111 | 112 | 111 | 112 | 112 | 112 | 112 |
| All manufactures .....                 | 111      | 111 | 114 | 113 | 114 | 114 | 114 | 115 | 115 | 115 |
| Metals .....                           | 118      | 115 | 118 | 115 | 113 | 119 | 118 | 119 | 118 | 118 |
| Engineering products .....             | 115      | 117 | 120 | 121 | 121 | 121 | 120 | 121 | 122 | 121 |
| Textiles (excluding clothing) .....    | 101      | 98  | 102 | 98  | 101 | 99  | 104 | 105 | 107 | 106 |
| <b>Terms of trade:</b>                 |          |     |     |     |     |     |     |     |     |     |
| Ratio of import to export prices ..... | 90       | 90  | 89  | 90  | 89  | 88  | 88  | 88  | 87  | 87  |

**Tramp shipping freights.....**

| UK WAGES             |   |                      |       |       |       |       |       |       |       |       |       |     |  |
|----------------------|---|----------------------|-------|-------|-------|-------|-------|-------|-------|-------|-------|-----|--|
| Weekly wage rates:   |   | Jan. 31,<br>1956=100 |       |       |       |       |       |       |       |       |       |     |  |
| All workers (2)..... |   | 114.0                | 117.0 | 120.0 | 118.5 | 119.0 | 119.6 | 122.2 | 123.4 | 123.7 | 123.9 | ... |  |
| Men.....             | " | 113.8                | 116.8 | 119.7 | 118.2 | 118.7 | 119.4 | 121.9 | 123.1 | 123.4 | 123.6 | ... |  |
| Women.....           | " | 114.0                | 117.0 | 120.8 | 119.1 | 120.0 | 120.4 | 122.7 | 123.5 | 123.6 | 124.0 | ... |  |
| Juveniles (4).....   | " | 115.8                | 119.0 | 123.2 | 120.7 | 121.2 | 121.8 | 126.3 | 128.4 | 128.7 | 129.0 | ... |  |

**Weekly earnings (5):**

|                        |          |       |        |       |     |     |       |     |     |     |     |
|------------------------|----------|-------|--------|-------|-----|-----|-------|-----|-----|-----|-----|
| Men.....               | s. d.    | 256 8 | 271 1  | 290 8 | ... | ... | 282 1 | ... | ... | ... | ... |
| Wdmen (full time)..... | "        | 134 1 | 140 11 | 148 4 | ... | ... | 145 0 | ... | ... | ... | ... |
| Youths (4).....        | "        | 112 0 | 117 6  | 130 0 | ... | ... | 123 1 | ... | ... | ... | ... |
| Girls (4).....         | "        | 86 9  | 90 10  | 96 10 | ... | ... | 93 1  | ... | ... | ... | ... |
|                        | Oct.,    |       |        |       |     |     |       |     |     |     |     |
| All workers.....       | 1938=100 | 408   | 429    | 454   | ... | ... | 443   | ... | ... | ... | ... |
| Men.....               | "        | 372   | 392    | 421   | ... | ... | 409   | ... | ... | ... | ... |

(1) For a rough conversion to basis of June, 1947, multiply throughout by 1.534. (2) The interim index of retail prices has been linked back to 1938 with the aid of calculations made by Professor R. G. D. Allen for the London and Cambridge Economic Service. (3) For a rough conversion to basis of June, 1947, multiply throughout by 1.561. (4) In general males under 21 and females under 18 years of age. (5) Surveys made twice a year; annual figures relate to October survey. (6) Index revised and rebased on 1958=100 (see *The Economist*, January 7, 1961, page 59). (7) Revised series. (8) The series has been revised by the Chamber of Shipping to reflect a more up-to-date pattern of tramp shipping movements and uses the average freights in 1960 as the basis of comparison; 1958 and 1959 figures on the old basis of 1952=100 have been linked to 1960=100 by multiplying by 1.348, freights in 1960 being considerably lower than they were in 1952.



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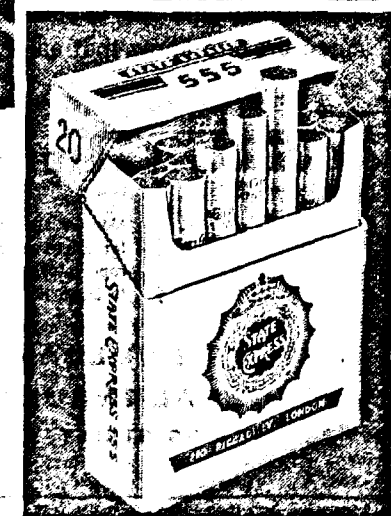
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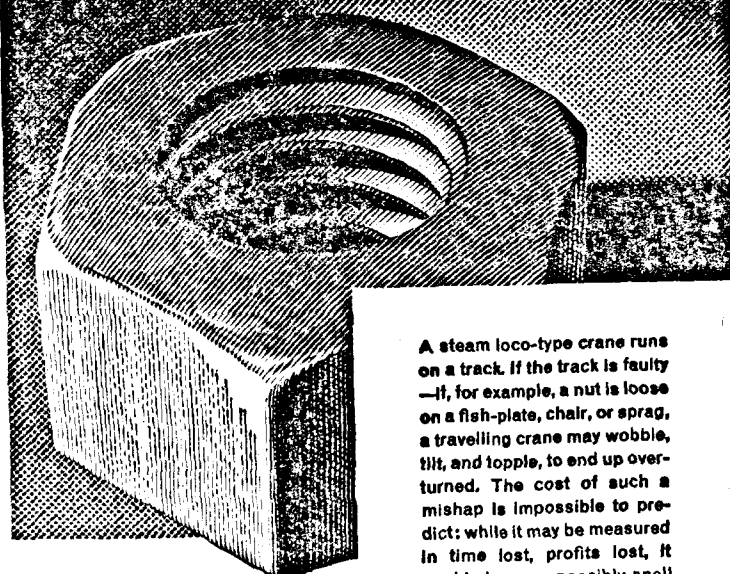
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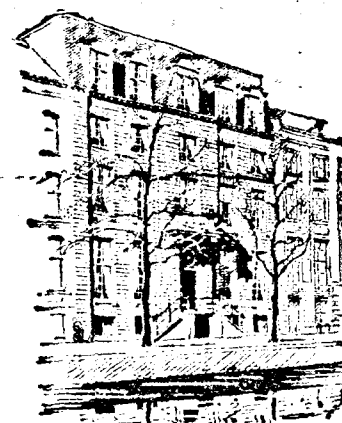
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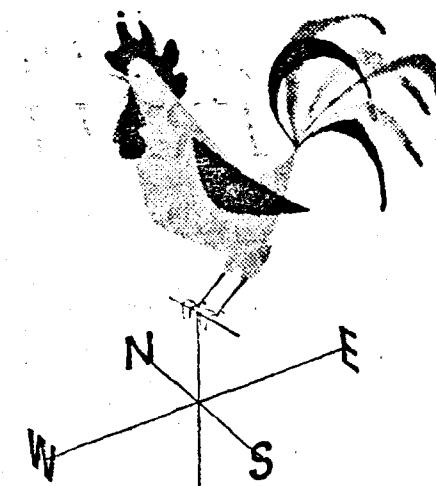


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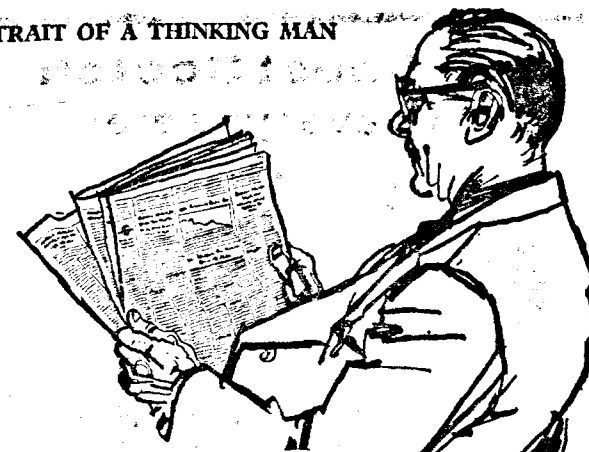
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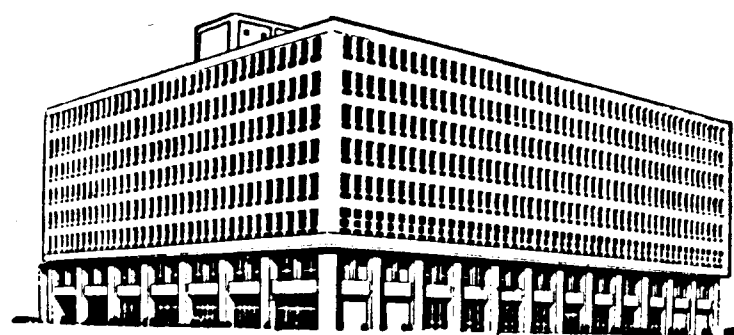
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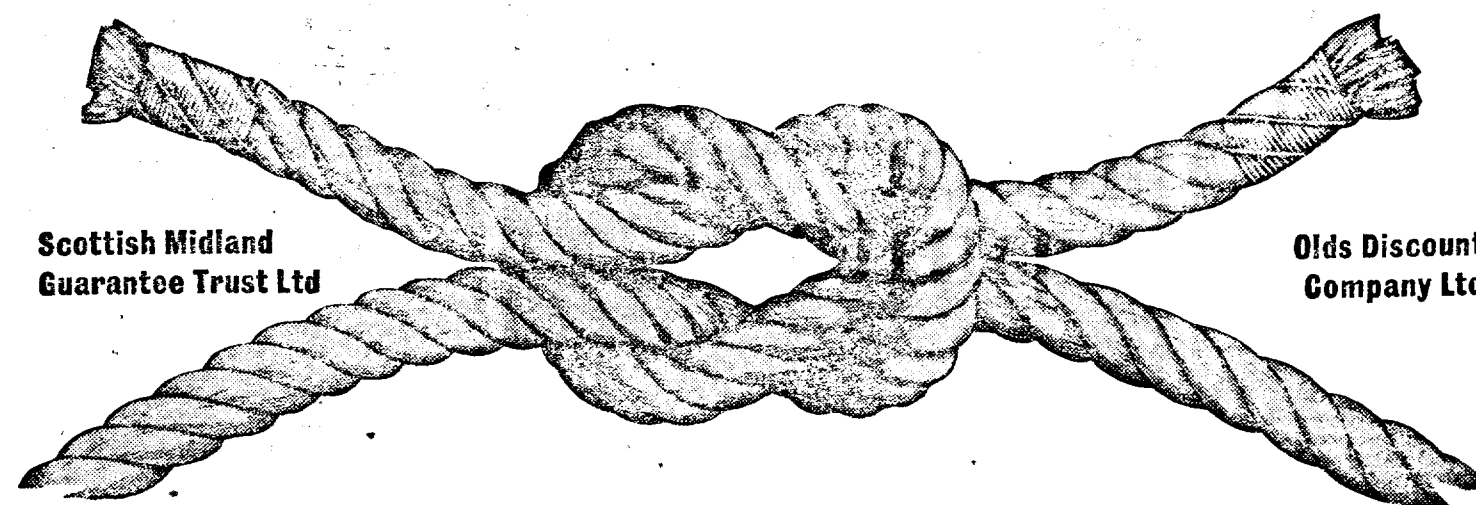
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Olds Discount Company Ltd and Scottish Midland Guarantee Trust Ltd are both well-known and long-established concerns. Since 1958 they have been linked to form a new group, Lloyds & Scottish Finance Ltd, itself jointly owned by Lloyds Bank and the National Commercial Bank of Scotland. Capital has twice been increased, and now stands at £15,000,000.

This grouping has proved its strength in the past year of restricted demand. Thanks to a prudent and selective policy in accepting contracts, the group has maintained its earnings. Its assets have grown to over £100,000,000, and it has taken steps to extend its profitable overseas interests to Western Europe.

In many ways the two operating companies

fit together to form a balanced whole. Traditionally, Scottish Midland Guarantee Trust Ltd has a large proportion of its hire purchase turnover in the fields of motor vehicles and industrial equipment; Olds Discount Company Ltd, while also doing a substantial vehicle business, has long been one of the leading companies in the financing of consumer durables, and in block discounting. Geographically, too, the group now has a well-spread network of more than 100 branches.

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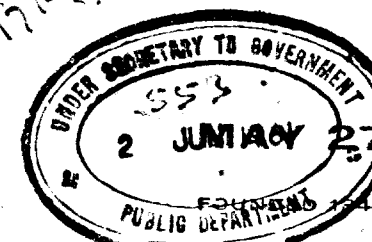
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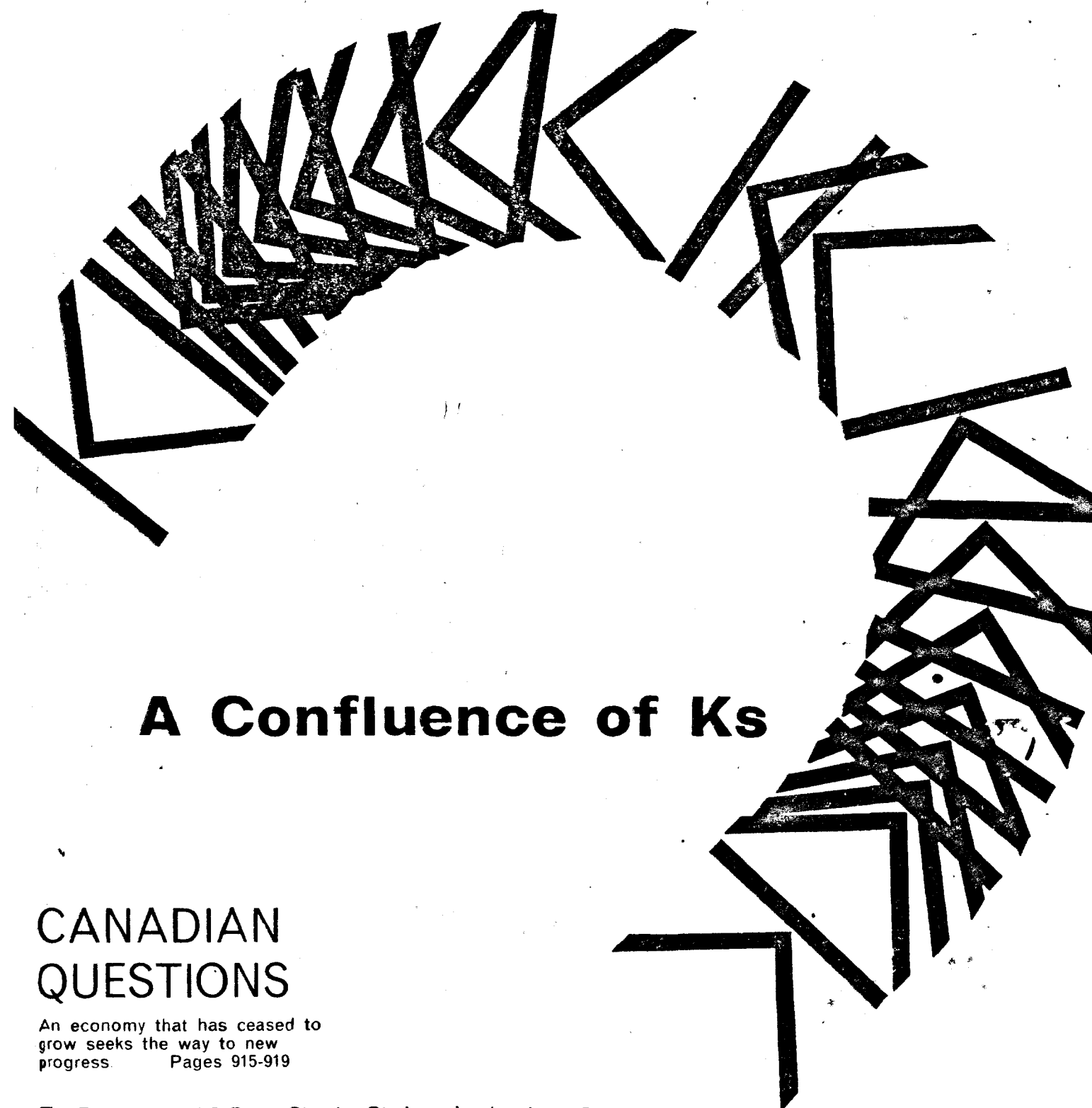
# The Economist

AIR EDITION



One Shilling and Sixpence

GUIDE TO CONTENTS SEE OVER



**A Confluence of Ks**

## CANADIAN QUESTIONS

An economy that has ceased to  
grow seeks the way to new  
progress. Pages 915-919

The Economist • 22 Ryder Street • St. James's • London • S.W.1



**Aluminium makes things cheaper to own**

1 This 15-ft. speed boat is ideal for water skiing. It saves hard labour on the slip-way because, being entirely made of aluminium, it's light for its size. Only the engine requires maintenance, and the entire boat is 100 per cent salt-water resistant. It seats five and, with its powerful engine, can travel at 40 m.p.h. Makers, and general fabricators in aluminium: G. & E. Engineering Ltd.

2 Here's one of the most portable and robust outboard motors in the world. Its crankcase, gearbox housing and cylinder head are all made of lightest aluminium. The motor (2-3 h.p. category) weighs only 28 lb., and develops more thrust for its weight than any other outboard engine. The British Seagull Co. Ltd. built it with salt-water service in mind. Their designers chose Alcan.

3 Leading small boat helmsmen of the world use aluminium masts like this, made from Alcan-based tubing by Ian Proctor Metal Mast Ltd. Representatives of 13 nations chose them for the last Olympics. With a better strength-to-weight ratio, light alloy masts are tougher. They are unaffected by excessively hot climates, and consistent in flexibility. They also give utmost drive from the sails, greater stability, and need the minimum of maintenance.

4 An all-aluminium hull means that two pairs of hands can easily lift this Windboat outboard runabout. You can take it to the water out of top of your car. It's 12 ft. 10 in. long, weighs 180 lb., seats four, and will travel at up to 34 m.p.h. Graham Bunn (Wroxham) Ltd. make it of hardwearing Alcan alloy. It is popular with water-skiing enthusiasts, and serves equally well as a fishing launch.

Alcan, backed by the finest research and technical facilities, can answer any question on the use of aluminium. Write to: Alcan (U.K.) Ltd., Aluminium Canada House, 30 Berkeley Square, London W.1. Telephone: M.A.Y. 9721.

**ALCAN**

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## In The Economist this Week

May 27, 1961

### INTERNATIONAL

#### DAGGERS DRAWN

Mr Kennedy and Mr Khrushchev have been swept by events into a confrontation at Vienna. One of their tasks is to seek a set of rules for the cold war that might keep it non-violent (p. 867).

President Kennedy may have been manoeuvred into meeting Mr Khrushchev but it may be no bad thing from his point of view (p. 889).

Protected by Swiss police, helicopters and television, the Algerian delegates at Lake Geneva must ponder the alternatives of association with France, or continued war (p. 908).

The course of the other Geneva conference might surprisingly give France a footing again in Laos (p. 874).

South Korea's new regime is long on suppression and short on guarantees of a return to constitutional life (p. 875).

#### SWORDS CROSSED

Angola: There is no reason to disbelieve Portuguese claims that the rebels are receiving outside help, nor to disbelieve the scale of the Portuguese reprisals (p. 876).

South Africa: To herald the new republic, Africans plan to use their only non-violent weapon: the general strike. The government has counter-attacked with mass arrests and a show of overwhelming force (p. 905).

Pakistan: Badshah Gul and his merry men have been handing out Russian arms and Afghan promises to the Pathans of the Bajaur hills (p. 873).

### HOME

#### PAYING UP

A major boom in domestic car buying in 1962, and a slump in 1963—will this be the result of the Government's changes in hire purchase regulations? An important research study is examined critically (p. 913).

The need (and possibly now the chance) in trade union law is to place the responsibility for unconstitutional strikes squarely where it belongs (p. 868).

Cornwall is expanding its tourist industry, and the Cornish are sharpening their separate practices (p. 902).

Free coal for the miners looks like being incompatible with Yorkshire's smokeless zones (p. 901).

House buyers are likely to have to pay more for their loans in the near future (p. 921).

#### CUTTING DOWN

Slimming is one of Britain's most energetic new industries (p. 871).

The argument that joining the common market would inflate Britain's food prices is thin when cut to size (p. 875).

Tory discipline in parliament is too procrustean for the liking of the brightest young politicians (p. 874).

Alabama: The race riots are strengthening the moderates in Alabama and in Washington (p. 890).

#### BURYING HATCHETS

• To attend to the considerable British interest in a friendly, prosperous and politically rational Spain is the kind of thing foreign secretaries (but not, as a rule, home secretaries, even when chairmen of the Tory party or leaders of the House of Commons) are for (p. 870).

• President de Gaulle's visit to Bonn had more significance than the becalmed state of western European politics would suggest (p. 873).

• The post-mortem on Cuba is bringing a number of hopeful new moves in the United States approach to Latin America (p. 891).

• Painfully achieved "agreements" in the Congo have yet to be put into practice (p. 876).

A Bird in Washington: A British visitor to the capital of Mr Kennedy's America comments on the new Administration (p. 891).

#### CANADIAN SURVEY



Our special correspondent has sought the answers to three broad Canadian questions—What happened to growth? Who is guiding the economy, and in what direction? What is the price of independence? (p. 915).

The agitation against Polaris is not only irrational: it is not noticeably swelling the unilateral ranks in the Labour party (p. 874).

Bank liquidity has tightened again, and the banks cannot hope for much relief with the Exchequer's needs almost entirely covered from revenue (p. 922).

#### SPREADING OUT

Universities: the education planners must follow Britain's economic boom, not stumble along according to Baedeker (p. 875).

Cambridge is still largely sunk in its secular peace (p. 898).

Technical training: the case for coercion (p. 879).

World food: the cupboard may be less bare than had been feared (p. 879).

#### Trade and Payments

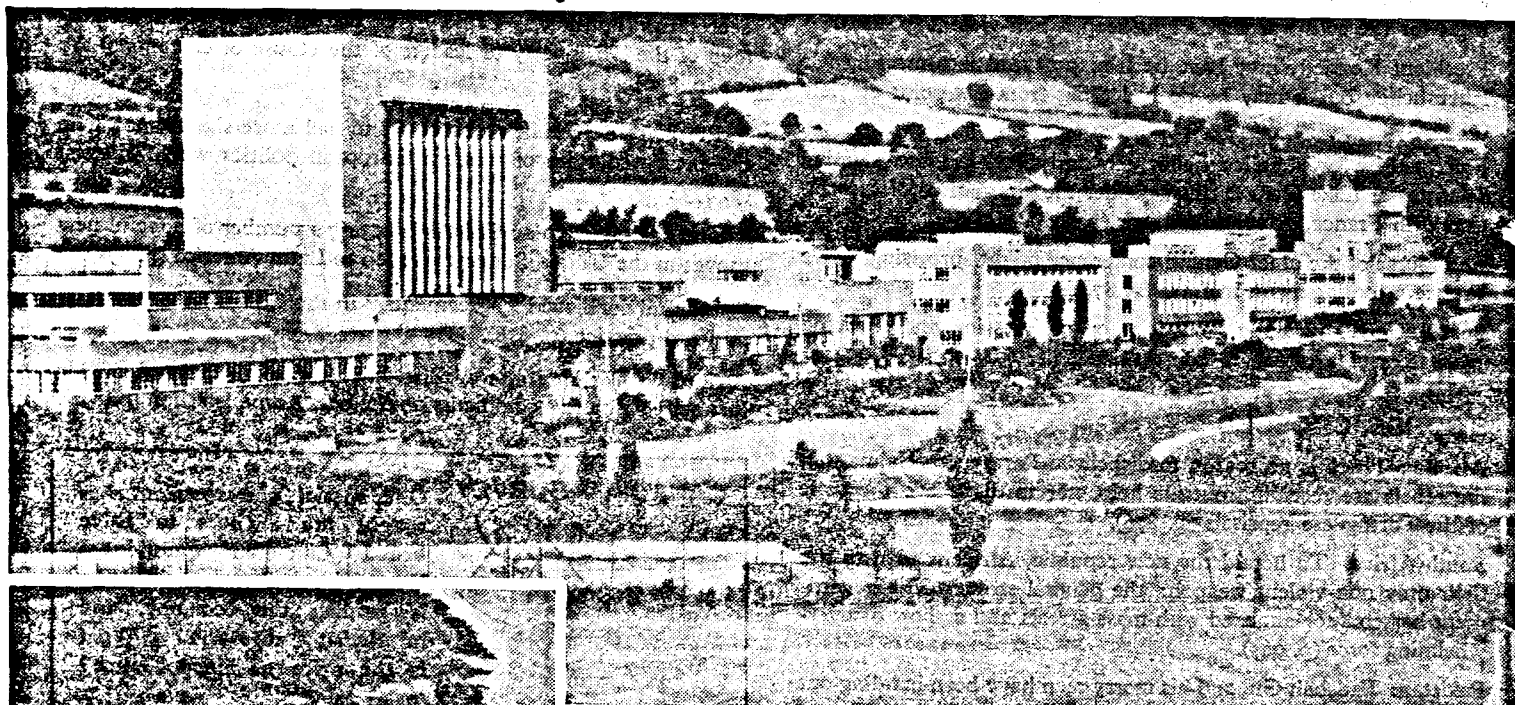
Sterling area trade is changing shape and its members are running deficits (p. 925). The Anglo-German arms deal will apply a welcome salve to Britain's declining exports to Germany (p. 925).

The Gas Council hopes to import methane from Algeria to supply Britain's consumers with cheaper gas. A struggle with the Coal Board is on the horizon (p. 920).

Professor Triffin has amplified his plans for international liquidity (p. 922).

Detailed contents on page 867

## Room to breathe in Wales



### Room to expand

The rate of industrial expansion in Wales over the last ten years has been twice that of Great Britain as a whole. And the pace is quickening! There is today a broad pattern of economy embracing more than 400 individual industries. The traditional resources of coal and steel are augmented by cheap power, clean air and water, good and rapidly improving communications, ample port facilities and adaptable, willing workers. Excellent sites for factories are available . . . in many cases with Government assistance . . . and the keenest possible co-operation of the Local Authorities everywhere.



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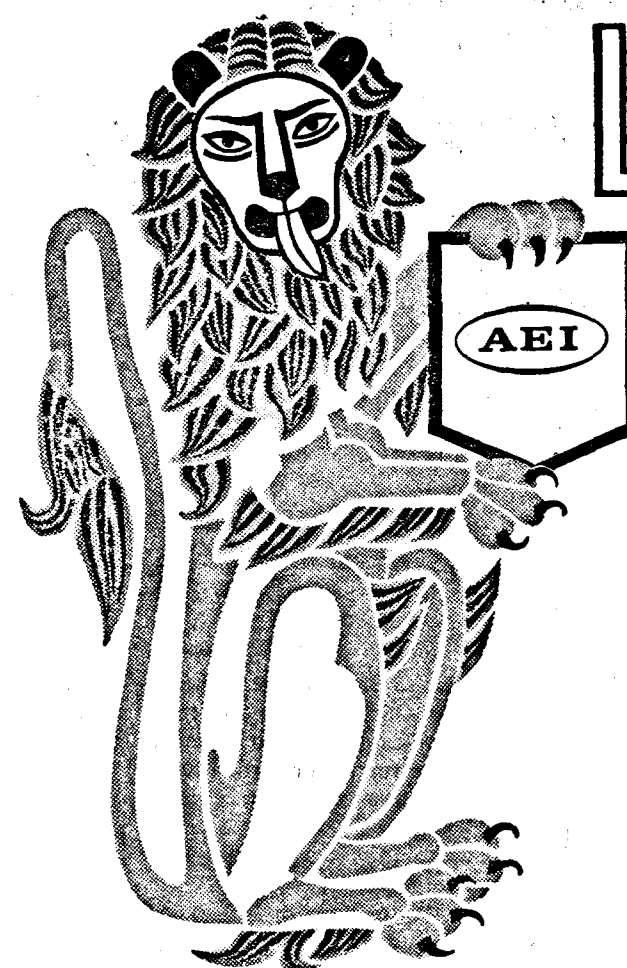
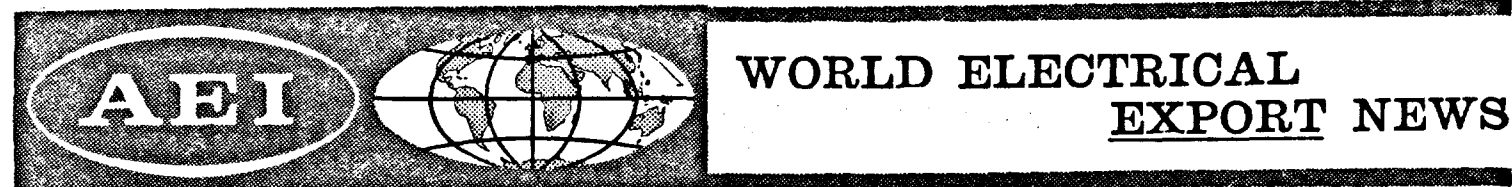
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# LION'S SHARE

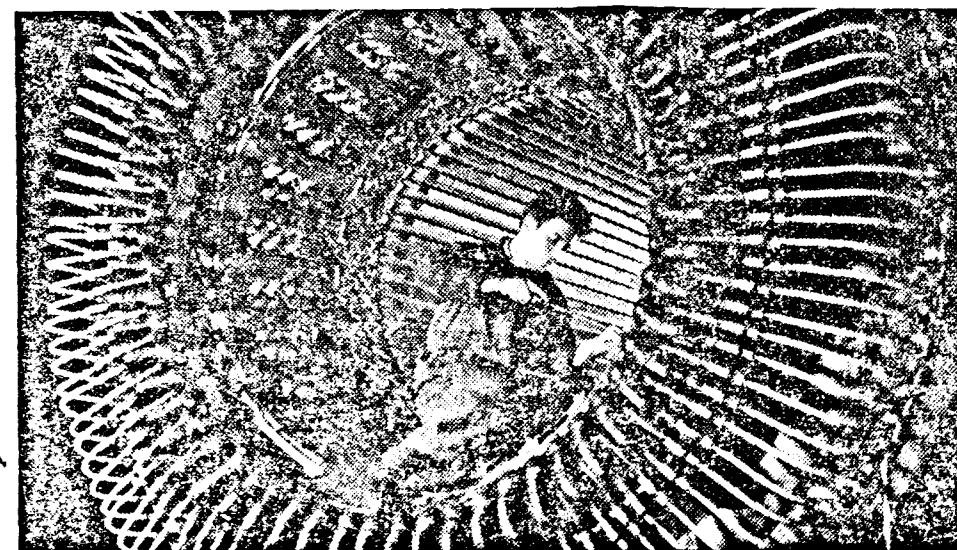
**75%** *That's the share of Britain's export orders for turbine-generator plant that AEI won in 1960*

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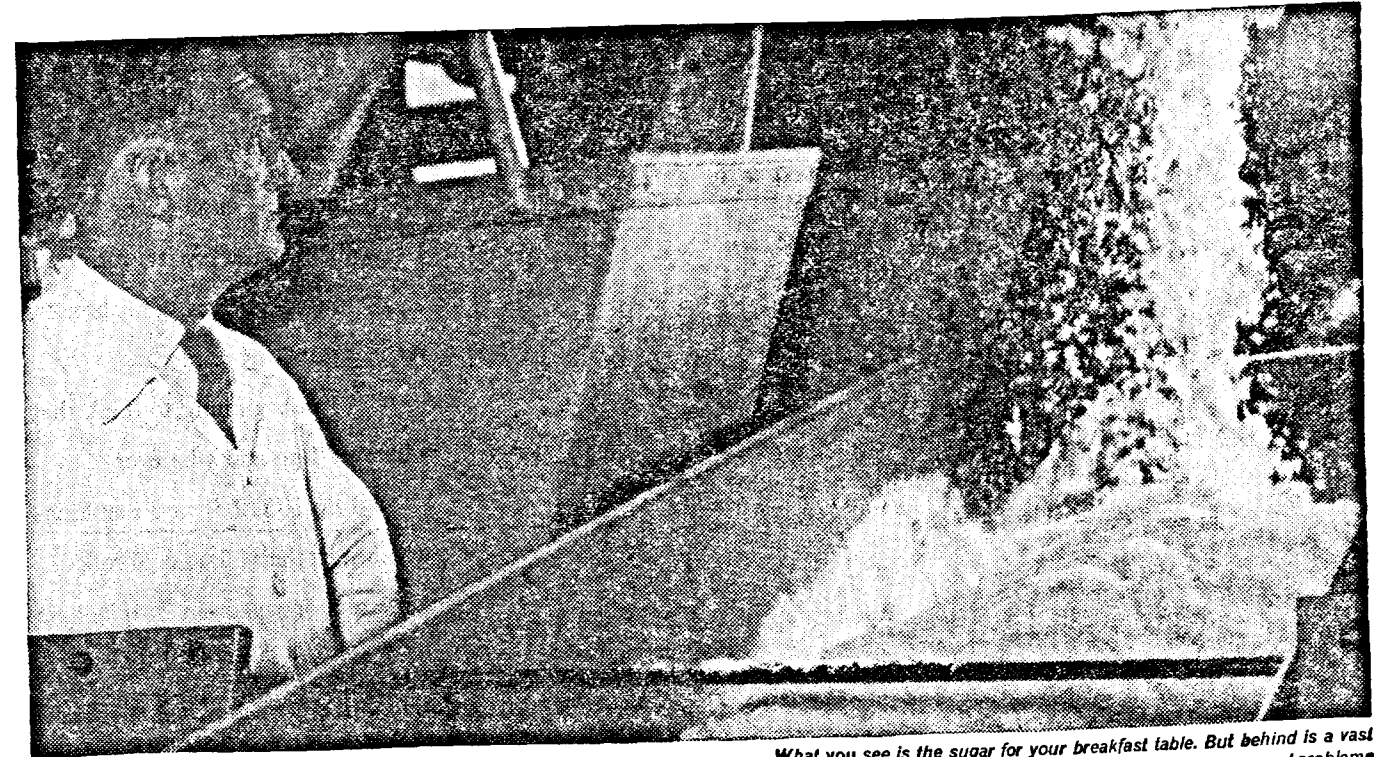


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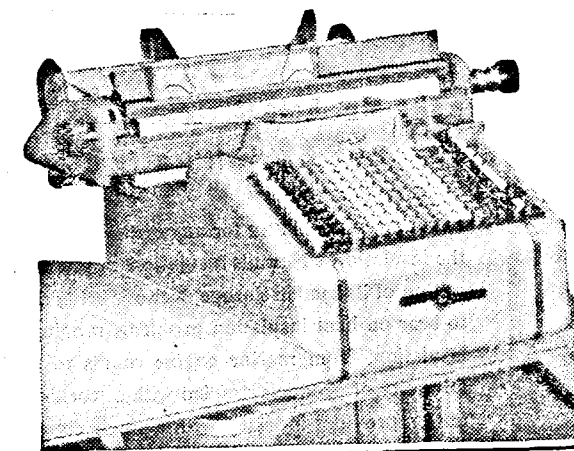
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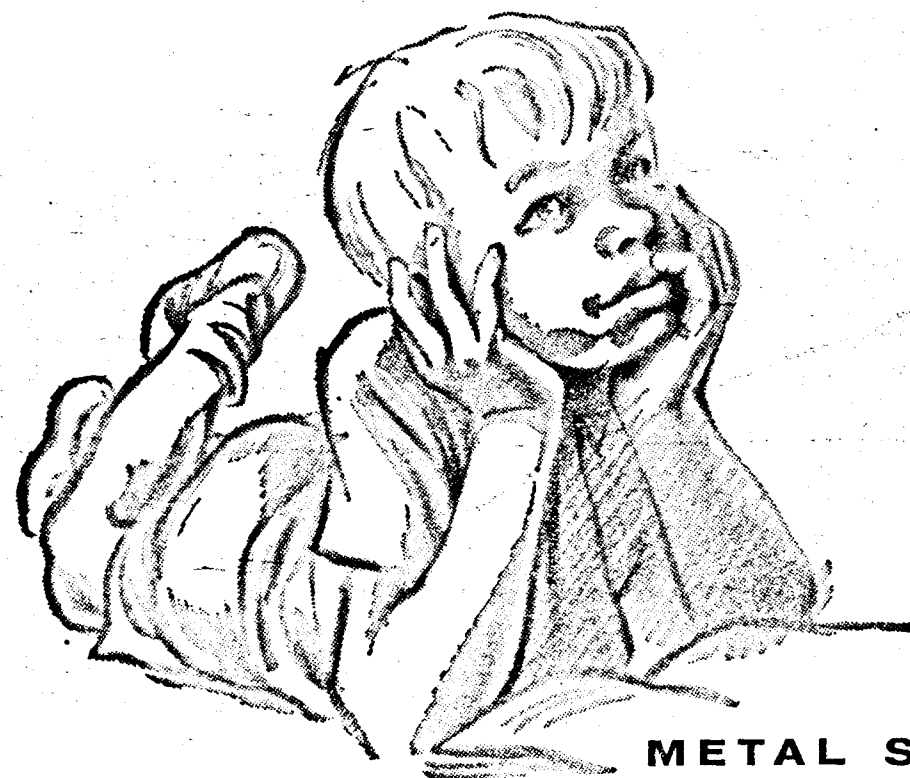
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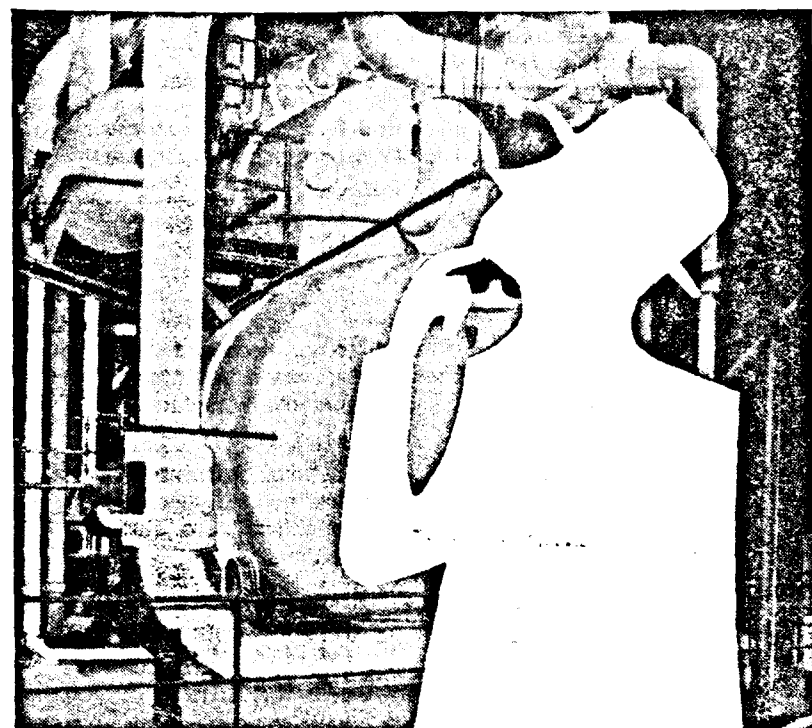
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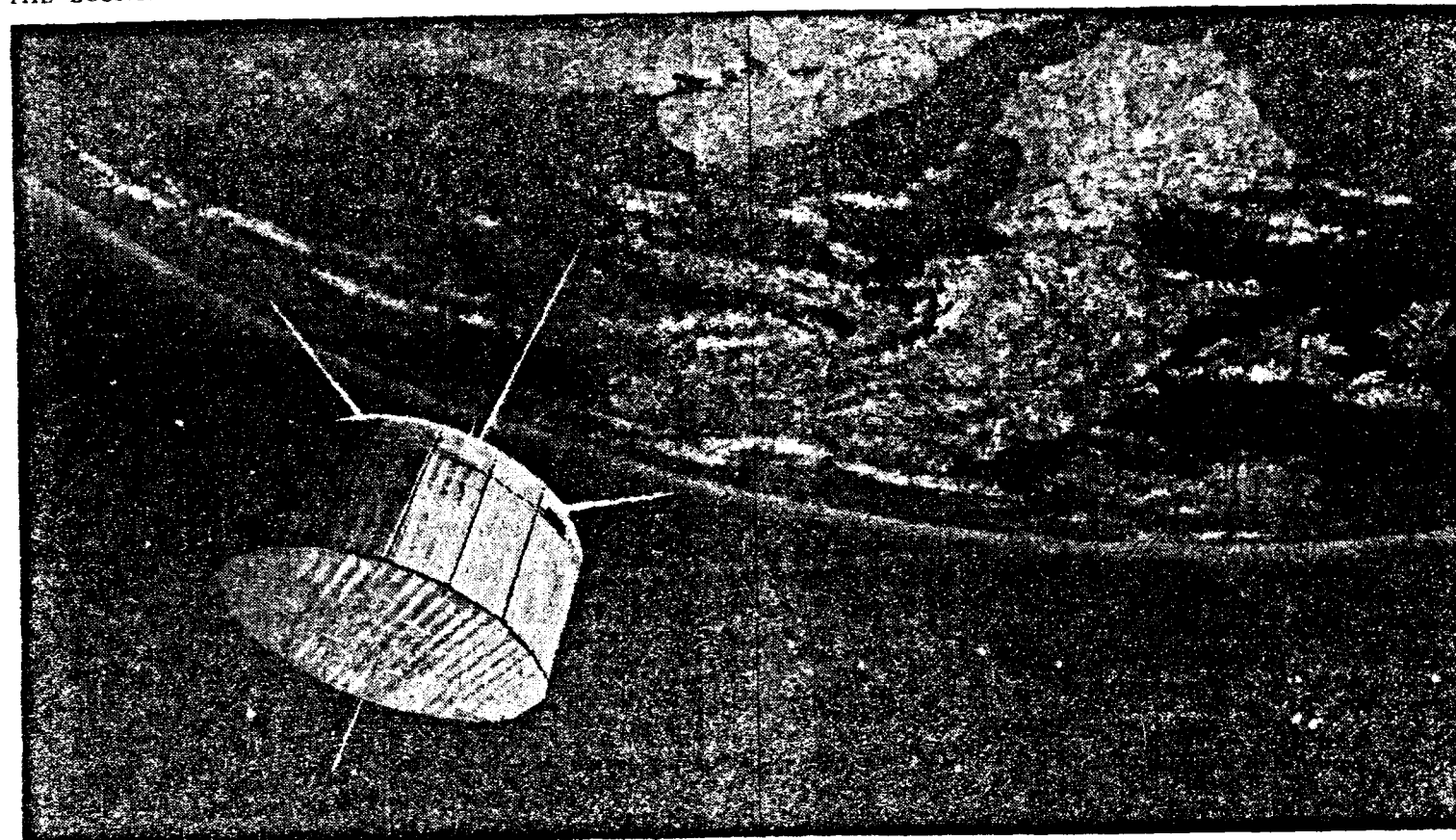
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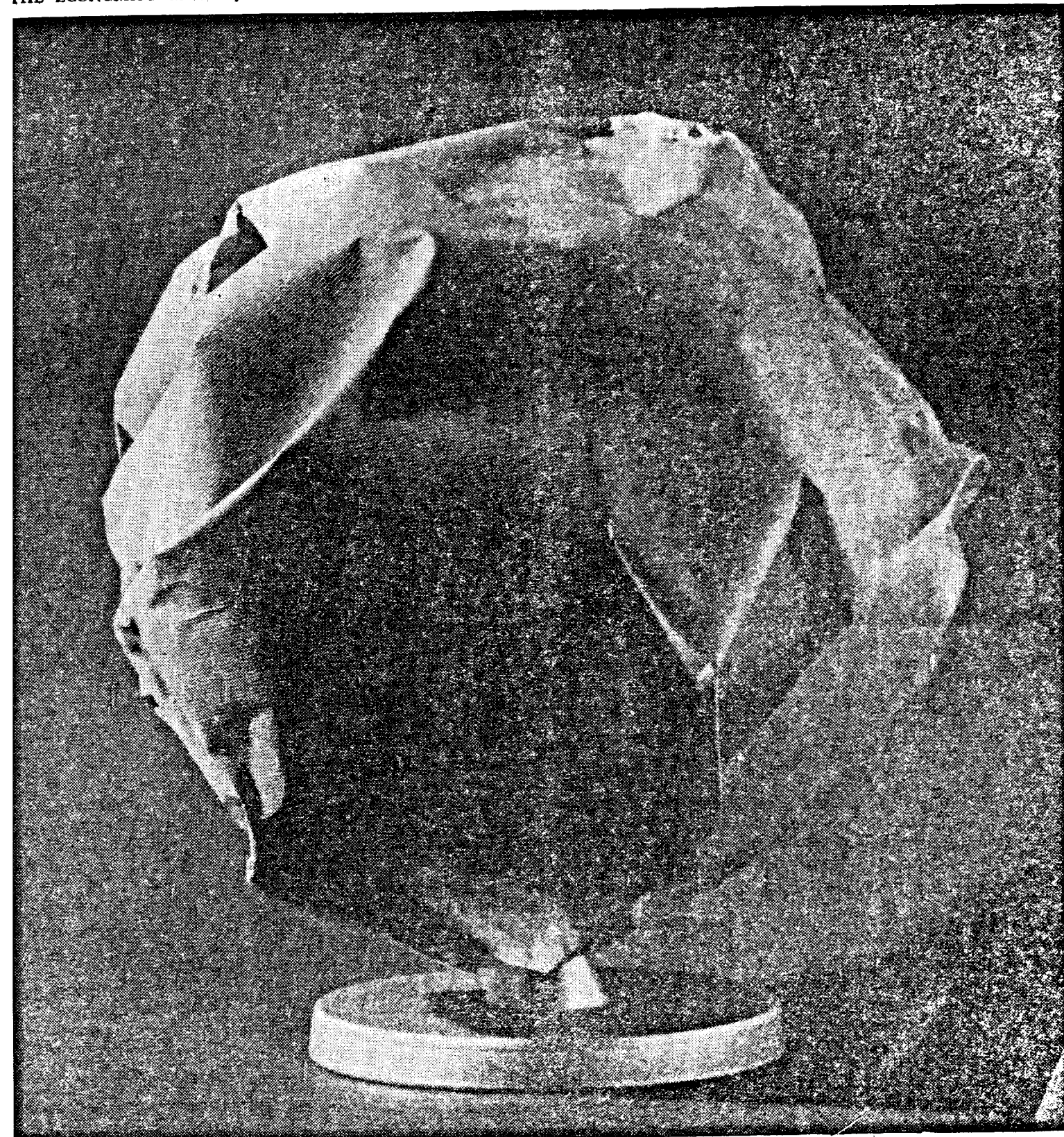
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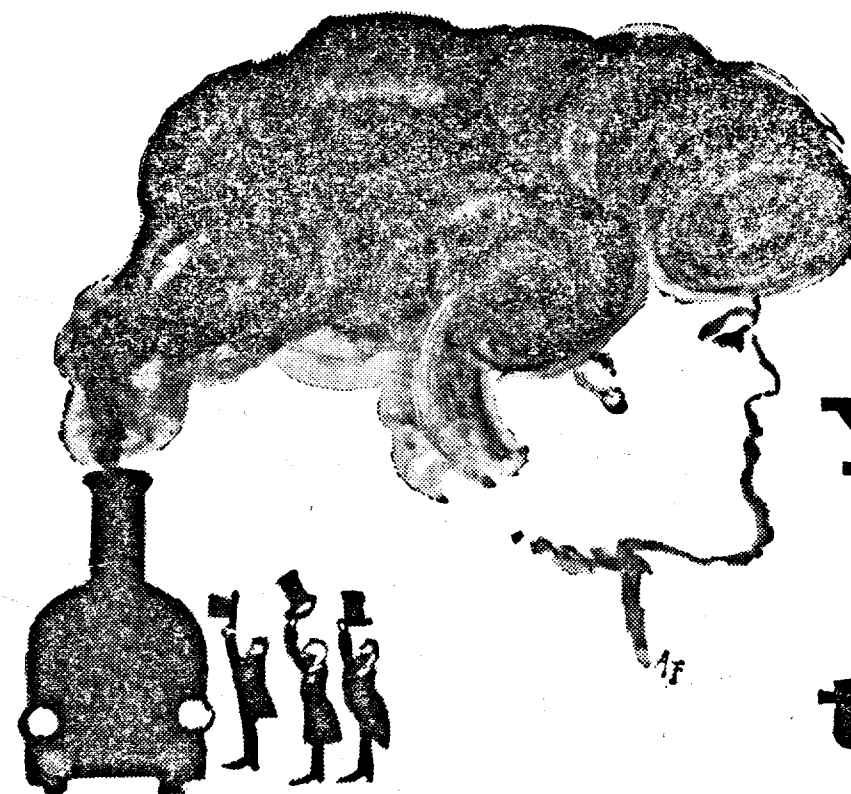
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## The man who bends rivers

Joe, taking time off in the boom town of Cooma, is just one of the thousands working on the great Snowy Mountains hydro-electric scheme in south-eastern Australia. He and his fellow-workers have already dammed the eastward-flowing Snowy River, the Eucumbene and other rivers, harnessed them for power and turned them back *westward* through a system of long tunnels deep in the mountains, to carry precious water to the desert interior.

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## The Economist

MAY 27, 1961

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## At the Confluence

THREE words might usefully be expunged from the diplomatic lexicon before Mr Kennedy and Mr Khrushchev meet at the end of next week. To describe the conference in Vienna as taking place "at the summit" does violence both to the topography of the Danubian plain and to the events that have led to the meeting. The image of the summit, so dear to cartoonists, has come to be dangerously misleading. It implies a deliberate and carefully planned ascent, preceded by a conquest of the lower slopes of the diplomatic mountain-side and culminating in a novel (if slightly breathless) view of the surrounding scenery; the metaphor has come to have a life of its own.

In fact, Mr Kennedy's ventures in diplomacy next week—both his visit to General de Gaulle on Wednesday and his talk with Mr Khrushchev at the weekend—require a different image. The proper picture is not that of a mountain, but the lowlier one of a river. The participants, after some eddying in the shallows (Cuba and Algeria) and some bumping over sandbars (Laos and the nuclear test talks), have suddenly found themselves swept together in midstream by the current of events. They approach their meeting, not as the climacteric of an ordered progress, but as an effort to steady themselves before the stream sweeps them on.

To look at the coming week's events in this light, instead of as an adventure in mountaineering, is the only way to make sense of them. Neither Mr Kennedy's visit to Paris nor that to Vienna is the result of successful negotiation at the preliminary stages of diplomacy. Indeed, both trips have become necessary precisely because negotiation at lower levels has got nowhere at all; just how necessary is shown by the fact that they have led the President to break his self-imposed rule (already cracked by last week's excursion to Ottawa) to spend his first six months in office at his desk in Washington. The comparison with the movement of water is irresistible: when a stream finds its customary channel blocked by the face of a cliff, it seeks a way round, following the line of least resistance. No doubt it is inconvenient for leaders of democracies (and irritating to the champions of orthodox diplomacy) that the line of least resistance should take the form of personal intervention by the great men themselves. But the events of the last four months—the efforts of Mr Kennedy, so swiftly stultified, to delay an encounter with Mr Khrushchev—suggest that occasional meetings of this kind have unavoidably become part of the duties of a head of government.

Clearly no one but President Kennedy has the slightest chance of persuading General de Gaulle to come to terms with his allies over the differences within the western community. Neither Mr Gayin, the American ambassador in Paris, nor Mr Dean Rusk, the Secretary of State, has managed to discover through conventional methods of diplomacy whether the general is willing to allow Britain to enter the common market or whether he will compromise on his demands for nuclear sovereignty and an inner committee to run world-wide policy for the North Atlantic alliance. Yet Mr Kennedy's policy on many other matters waits upon the answer to these questions. Moreover, a possibility of compromise exists. Now that France has acquired a degree of nuclear weapons technique, there is a stronger case for arguing that Britain or America might reasonably offer the French technical help in this field in return for French concessions elsewhere. Quite possibly not even Mr Kennedy can persuade General de Gaulle to strike such a bargain; but, since he is the only person who might, he must try.

It is a similar process of elimination that takes the President to Vienna to talk to Mr Khrushchev. The civility between Moscow and Washington that marked Mr Kennedy's first few weeks in office—when Mr Llewellyn Thompson played Mercury in an interchange of courtesies between the gods—has swiftly degenerated into an angry quarrel which no one but the senior Olympians is competent to settle. It is no longer fruitful for observers to discuss (and it will be fatal for Mr Kennedy and Mr Khrushchev to argue) just how much of the trouble in Laos and Cuba should be blamed on past and present errors of judgment, Russian or American. The basic fact is that, by words and actions, the two men have reached a situation in which they appear to be threatening each other with a world-wide contest in subversion and counter-subversion. In the two conferences at Geneva where their delegates are in contact, negotiations are near deadlock. Two fundamental questions have been laid bare; one is what kind of international body the great powers will allow to police them, the other is what they mean by "neutrality" and "independence." Nothing short of direct discussion between Mr Kennedy and Mr Khrushchev can begin to work out the answers.

If the flow of circumstances has inexorably carried Mr Kennedy towards his meeting with Mr Khrushchev, it also suggests what the aim of their conversation should be. This meeting is not simply, as some people have suggested, an opportunity for the two men to make each other's acquaintance. In happier circumstances there might have been a case for a purely introductory encounter, which would have let them get straight down to brass tacks when they met for serious negotiations later on; but, after the turbulences of the last few weeks, it is clear that they will at once have to deal with matters of substance. This is not to say that they will engage in negotiations, a prospect that makes Mr Kennedy's allies and his professional diplomats raise their hands in simultaneous horror. Between the extremes of true negotiation and a chat about the world's weather, however, lie two matters that are proper subjects for a meeting of this kind.

## Damages for Some Strikes?

There is a strong case for introducing new trade union legislation, and there may even be a new possibility of it

At the time that we went to press the legal advisers to the Association of Engineering and Shipbuilding Draughtsmen had not yet announced whether they were going to appeal in the case of *Rookes v. Barnard and others*. But if last week's judgment in this case does eventually stand, either unappealed or after appeal, a new situation in regard to unofficial strikes could be created in many industries. It is therefore proper—indeed for industrialists and all who are interested in public affairs it is essential—to discuss what that situation could be, without reference to the rights or wrongs of this particular case.

The essence of Mr Justice Sachs's judgment was that a member of a trade union who threatens to break his contract of employment is, when sued for damages in the courts of

First comes the extent to which it is safe for Mr Khrushchev to exploit the difficulties in which the United States finds itself just now in south-east Asia and Latin America, and may soon find itself in over Berlin. There is a danger that, because Mr Kennedy is young and new to office, and because the Russians misunderstand the meaning of the Democratic victory in last year's election, Mr Khrushchev may conclude that the United States will be slower to resort to force, if threatened at a point which it regards as vital, than it was in Mr Dulles's time. The President's recent speeches may already have disabused him of this idea. If they have not, it should be Mr Kennedy's first task to remind the Russian leader that history shows Democratic presidents to be not a whit more inclined to appeasement than Republican ones. In addition, recent developments in the Democratic party—the growing importance of the Catholic vote, and the defection of the South from liberal internationalism—have increased the pressure on Democratic presidents to follow a "policy of strength." If Mr Khrushchev wants to compromise, he would be wise to do so while compromise is still acceptable in America.

The other necessity that forces itself on the two statesmen is to begin, if with no excessive hopes, the search for a system to keep the conflict between them within non-violent bounds. By making the control of nuclear weapons one of his main objectives—an objective on which Mr Eisenhower's Administration was never able to agree—the President has come face to face with the problem of deciding how the international authority that would apply this control is to be organised. By giving his blessing to the idea of a neutral Laos, he has raised the possibility of setting certain parts of the world out of bounds to the cruder forms of pressure and subversion: in other words, of establishing a set of rules for the cold war. Both these questions go too deep to be settled quickly; but, now that the tug of events has borne Mr Kennedy and Mr Khrushchev together, they might at least seize the opportunity to start to search out each other's thoughts, not in airy generality, but on the urgent and ugly matters that now threaten to ring the alarm bells.

this country, in just the same position as any other citizen; and in this respect he judged that it makes no difference whether the trade unionist acts in combination with others, or whether he acts in furtherance of a trade dispute. In last week's case Mr Justice Sachs ruled that damages of £7,500 should be awarded against three officials of the Association of Engineering and Shipbuilding Draughtsmen because a non-unionist in the drawing office at London Airport had been sacked after they had allegedly threatened to call a "closed shop" strike in what was held to be a breach of the contractual negotiating procedure at the airport; the jury had already decided that the non-unionist draughtsman had suffered damages of that amount as a result of his dismissal.

In many other work places besides London Airport there

are complicated agreements—voluntarily entered into by the trade unions, often as part of a past wage bargain—about the procedure that will be followed before a strike can be called. Everybody who reads the newspapers knows that these agreements have often been insouciantly broken. This has been true in the case of unofficial strikes in the docks, and of unofficial (and even some official) strikes in many other industries. If last week's judgment stands, so far as one can see, there is an increased prospect that those who suffer damage through an unofficial dock strike could sometimes seek to recover these damages from the people who had incited the strike. So might other people—whether they be workmen who had lost jobs and earnings, or commercial concerns baulked in proper pursuit of their trade—who had suffered damage because some production line had been suddenly stopped by a "breach of contract" strike.

Two points should be made here. First, even if actions for damages of this sort are shown to be possible, nobody is suggesting that these actions will lie against the instigator of any and every unofficial strike; the prospect is only that they may lie against those who have instigated strikes that are in plain breach of a contractual agreement entered into by their union on behalf of its members. Secondly, such actions would not lie against the funds of the trade unions themselves; section 4 of the Trades Disputes Act of 1906 gives an absolute protection to any union and the officials acting on its behalf. But the distinction here is that this section 4 has never been interpreted to protect individual members of trade unions or officials in their individual capacity. ("An individual sued in his individual capacity is not protected even though he acted on behalf of his union": Halsbury's Laws of England 32: 831. See *Vacher v. London Society of Compositors*, 1913, A.C. 107, and *Bussy v. Amalgamated Society of Railway Servants*, 1908, 24 TLR 437.)

Some trade union leaders will say that these facts considerably limit the practical importance of *Rookes v. Barnard*, even if the judgment in it is confirmed. First, they may say that it would not be worthwhile for anybody who has lost thousands of pounds as a result of an unlawful strike to try to secure recompense from unofficial strike leaders at, say, London docks; those strike leaders, in their individual capacity, have not got thousands of pounds of assets upon which to distrain. But the point is that they have got some assets; and, fairly or unfairly, the knowledge that legal actions might lie would serve as a disincentive to many inciters of strikes that would be in deliberate breach of contract. Secondly, the unions will say that employers have presumably long been able to sue workmen who have directly broken contracts with them, but that employers have recognised that for diplomatic reasons they had better not do so; the same imperatives of diplomacy, however, may not work so effectively upon the customers of these employers and upon individual workers who (like Mr Rookes) feel that they have been damaged unlawfully—if they conclude that a new road to suing for recompense has been opened up before them.

Thirdly, and more determinedly, the trade unions may say that, if this judgment is confirmed, they will not sign any more agreements which "put them at risk" by obliging them to send disputes through some formal arbitrational or other pro-

cedure before a strike is called; and that they will demand that employers should allow them to denounce agreements that are in force already. One answer to this is that a wholesale scrapping of such agreements would not necessarily be an unmitigated blow to the economy. Some of these formal arbitrational agreements started out as a mechanism for industrial peace, but have ended up as a built-in engine of national inflation (or un-growth). When they have seemed likely to work in the unions' interests, they have been scrupulously honoured; when they have not done so, they have sometimes been dubbed as "unrealistic" and ignored.

Obviously, however, this has not happened in every case. Sometimes employers have regarded the renewal of "no strike without arbitration" agreements (even when they cannot be enforced) as a valuable *quid pro quo* from the unions at times when they have granted them an annual wage increase. But in these cases the union leaders (especially those who are not of a sort to call unconstitutional strikes themselves) may well feel that, if they withdraw the *pro quo* in future, they cannot expect to get so many annual increases in quids; those of the agreements that have actually been kept in the past (and have therefore been most valuable) may prove to be the ones that are most likely to be renewed, and to be given added effectiveness. Moreover, whenever any element of individual choice is allowed, customers might tend to push their orders towards firms that have concluded these (now more enforceable) agreements with the unions; it would be a legitimate commercial interest to prefer to deal with a supplier who had secured some safeguard against the sort of wildcat and unconstitutional strike that can cause grave losses by holding up supplies, completely without prior negotiation or notice. This is only one of the ways in which the whole pattern of industrial relations could conceivably be subtly changed. Another and even more important respect could be the strengthening of individualist workers' freedom against some of the bullying that has too often gone on and sullied the trade unions' name.

The fourth thing that the trade unions may say is that, if last week's judgment is confirmed as the correct interpretation of present law, then every effort will have to be made in Parliament to get the law changed. The history of trade unionism in this country is a story that is closely entwined with adverse court decisions in 1867, 1901 and 1909—which, after strong political pressure, were more or less completely rectified for the trade unions by new legislation in 1875, 1906 and 1913. The unions can also say, with some justice, that a ruthless exploitation of last week's judgment could have some very unfair and undesirable results. In some circumstances, it could conceivably bring down ruinous financial penalties on small men who had merely shown insufficient courage in swimming against the local tide of their own workmates' opinion, or who had made technical procedural lapses, when doing voluntary work for their union. This, in turn, could mean that in future only fanatics would be willing to take up some voluntary union jobs, in view of the personal risks involved—quite apart from the effect that a new situation could have in causing the discontinuance of some national agreements that seek to ban or delay strikes.

There is force in some of these arguments. Yet it is doubtful whether public or political opinion would now be



in a mood to give to the trade unions quite the same blank bill of indemnification after an adverse court decision as the Conservatives gave them after 1867 or as Campbell-Bannerman gave them after Taff Vale. There has been too much realisation recently of the changed social position of the unions. In the swingeing powers that shop stewards possess to inflict conformism on all who wish to work in particular industries, in the wide latitude accorded to them to act sometimes as a positively anti-productive force, and in the extraordinary freedom that they have hitherto seemed to enjoy against being sued for any breach of contract, the trade unions have become at once the repositories of mighty social power and the beneficiaries of unusual legal privilege; it is not entirely a joke to say that the last group of people to enjoy a similar combination of great power and special privilege were the French aristocrats just before 1789.

The happiest escape from this, even if it should now be discovered that some union officials have all along overestimated the true extent of the legal privileges under which

they act, would not necessarily be to spring over to a system under which the smallest, part-time, voluntary workers in the unions could conceivably suffer heavy financial penalties for making genuine mistakes. It would be happier to set up a committee or royal commission to try to chart the way forward to a much fairer, and if possible agreed, legislative reform by Parliament.

The aims of any new legislation should be to redefine the rights of individualistic workers towards trade unions that wield power in their trades; to redefine the extent to which trade unions themselves should be bound by the law of contract; and perhaps to provide that injunctions could be swiftly served on minor officials who are performing unlawful acts and that they should become liable to pay heavy financial penalties only if they disobey these. Such an inquiry and such a legislative reform would be the best public outcome, at the end of the long legal day, of the arguments that have now been so importantly re-kindled by the High Court judgment in the case of *Rookes v. Barnard and others*.

## Goyesca

Relations between Britain and Spain are well worth a Foreign Secretary's visit. They are better served by diplomatic patience than by military (or political) brainwaves

LORD HOME, when he arrives in Madrid on Monday, will be treading new ground. No doubt his predecessor, Mr Selwyn Lloyd, talked with important people during his holidays on the Costa Brava. A more dignified age saw Austen Chamberlain, cruising off Majorca, visited on board his yacht by the Spanish dictator, General Primo de Rivera, and his foreign minister in September, 1927. More stately still, Edward VII received the Spanish prime minister and foreign minister of the day in the royal yacht off Cartagena in April, 1907, with the permanent under-secretary of the Foreign Office in attendance. But no British Foreign Secretary before Lord Home has ever paid an official visit to Spain.

This does not mean that the visit is to be attacked or treated as sinister. Circumstances have long confined Spain to a relatively passive role in European affairs. But circumstances can change; it is much to be hoped that they will, since Europe is small enough nowadays, even when such outlying, insular members as Spain and Britain are included. Spain is important. The British interest in a friendly, prosperous, and politically rational Spain is considerable, and it matters materially to this country whether its relations with Spain are good or bad. To attend to such matters is what foreign secretaries (but not, as a rule, home secretaries) are for.

Thus it is plain enough that Lord Home is right to go. It is less apparent, to the naked eye, what Lord Home is going to talk about with his Spanish opposite number, Señor Castiella, or with the bearer of political power, General Franco, himself. What with the Goyas and the Velasquez, the two mammoth memorials of the Escorial (sixteenth century) and the Valley of the Fallen (twentieth), and a trip to Toledo (where it would be a pity to neglect the El Grecos entirely for the sake of the civil war legend of the Alcazar), Lord Home's two days and a morning promise little room for talks of substance. What room there is will be eaten into, no doubt, by those perennial points of friction, the

remaining Spanish restrictions on movement in and out of Gibraltar, and the continuing disabilities of the very few Protestants in Spain.

These are real complaints, but one must hope that the talks will somehow get beyond them. Spain and Britain are two countries on the edge of western Europe that are still puzzling over their future relationship with the continental body. Britain, as it should have, has got further along the road of self-examination, and is nearer a decision, in this respect. Spanish studies of the subject have not got so far as the British. The obstacles of separateness, political, social and economic, are enormously the greater in Spain. Some men in the Spanish government—Señor Castiella, Señor Ullastres, Señor Navarro Rubio, and even the controversial Señor Solis—know that they wish to steer towards Europe, not away from it. This is as far as they have got, but their next decisions would be made easier if they could know what Britain's course was going to be and therefore what shape the European organisations were going to take.

OPINIONS may differ on the possibility for any outside powers of influencing the course of Spanish affairs. If there is a way of influencing Spain usefully, it is almost certainly through helping the country into association with Europe in economic and civil matters, and not by putting military integration first. The lesson of the dead European Defence Community ought by now to have been learnt, but evidently it has not; when Anglo-Saxon statesmen, fleetingly, turn their attention to Spain, they tend to fix automatically on the idea of bringing Spain into Nato. This would be to do things in the wrong order. It would at present be good neither for Nato nor for Spain, and there is no evidence that the Spaniards are seeking it.

When Lord Home treads this new Spanish ground, there-

fore, he can usefully select the solid patches to tread upon; in that way he may avoid putting his foot in it like Mr Butler. Why the Home Secretary had to make a political speech at all after his pleasant dinner with the Spanish notables on Sunday night is a mystery. He was only passing through Madrid, on another of those statesmen's holidays. A week before the Foreign Secretary's arrival was, one would have thought, not the moment to let the air out of Lord Home's tyres. But Mr Butler thought it right (and, for himself, properly assertive politically) to assure his Spanish hosts that they had suffered wrong in being so long kept out of their rightful place in the western world; and more besides.

ZEALOUS officials in London and Madrid can hardly be blamed for trying to sweep Mr Butler's characteristically impish speech under the red carpet that awaits next Monday's visitor. But the hints that are evidently being tactfully dropped to the effect that the Spaniards had moved too fast in releasing the speech, or that they had read more into it than Mr Butler said, are wrong and unfair. The release was made after

proper, even generous, consultation. Mr Butler, as a matter of fact, did not say a shade less than was reported; he said a good deal more. The Spanish listeners did not imagine that Mr Butler was supporting the entry of Spain into Nato; they heard him say it. It was not they who raised the subject; and there is no way in which they can be blamed.

In this idea that the North Atlantic Treaty is the royal road by which an isolated nation may arrive at the blessings of free institutions, Mr Butler is not alone among ministers. But Nato has already more tough propositions in its body than its digestion is able to cope with. Spain, for its part, has many more urgent needs. There is plenty to be done in the way of helping Spain to bring its society, its material condition, and its political standards closer to the European mean. These are things which a wide body of Spanish opinion of many shades can be got to support, and which, therefore, once done, may escape being violently undone. Possibly, Lord Home may share Mr Butler's opinion, though he would hardly defend Mr Butler's right to express it. Whatever he says in Madrid, it is to be hoped he will not say it from a bonhomous desire to please his hosts.



## Slimming Gyms

"Bring out number, weight, and measure in a year of dearth"—Blake, Proverbs of Hell.



IN his unending search for finely graded shades of expression which avoid the coarseness of common English, Aldous Huxley in the late nineteen-twenties sieved out of his devious vocabulary the word "callipygous" to describe the figure then fashionable among young women: they had pretty behinds. This Huxleyism, if it serves no other purpose, is mildly corroboratory of the belief that it was in the first flush of female emancipation that the foci of "the figure" shifted from face and waist to buttock, breast, and undernourished bone.

From Solomon to the bawdies of World War I "buxom" and "plump" described the admired form, inadequacies in which were disguised by bustle or corset. The somewhat uncomfortable lines of the hourglass were in vogue. Yet these extravagances were only upward (and downward) refinements of the true womanly (i.e. childbearing) shape: narrow of shoulder, majestic of bosom and broad of hip, women refused to follow the dictates of anatomy only in the matter of their cruelly tiny waists. Paradoxically, the perversion of this essentially feminine shape came into vogue on the heels of feminism. The emancipation from disability by Pankhurst had its concomitant in a release from function by Stopes. The combination, perhaps aided by the frenetic destruction of ancient morality, led to the imitation of the male form: broad shoulders, a not noticeably tiny waist, insig-

nificant breasts (tremendously superstructural screen stars are admired, but not desired) and narrow hips decorated with uncomfortably lean bottoms. None of this has proved quite incompatible with the production and rearing of children, and all of it is regarded as eminently suitable for less inhibited behaviour in modern life.

From this new shape stems the slimming craze. Originally, and sensibly, slimming took the form of a reduction of food intake. Horrendous diets were the staple cures for fat women in the nineteen twenties and thirties; they continued to torment them until after the second world war. Then the effects on appetite of certain militarily useful drugs became apparent: Dexedrine and other appetite killers removed the necessity of will-power which alone could keep a woman to enriched milk or bananas for days on end. There were, of course, other cures—in the shape of bath salts, crispbread, creams, massage, plastic suits; but their efficacy has been found somewhat less uniform than optimistic advertising would indicate.

The truth is that two ways only are known to be successful: exercise and a reduction in intake of food. Lack of food, whether induced by drugs or enforced by strength of purpose, has its own dangers. Undoubtedly the best way is exercise; unlike most slimming "cures," it has good side effects. It need not be strenuous exercise, provided it is regular and functional, but few women have that sort of resolution when

unaided. In aiding them, a flourishing business is growing in this country as it has in America. In the last few years at least four establishments have appeared in London devoted to the proper cultivation of the female anatomy. Some work on the active principle (women's work is never done), and one on the "passive" system where those who can afford it have themselves moulded nearer to heart's desire.

THE active gymnasia ("health clubs") are much of a type, with minor variations of size and opulence. They are low-ceilinged, expensively carpeted, suffused with indirect lighting and Muzak—and in one case with the smell of sweat—and filled with chrome-plated machinery far removed from the barbell-and-press-ups thought sufficient for mere males. All of them are looked after by young men of exemplary size and structure. If they smack of high-powered and refined torture chambers, there is also the less unfortunate feeling in them of an efficient, cosy and secure harem, lacking even the drawback of a sultan. The passive salon is run on different lines: the slimmer does no exercise, but is manipulated mechanically by a "live" table in an atmosphere of quiet chic which would do credit to a fashionable undertaker. None of them encourages the sort of diet which reduces cheerful but obese women to irritable skeletons in a matter of weeks; but all of them recommend "sensible eating"—few carbohydrates—and their attitude to proprietary cures, foods and food substitutes is mixed (one of them serves a successful "non-food" as a soft drink). The "active" gymnasia have all installed the now discredited (as a slimmer) Turkish bath.

## The Economist

MAY 25, 1861

### DELINQUENT STATES

Among those "experiences" at the Foreign Office of which the present Premier occasionally gives the House of Commons and the public the benefit, none was more significant than that which related to the comparative morality of strong and weak States on points of international obligation. Lord Palmerston, in answer, if we recollect rightly, to some imputation of adopting a different standard of treatment in proportion to the means possessed by the State in question of resisting or resenting interference, avowed a difference of tone, and justified it by the fact that the weaker the nation is, the less sensitive it is to those considerations of national honour and integrity which are the basis of our intercourse with the greater Powers and of our friendly appeals to them on any international difficulty. The weaker States—he told the House in so many words—speculated on their own weakness, and on the probabilities of the forbearance which the disparity of forces would secure, or of the sympathy which they might obtain from the ignorance or jealousies of other nations, ventured on gross breaches of international law and solemn engagements which greater States would have shrunk from as national dishonour. How to deal with such delinquents,—who are always parading their weakness as a sevenfold shield, and under its shelter setting at defiance all the ordinary comity and duties of nations,—is a problem which even Lord Palmerston has not found it easy to solve consistently with the conflicting claims of humanity and justice. A strongly-worded despatch, a biting Parliamentary allusion, or even a naval demonstration, have proved but feeble antagonists to this sublime insolence of the weak. It is, we fear, an inevitable concomitant of the superior urbanity of modern Governments, and can only be slowly removed by the wider spread of feelings of national morality. One great hope is derivable from the fact that the delinquent States are by this time so well ascertained, and their real character is becoming so much a matter of general notoriety, that the plea in *misericordiam* will not be much longer admitted in the tribunal of civilised nations. Bondholders and philanthropists—differing widely as they sometimes may in their views of political and social morality—are agreed on this point.

The number of patients is high. Most of the businesses are established in the richer parts of London, and some market researchers might have thought that there were not enough disfigured women among London's rich to keep them going. But the membership of the three active clubs is over 12,000; and the passive treatment is meted out 50,000 times a year to possibly 2,000 women. In the active clubs "normal membership" costs between £22 and £30, with an additional—and quite substantial—fee for massage. Passive treatments cost 15s. a time, and the usual course is 30 treatments. The turnover of this slimming gym business from treatment alone cannot be less than £300,000 a year in London. It is probably over half a million pounds a year in the country as a whole (there are five provincial salons). In addition, a good deal of ancillary business is done in clothes, soft drinks, restaurants, hairdressing concessions and other balms to the adipose spirit.

The largest of the active clubs has—as they all do—its roots and principles in the United States; but in size it outstrips anything similar in the world. Twenty-five thousand square feet of floor space are filled with equipment, hairdressing saloon, restaurant and offices, and in a part of London which is by no means cheap, the figure given as capital investment employed, £100,000, is probably an underestimate (another admits to having spent "in excess of £50,000"). But the returns are all that could be desired: 7,000 women pay £22 a year to use the biggest club; even allowing for the large overheads, not much less than a 100 per cent annual return on capital should be expected both in this club and in others. It is not surprising that some diminution of this extraordinary rate can be afforded, and there are various bonus schemes to induce yet further returns: members introducing new members have prizes—or reductions—awarded them, and sufficient introduction now means free membership.

IN the physical as in the financial field the slimming gyms' results are not to be sneered at. Naturally the cases marked for exhibition are not those whose progress has been negligible. But some spectacular ecydyses have been achieved. Poundage losses of between 30 and 40 are not rare, and cumulative inchage losses of over 40 (on 9 or 10 different measurements) are not unknown. Nor are all the patients middle-aged and going flabby: the youngest so far come across is 15, the oldest 79.

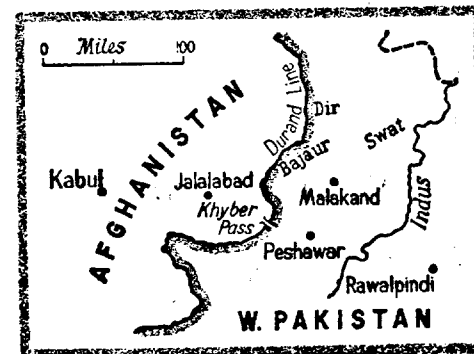
The tendency among many women—no doubt disappointed in the use of other slimming "cures"—is to regard these institutions as "gimmicks" or rackets; and there is no doubt, on medical grounds at least, that similar results could be obtained, without spending £25 a year, by exercising intelligently at home. But there are few women who have the ingenuity, time and fortitude necessary for devising their own exercises or following their doctors' instructions. Before the advent of these institutions the reaction of rich fat women has usually been either to over-exercise, strain themselves and give it up—or else to go on to one of the commercial diets, in many cases useless, often dangerous, and sometimes unbelievably expensive. And, if one is reasonably well-heeled as well as well-padded, the fee for the slimming gym does not seem cruelly large for the facilities afforded for gossip, womb-like luxury, and the undying sympathy and friendliness of others in the same boat.

# NOTES OF THE WEEK

## PATHANS

### North of the Khyber

BIDS from Kabul for the allegiance of frontier tribes in Pakistan have long ceased to be "news." This week, however, a sharp Pakistani reaction to Afghan infiltration across the Durand line (the recognised border) made headlines. The Bajaur hills, north of the Khyber pass, have been disturbed this year by the activity of one Badshah Gul, who handed out to the tribesmen Russian arms, Afghan promises, and money from one source or the other. He and his mixed bag of local dissidents and Afghan emissaries slipped back into safety across the border whenever the Pakistan authorities tried to catch up with them in these tangled mountains. In March the Pakistanis, having word of an ammunition dump in a Bajaur village, resorted to the time-honoured Frontier procedure of strafing it from the air after dropping leaflets warning local inhabitants to get clear. This humane technique may have enabled Badshah Gul and his merry men to get the arms and ammunition clear too; in any case, their arms build-up was resumed, and this week's reports of fresh fighting indicated that not only machine guns and mortars but even Afghan soldiers have lately been brought across the border.



Personal and clan feuds in and around Bajaur have helped the fomenters of disorder. A local quarrel in March over a road building scheme led to a fight in which tribesmen from Afghan territory were killed. But, while the judicious use of guns and gold can often stir up the personal passions of Pathan tribesmen, there is no sign that the Kabul dynasty is making any headway in its efforts to win their allegiance. The Afghan government, beset by an acute shortage of food and other troubles, may have judged this a good time for a distraction in the shape of a fresh appeal to the Pathans of Pakistan to transfer their loyalty; but its "Pashtunistan" campaign now

amounts merely to flogging a very dead horse. Although Mr Khrushchev has publicly backed the Kabul monarchy's ambitions, India, originally a much more significant sympathiser, has lost interest. And the Pathans on the Pakistan side of the frontier are not only much more prosperous than their Afghan cousins; they are now also, far from being a downtrodden minority, very much the leading element in Pakistan—from President Ayub Khan himself downwards.

## FRANCE AND GERMANY

### Bridging the Rhine

LAST Saturday's meeting between Dr Adenauer and President de Gaulle at the Chancellor's home had a familiar flavour of high-level cordiality, but it would be wrong to think that it had no practical significance. Although the glamour of the occasion had been tarnished by the postponement of the conference of the common market's heads of government, the symbolism of President de Gaulle's first visit to the west German capital was not without significance for the Franco-German partnership. When the two men got down to serious discussion, they made more progress than the ups and downs of six-nation politics in the last half year might have led one to expect.

The meeting was overshadowed by the announcement, four days before, that President Kennedy and Mr Khrushchev were to meet in Vienna. Not surprisingly, this led the two European statesmen to agree to stand firm on Berlin, a sentiment which President de Gaulle will put to Mr Kennedy next week. In return, Dr Adenauer has fallen into line with some, at least, of France's European plans. Thus he confirmed his support for regular meetings between the six heads of government. In one important respect he seems to have gone further than before—by agreeing that these gatherings might discuss military matters as well as politics. Hitherto the west Germans had argued, with the Dutch, that military affairs should be left to Nato. This time, it seems, Dr Adenauer undertook to try to talk the Dutch round. The agreed Franco-German viewpoint is to be put to a meeting of the six foreign ministers late in June. If it is accepted, the first meeting of the six heads of government will take place early in July.

Other traditional differences, however, persist. On Nato questions Dr Adenauer backs integration; President de Gaulle is still pressing for a more prominent place for France. On common market problems the French assented to the German view that the existing communities should be sustained and developed, but pointed out that this required a more effective German contribution on the agricultural side. All the same, if any conclusion is to be drawn from the brief encounter at Rhöndorf, it is that it would be a mistake to underestimate the Bonn-Paris relationship, particularly when east-west talks are in the air. Dr Adenauer brought up the question of British membership of the common market. He was coolly told that the question would have to wait till the British had made up their minds. And with that it was set aside and attention turned, once more, to developing the Europe of the Six.

## LEGISLATION

### Laws' Delays

THE Government is badly behind time in its legislative programme, and although an extra week has been gained by cutting the Whitsun recess some of its bills will have to be dropped. One likely casualty is the Weights and Measures Bill, which still awaits a second reading in the Commons. It is also exceedingly improbable that the Road Traffic Bill will pass into law this session—a delay that would not be a total loss as the Lords debate gave an opportunity for widespread discussion of its more controversial proposals. Of the other major Government bills, the Criminal Justice Bill has made good progress recently in the Lords, where a number of Government amendments were made, but these will now have to be agreed to by the Commons. The Licensing Bill (or "drinkers' charter") has been a very long time in committee in the Commons and has still to pass through all its stages in the Lords. It is late but not in any real danger.

The Housing Bill is still in its Commons committee stage, where the committee is meeting three times a week but making slow progress; it is expected in the Lords in July, but its implementation will probably have to be delayed. The Rating Bill has been through the Commons and is likely to have a swift passage through the Lords—unlike the Land Drainage Bill which suffered long delays in the Upper House. The Covent Garden Market Bill is through the Commons, but is likely to have a stormy passage in the Lords. The Cunard Bill is waiting



for a committee of the whole House and has also to go through the Lords. Of the minor bills the Human Tissue Bill is making slow progress, and the bill abolishing the crimes of suicide and attempted suicide has still not had a second reading in the Commons. The Trustee Investment Bill has been heavily amended by the Commons in committee and will have to return to the Lords. The royal assent is expected in July. The Finance and Army and Air Force Bills have their usual long committee stages ahead of them, and on these both the Opposition leaders and the Labour rebels will probably cause the maximum trouble. Very few of this session's large crop of private members' bills are likely to get through.

For these delays, the Government is apt to blame Labour's filibustering tactics at the time that Mr Powell introduced his new health charges. Were those tactics a pointless and expensive folly? On the one hand, Labour's recovery in the country did not start at the time of those all night sittings, but in fact really got going at a time when Labour whips were worried about an opposite problem—namely the poor attendance record at the House of some Labour MPs even during the daytime. On the other hand, there is no doubt that the events of this session have increased the Labour front bench's morale, so that Parliament is at present fulfilling its function as a political forum rather well—even if it is also falling behind in its other function as an efficient grinding machine for the production of new legislation.

#### HOLY LOCH

### Getting the Point

THE Whitsun scuffle at the Holy Loch base passed off with nothing more serious than duckings and dowings: but it was a remarkably silly business for all that. The one incident that has left an aftermath (in the shape of an Argyllshire police inquiry into allegations of unnecessary violence) arose when the police cleared a path through the squatters at the entrance to Ardnadam pier, the landing stage for the depot ship *Proteus*. It is right to question whether this need ever have happened. The Clyde estuary has a multiplicity of piers, jetties and small craft, all perfectly suitable for embarking boatloads of American officers and the contents of a hundred bread vans. In deciding on the recapture of Ardnadam the authorities seem to have shown something less than a mastery of tactics.

On its side, the anti-Polaris brigade has trailed away from the loch leaving the argument behind its demonstration as murky as ever. Since the Direct Action Committee stepped up its most flamboyant demonstrations, Labour party and trade union sympathies have slipped steadily away from the straight unilateralist line: some people attribute at least part of Mr Gaitskell's

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recent recovery to the fact that the ordinary trade unionist thinks that it is plain daft for anybody to express a political viewpoint by sitting down in the street. But the unilateralists are still hoping, as Mr Ted Hill told an audience in Moscow last week, that at least a motion against Polaris bases may be passed at this year's Labour conference, even if the other parts of Mr Gaitskell's defence policy are approved.

There would be no logic in this. Most people should by now have grasped the points that this second-strike nuclear weapon of Polaris is precisely the one that will not be set off by mistake and need never go off at all unless the West is first devastated by Russian missiles; that Polaris is therefore a boon beside the Thors and V-bombers;



Retreat from Argyll

and that Labour would be hard put to it electorally to explain why western defence should be conducted without the one really credible retaliatory weapon that has yet been developed. But the anti-Polaris campaign has the advantage for the extreme left that it can be conducted with specifically anti-American overtones. It has also been entirely convenient for the anti-Gaitskellites that the Holy Loch happens to be next door to Labour's old "Red Clydeside" stronghold, where diehard resistance to a modernised party policy on such matters as Clause 4 remains unyielding. The anti-Polaris agitation in the west of Scotland has therefore been developed and sustained with an evident political purpose in mind. Mr Cousins and Mr Michael Foot have both been at pains to address meetings in the neighbourhood in the past three weeks.

#### CONSERVATIVES

### Youthful Inhibitions?

CONSERVATIVE MPs have rightly reacted sharply to Mr Redmayne's peremptory warning to parliamentary private secretaries that if they vote against the Government they might lose their jobs. These secretaries are not members of the Government: they are paid no salary, and are selected personally by the minister concerned. Appointment as a PPS is generally regarded as a first step to ministerial office, and one that promising backbenchers can reach at a relatively early age. To burden them with

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handcuffs while thus in their ministerial swaddling clothes would—or should—reduce the number of able young men who are willing to become a PPS. None of the great historical leaders of the Conservative party would have agreed to pledge himself never to vote against his party's line in early youth. To deprive these men of the opportunity to vote against the Government would also substantially increase the proportion of Conservative Members (now 1 in 4) committed by their position to support the Government on every issue or resign from office. While it is reasonable to expect a PPS not to vote against the Government on an issue where his own chief is involved, to extend this duty to cover the whole Government is not; the proper course is simply for the secretary's chief to pass on a quiet word of explanation and attempted dissuasion when some particular revolt would be especially embarrassing.

As so often, the Conservative hierarchy's excuse in this matter may be that Labour did it too. Mr Attlee set a thoroughly bad precedent in dragging the PPS in 1949, when he ordered five of his ministers to get rid of their secretaries who had voted against his government at the committee stage of the Government of Ireland Bill. Mr Redmayne, who up till now has been a reasonably popular chief whip, has clearly been rattled by recent Tory revolts over the Benn case (15 dissidents including 1 PPS) and over corporal punishment (69 pro-floggers including 5 PPS). Some people have suggested that Mr Redmayne may have been looking ahead to major ructions in the party as the Prime Minister draws closer to Europe; but in fact there is rather more evidence that his real concern is that some expected Tory revolts on the Finance Bill (particularly on the oil tax) should be nipped in the bud.

#### LAOS

### A Small French Bid

FRANCE, the almost forgotten factor in Indochinese affairs, could well emerge from the present conference on Laos in Geneva with its power to influence events slightly enhanced. The basis for this unlikely proposition is communist support for the Geneva agreements of 1954, which allowed the French to maintain two bases and not more than 5,000 military instructors and maintenance personnel in Laos. At Tuesday's session of the Geneva conference M. Chauvel, France's ambassador in London and permanent head of the French delegation, proposed an international charter for Laotian neutrality. M. Chauvel would ban all foreign troops in Laos as well as foreign installations or military instructors—other than those permitted under the 1954 agreements.

Surprisingly, this pregnant qualification appears to be supported by the Americans who, since 1954, have supplanted the

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French in training the Laotian army. In his speech before the conference on May 17th, Mr Dean Rusk, the American Secretary of State, laid down that "foreign military personnel, except for those specified in the Geneva accords, should be withdrawn from Laos." The Russians, though eager enough to support any initiative that would reduce American influence in Laos, seem unready to go that far. Although Mr Gromyko, speaking on the same day as Mr Rusk, described the 1954 conference as a good basis for fresh agreements, he went on to propose that all foreign military units and personnel should be withdrawn from Laos within thirty days of the signature of a new agreement; he did not allow for exceptions. The definition of Laotian neutrality, indeed, seems likely to absorb many weeks of discussion. The Polish and Chinese foreign ministers have already said that one essential step would be to remove Laos from the sphere of action of Seato, the south-east Asia treaty. It remains to be seen whether the communists would settle for a small French presence in Laos if Seato itself (to which France, somewhat halfheartedly, belongs) agreed to see nothing and hear nothing in Laos.

#### KOREA

### Generals' Generalities

IT is difficult to feel heartened by events in south Korea. True, President Yun, who had resigned last Friday, has since withdrawn his resignation, thus giving a semblance of legal continuity to the regime. The semblance, however, is very thin, and nobody knows what pressure was put on him by the military junta now ruling the republic. The new regime is long on suppression and short on guarantees of a return to constitutional life. Parliament has been dissolved and freedom of speech curtailed; more than 2,000 people, including the premier, Dr John Chang, have been arrested. These are facts; in the realm of promises, the military junta offers precious little beyond generalities.

In domestic affairs, it has pledged itself to "wipe out all corruption and evil in society," to improve living conditions, relieve hunger and try to make the economy self-sufficient, to "cope" with the communists and reunify Korea. Only when these grandiose aims are achieved will it "prepare to shift the administrative powers to fresh and conscientious politicians," though without specifying how such politicians are to be found or chosen. It has neither pledged itself to hold elections nor set itself any time limit for its attempt to succeed where "corrupt and incompetent politicians" failed.

In foreign affairs, the junta promises to observe the United Nations charter, carry out its international obligations and strengthen its ties with the United States. Although these pledges are accompanied by

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an uncompromising statement of anti-communism, they have not, so far, mollified highly placed Americans in Seoul, who continue to view the junta with distaste or suspicion. A four-hour conference on Tuesday between General Magruder, who commands the United States and United Nations forces in Korea, and General Chung Hi Pak, the strong man of the new regime, broke up in deadlock. The American chargé d'affaires, Mr Marshall Green, is concerned about the legality of the new regime and has virtually said so in public. There is even talk of a reassessment of American economic aid to south Korea. A trial of endurance may therefore be on the way between Generals Chung and Chang (the titular premier) and the Americans, who can scarcely abandon south Korea but might prefer it to be ruled by some of the younger and more democratic officers said to be waiting in the wings. On Wednesday, the American government showed how it feels by rebuffing an attempt by General Chang to go to Washington and put his case to President Kennedy.

#### AGRICULTURE AND EUROPE

### Brave Statistics

MR COLIN CLARK, the director of the Agricultural Economics Research Institute at Oxford, has long deserved a medal for very brave statistics. His latest and bravest estimates concern the effect on British food prices and agriculture of joining the common market. Even without making allowance for price reductions in manufactures, Mr Clark believes that the impact of a new system of agricultural support on food prices would be to raise Britain's total cost of living by less than 1 per cent, or about 1s. per person per week; this is less than the rise in prices that has taken place in Britain, while outside the common market, during the last two months alone. One may question some of Mr Clark's individual estimates; while agreeing that Britons would get their potatoes and vegetables more cheaply in Europe, one doubts whether the average Briton would really be allowed to pay 3.6d. per week less for his liquid milk. But obviously these relatively tiny figures—the biggest individual increase he foresees is 8d. per head a week more for our meat—are approximately of the right total order of magnitude. A rough independent check on them is that Britain's present agricultural subsidies of about £250 million a year are equal to only between 1 and 2 per cent of total consumer expenditure of around £16,000 million a year; so that even if the whole burden of financing these was shifted from the taxpayer to food prices, a rise of between 1 and 2 per cent in the price of the total package of things bought by the consumer is presumably the most that could be expected.

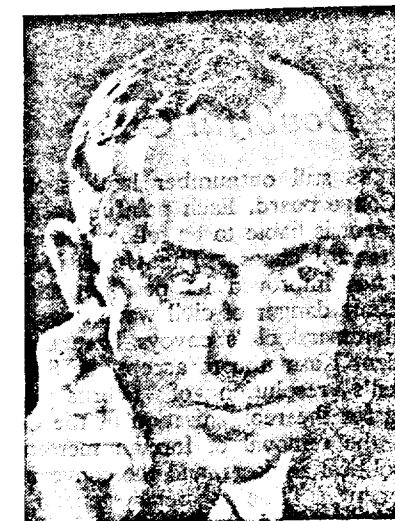
Despite farmers' preparatory cries of woe, Mr Clark estimates that British and

Commonwealth farmers (if they continued to supply food in the same total volume as they do now) would between them enjoy an increase of income of about £145 million a year if Britain joined the common market. He says that farmers would earn more from their meat animals (substantially), their cereals, butter and cheese; but less from liquid milk, potatoes and horticulture. Once again, one has a reservation about his estimate of a fall in milk prices; and the assumption of a stable volume of production after Britain joined the market is obviously a very wide one. But, more and more, every serious study of this problem points towards the same broad conclusion: the domestic "agricultural obstacle" in the way of Britain joining the European Economic Community is being shown up as, quite largely, a red herring. In this respect an interesting letter from Labour's agricultural peer, Lord Walston, appears on page 881.

#### NEW UNIVERSITIES

### Waiting for Robbins

THE new universities authorised at Canterbury, Colchester and Coventry are to be followed by a fourth, within the next three months. Possibly it will be at Lancaster, since the north-west has been ignored in recent dispensations. After that Sir Keith Murray and the University Grants Committee will make no further recommendations until the Robbins committee on higher education has introduced new criteria into the selection system. Eight new found-



Sir Keith Murray: snail's pace

dations have now been approved since the war, in addition to the rise of university colleges at Hull and Leicester to full status. But fourteen years from now, assuming Brighton's and not Keele's rate of progress is aspired to, they will still be providing only some 24,000 places between them; this is an advance at a snail's pace.

There is a temptation to plump for new sites in atmospheres of cloistered calm. (Canterbury is a prime example; another is

the preference of Colchester to Chelmsford.) These sites may be attractive to non-scientific staff, but they involve further expenditure on residential accommodation without serving the immediate needs of the bulk of potential students drawn from the large conurbations. The greatest need is for a crash programme to cater for the qualified school leavers in this decade, not those of the late seventies and eighties. Coventry, which can expect to attract non-residential students from its immediate area, is a good choice now. For the post-Robbins round, places like Croydon would surely have much more to offer than decaying Baedeker symbols that want a new industry. If a suburban drive upsets some established donnish spheres of influence, so much the better.

The case for setting up second universities in the major cities (where, often enough, the existing foundations are past the stage where size brings economies) is a powerful one. The chief *caveat* lies where the local authorities already have an overspill problem, as in Birmingham and Manchester, and do not relish the prospect of universities (which create five new jobs per student) when other factories are being turned away. But cannot higher education lead the way in, and eventually become the focus of, the overspill operations? One other suggestion, which is not meant to be bizarre, is that the local authorities could do worse than look at the broad acres surrounding their present mental hospitals, some of which, the Minister of Health has said, will soon become defunct as more and more mental patients are passed to other forms of treatment. Why not turn some of these into universities?

## CONGO

### Doubtful Gains

SNAKES still outnumber ladders on the Congo board. Each painfully achieved agreement is liable to be followed by a slip back toward chaos. The United Nations force has improved its position, and the immediate danger of civil war has receded. Mr Hammarskjöld's envoys have induced President Kasavubu to accept the Security Council's resolution of February 21st calling for the reorganisation of the Congo army, the removal of foreign mercenaries and political advisers, and the convening of parliament. The secretary-general has likewise received assurances of Belgian acceptance of the resolution. The mercenaries are mostly either in the bag or in a promising state of demoralisation; the Congolese soldiery is reported to be behaving itself for the moment; and Mr Kasavubu has announced that he will convene parliament as soon as his Coquilhatville conference produces a new constitution. Unfortunately, the reality behind these outward signs of progress is less pleasing.

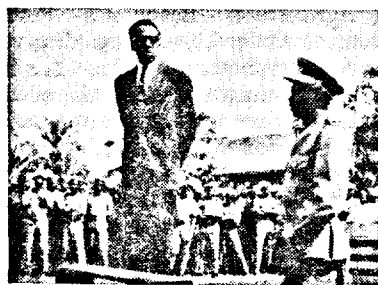
As Mr Hammarskjöld reported last week, "Belgium's position still falls far short of what is required by the Security Council

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resolution." The worth of Mr Kasavubu's word is dubious, in the light of his record; his ability to make "his" troops accept reorganisation is even more questionable; and he may use the return to duty in Leopoldville of the chief UN representative, Mr Dayal, as a pretext for going back on the new agreement. Meanwhile Mr Hammarskjöld's other flank is still being savaged by the Russians, who are complaining bitterly about delay in implementing the resolution of February 21st—although they were alone in objecting to that resolution at the time.

### Conclave at 'Coq'

AT Coquilhatville, a constitution which breaks the Congo down into more than 20 tribal components has been emerging from the curious conclave over which Mr Kasavubu presides, and down the back of whose neck General Mobutu's soldiers breathe. The participants have not found it easy to leave. Mr Tshombe, who tried to, remains under guard, reportedly suffering from nervous strain. This week Mr Kalonji's followers in south Kasai sent an aircraft to fetch him away, and it was promptly impounded. In the circumstances, Mr Gizenga can hardly be blamed either for turning down the original invitation to



Mr Gizenga tells his troops

"Coq" or for viewing with suspicion the idea that parliament should meet in "Leo."

His counter-proposal that parliament should meet at the Kamina base, under UN guard, calls for serious consideration. He and General Lundula (whose often rumoured defection from him has still not occurred) hold the north-east at least as firmly as their rivals hold the west. Whether or not a parliamentary quorum could be mustered without their goodwill, no parliamentary consensus on which the Congo could base its political future can be achieved by pretending that Mr Gizenga does not exist.

## ANGOLA

### African Province

NEWS about Angola escapes with the thousands of refugees who have fled the country, and who have presented the Congo with a burden of human suffering it is in no position to alleviate. Estimates of the

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number of casualties vary, but it seems that many hundreds of Portuguese and mixed blood Angolans have been killed; on the other side the number of African dead is measured in thousands, or tens of thousands. Killing has been indiscriminate. All Portuguese Angolans are armed, and they are supported by about thirty thousand troops. The work of the troops is not observed by accredited non-Portuguese correspondents, but it is believed to be starting in earnest now that the rainy season is coming to an end. An air traveller from Johannesburg to Brazzaville last week saw tiny patches of fire regularly breaking the boredom engendered by hundreds of miles of desolation.

There is no reason to disbelieve Portuguese claims that the rebels are receiving outside help. The Bamileke tribe in the Cameroon Republic was for long given arms and support by organisations whose headquarters are in Accra and Conakry. No African nationalist expects change to come peacefully to Angola. Ghana has admitted buying arms from Eastern and Western countries; the Portuguese have reported the capture of 71 Ghanaian guerrillas. But to Africans in many parts of the continent, Angola is their province rather than Portugal's.

The Portuguese government is deluding itself, however, if it believes its own statements to the effect that the revolt is not essentially Angolan. Two Angolan organisations have long plotted to start it; the leader of one of them, Roberto Holden, works from a headquarters in Leopoldville. If they are getting help from other sources, it is not the first time that outsiders have come to the aid of one faction in an Iberian battle. There is danger of a second self-delusion, an old one in Africa. There are indications that Dr Salazar is thinking in terms of economic and social reform to stave off the demand for political change. This has not worked in the rest of Africa: it is unlikely to be successful in the Angolan province.

## MALTA

### One Agreement

THE belated agreement between the Colonial Office and Bailey (Malta) over the government loan for the conversion of the naval dockyard at Valletta into one suitable for repairing merchant ships, will do something to reduce the feeling of uncertainty about Malta's economic future. After the campaign against Mr Mintoff by the Catholic church, no doubt there will be hopes that the Maltese will be convinced that God and Mammon have allied against him. But the delay of a year in reaching agreement has weakened faith in the possibility of making the dockyard a commercial success, and put back the date at which it can become truly competitive for repair work.

The dispute between Baileys and the

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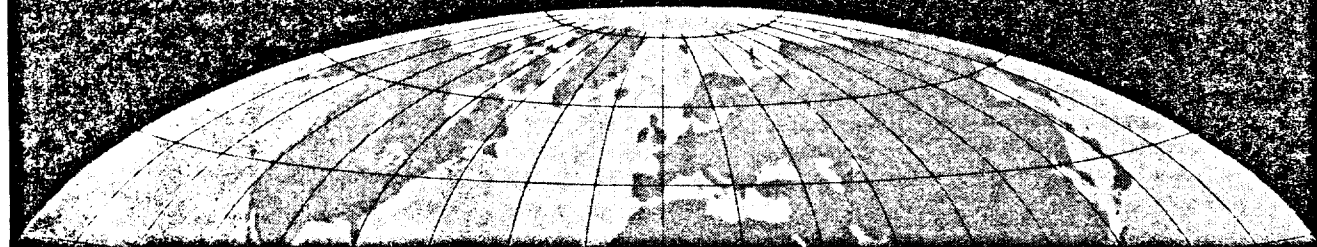
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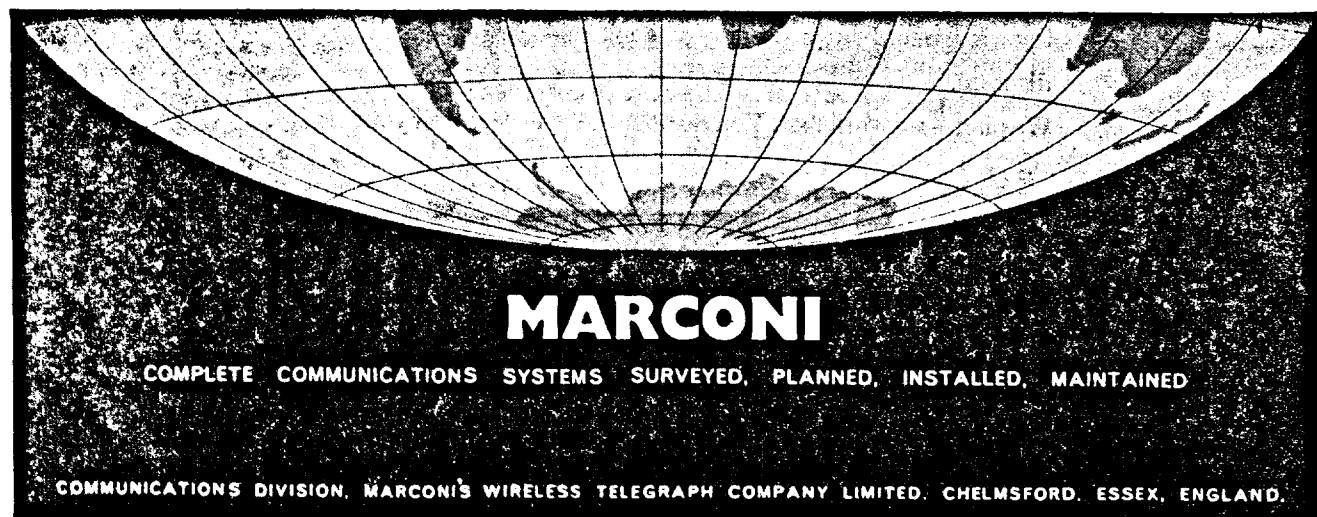
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Colonial Office had arisen when the company decided, after its original scheme to modify the docks had been accepted and a loan of £6 million granted, that it would need to spend £2 million more to make the dockyard a commercial success. The increasing number of super-tankers meant that the dry docks would be too small to take an important part of the tanker fleet on which Baileys expected to depend for most of its custom. But the Colonial Office was reluctant to advance more money, and seems to have become suspicious about Baileys' intentions—a somewhat illogical feeling that helps to account for the delay in reaching agreement. Baileys has now agreed to accept a loan of £7½ million, which will mean that the extension of one dry dock will have to be postponed; but this sum will pay for the extension of one dry dock to take ships of up to 85,000 tons and of another to take 38,000 tonners, the lengthening of the main wharf and the building of a tank cleaning farm—where tankers can have their oil tanks cleared of sludge. Now that the United States is showing signs of ratifying the convention that restricts the dumping of oil at sea, and there is a chance that the terms of the convention may be stiffened next year, such facilities are becoming more essential in a repair yard.

Baileys will soon be putting the civil engineering work out to tender, and hopes that the yard will be finished by the end of 1963. In the meantime the Navy will again be expected to keep the men employed, with such commercial work as can be obtained with the present facilities—and the work on the yard itself. It is to be hoped that when the yard is finished, Malta will prove to have the same attraction for merchant ships seeking repair as it has had for warships over the last few thousand years.

### TECHNICAL TRAINING

#### Is Persuasion Enough?

THE Commonwealth technical training week, which begins on Monday, deserves to be wished well. It is to be a full-dress, all-round-the-Commonwealth occasion (except, apparently, in St Kitts and the Falkland Islands), with Prince Philip and the Prime Minister due to put in an appearance at St Paul's next Thursday and "10,000 major events" promised throughout this country. It happens to be true that the more young people in the Commonwealth continue to be exposed to British systems of training the easier British exporters will find it to hang on to their markets: the barrier of technical idioms still counts for a great deal in a range of industries from electricity distribution to plastics. But the chief moral that needs to be drawn lies nearer home.

If publicity can help at all to improve the lagging British record in further education of all kinds, any sort of publicity is worth

trying. But is persuasion getting anyone in Britain anywhere? For every congratulatory address and pious aspiration voiced in the next seven days, some hard facts need to be kept in mind. Only about one-third of British boys and less than one-tenth of girls leaving school now enter apprenticeships or other courses for skilled occupations. These proportions are likely to fall next year when the "bulge" pushes an extra 30 per cent (172,000) of school leavers into the labour market. It may be that the absence of easy employment prospects in some areas will encourage the more foresighted to get themselves what training they can—although existing unemployment areas, like Scotland, tend to have the worst record in technical education. But there is little sign of industry increasing its training facilities to cope with the "bulge," and the impetus towards day-release after the 1956 White Paper has lost most of its drive. The increase in day-release students in the two years 1957-58 was more than 50,000; in the two years 1959-60 it was less than 9,000.

Despite progress at higher levels, the ordinary fifteen-year-old still has little incentive from parents or employers to do other than go for quick money in a dead-end job. The outcome of the Government's long-winded explorations with education authorities, employers and trade unions on the right to day-release is likely to be more important than anything said or done in the coming week. Some local authorities are doubtful if they could cope with a flood of applicants, particularly of fifteen-year-old girls, but there is little doubt that most of the existing facilities are grossly under-used. A pilot experiment in compulsory day release in selected areas is overdue.

### WORLD TRADE

#### Prelude in Gatt

BIT by bit the features of the world-wide trade discussions that seem a logical complement to any British move to join the European common market are taking shape. Two new ideas—a joint western effort to increase imports of manufactures from the new industrial countries, and a joint effort to help Africa with aid and trade—were discussed on page 761 of *The Economist* of May 20th. Next week a practical start will be made on a third—world-wide tariff talks, designed to bring down the tariffs of all the major western countries.

The talks, the first major round of bargaining in the General Agreement on Tariffs and Trade since 1951, have their origins in the creation of the common market. Some of the signatories of the Treaty of Rome felt from the start that their new common tariff would be a powerful bargaining weapon for bringing American tariffs down, but many people felt this was a pious wish until the Six, anxious to disarm outside critics, offered last spring to cut the tariff laid down in the treaty by 20

per cent, provided others reciprocated. The move was encouraged by Mr Dillon, then assistant secretary for economic affairs at the State Department, who offered cuts of up to 20 per cent in the American tariff. The talks that start, after some delay, next week, have been called the "Dillon round." The British Government at first seemed less enthusiastic, but the recognition that the British tariff was the highest of the three, and that cuts in the common market tariff would only be made if Britain gave something in return, have brought a welcome change of attitude in the Board of Trade. All three major industrial powers now seem prepared for serious bargaining, and important cuts, particularly in the higher European tariffs, should result.

All this is relevant to the problem of joining the common market, because the common market tariff is still too high to suit certain countries in the Commonwealth and the Seven. If it can be brought down in the Gatt talks, and perhaps reduced still more in a further bout of discussions with America when and if Britain joins, low tariff countries like Sweden and Switzerland will find it easier to participate in the customs union. Canada, too, whose manufactures might have to surmount the common tariff if Britain joined, would obviously benefit if the barrier were low. The Gatt talks thus provide a useful prelude to the main drama, the inevitable European negotiation.

### WORLD FOOD

#### Tempered Optimism

SINCE Malthus started the fashion in 1798, there have been periodic scares that the world's population would outstrip food resources. That these gloomy fore-

### WORLD MOTOR CENSUS

According to the *American Automobile* there were 126 million vehicles in use at the beginning of 1961, 7 million more than at the beginning of 1960. Nine of the sixteen million vehicles produced in 1960 were replacements. In the United States alone 4,250,000 cars were scrapped. The United Kingdom's figure of 250,000 is expected to rise this year because of the 10-plus test.

| VEHICLES PER 1000 POPULATION |    |
|------------------------------|----|
| United Kingdom               | 28 |
| Other W. Europe              | 65 |
| United States                | 68 |
| Canada                       | 67 |
| Other Americas               | 12 |
| Africa                       | 7  |
| Asia                         | 2  |
| Oceania                      | 15 |
| Communist Block              | 4  |

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bodings have never been fulfilled may be attributed entirely to science and enterprise; or it may be in part that the problem of hunger is peculiarly prone to over-statement. On this latter point, Dr P. V. Sukhatme, of the Food and Agriculture Organisation, told the Royal Statistical Society last week that between one-third to one-half of the world's population suffer from hunger or malnutrition—a less sombre conclusion than the widely-publicised one reached by Lord Boyd Orr in 1950 that “a lifetime of malnutrition and actual hunger is the lot of at least two-thirds of mankind.” Further study seems to have brightened the picture; indeed, some estimators have gone further than Dr Sukhatme and declared that the proportion of people seriously undernourished today is extremely small.

The plain truth is that the enormous difficulties in, firstly, defining undernutrition or malnutrition and, secondly, assessing food consumption, have never been resolved. Nevertheless Dr Sukhatme has made a new appraisal of the evidence which deserves study. His broad conclusion is that average food supplies fall short of requirements, in terms of calories, by about 11 per cent in the Far East; in the Near East, Africa and Latin America they are just about sufficient regionally, although obviously varying considerably from area to area; in Europe, North America and Australasia people eat a fifth more than they need. With about a quarter of India's population reckoned to be underfed and perhaps nearly a fifth of China's, the proportion of hungry people in the world is put at 10 to 15 per cent, implying that between 300 and 500 million people are underfed. Not surprisingly, since over

## NOTES OF THE WEEK

three-quarters of the calories in many of the under-developed countries are derived from cereals, starchy roots and sugar, it is suggested that the incidence of malnutrition is far higher.

What is needed to fill the hunger gap, especially as population rises? Dr Sukhatme makes some sophisticated calculations to show that in the Far East supplies of cereals would have to be more than doubled, and those of animal products multiplied six times, to bring an adequate level of nutrition by the end of the century. For the world as a whole, on the assumption that nations who are over-eating today will continue to do so, he reckons that food supplies would have to be more than doubled by 1980 and tripled by 2000 to “bring about a moderate improvement in the level of nutrition of the people of the world.” This would require an increase in world agricultural production of slightly less than 3 per cent compound per year over the next forty years, an expansion that seems both desirable and entirely possible.

## AID

## Indian Test-Case

PRESIDENT KENNEDY's drive for a bigger and better aid effort by the West is already meeting its first test in the search for funds for India's new five-year plan. The Indian plan provides a textbook example of the need for long-term commitments by the West instead of the sporadic help given in the past. With this in mind, the American administration offered early this month, when a consortium of donor countries met in Washington, to give a billion dollars in the early years of the plan if Europe would do the same.

The total of \$2 billion together with World Bank aid, would go far towards covering India's needs. But so far the European response has fallen short of the target by \$350 million. Next week, when the aid consortium meets again in Washington, the Europeans will have a chance to raise their bids. The main target of American pressure is west Germany, which offered \$331 million in Washington, with a part of this consisting merely of renewed short-term loans. But if the Americans' goal is to be reached Britain too, which offered only \$204 million, will have to make a larger contribution; a bigger British offer would increase the pressure on west Germany to give more.

## SOVIET UNION

## Drones Through the Net

RUSSIA's new legislation against “parasites” has been quickly put into practice. The first batches of culprits have already been condemned to deportation. But will the new law in fact get rid of

## THE ECONOMIST MAY 27, 1961

“speculation”? A perusal of recent Soviet court cases suggests that it may not. The middlemen whom the new law seeks to eliminate are a natural product of shortages and deficient planning. Since the housing shortage is most acute of all, it provides obvious scope for illicit profit through subletting or key money. But there is plenty of room for other forms of private enterprise.

Soviet consumption has risen considerably in the last decade; but it has risen from a very low level, and shortages are still intensified by the vagaries of distribution. In one Russian town you may be quite unable to find electric irons or prams or thermometers. Elsewhere these very goods may be plentiful, and an enterprising middleman can buy, transport and resell them with a very handsome profit. The same is true of agricultural products: you can apparently make millions selling Caucasian oranges in Siberia. A third possibility of private gain is open to craftsmen. Tailors or shoemakers who work in co-operatives often also work privately in their spare time. But they need material to work with, and there is a good reward for the man who can find it in a leather or cloth factory.

In Stalin's time it was somewhat harder to earn extra money because a worker was almost tied to his bench by very strict labour laws. In that respect, the last few years have been more propitious for private enterprise. But even Stalin's harsh laws proved inadequate to suppress activities that sprang naturally from scarcity. It is only through a greater supply of consumer goods and a better system of distribution that the Russians can hope to find a solution. Deportation is no cure, but an admission of failure.

## JORDAN

## Quiet Wedding

ROMANTIC love found its way into mediæval literature through the love songs and ballads of Islam. Arabs are able to accept, at least as philosophically as Europeans, the notion that the hazards of love can strike kings and beggars alike. After the first shower of criticisms in the Egyptian press, the Arab world has been noticeably, and courteously, reticent in its comments on the marriage between King Hussein and Miss Muna el-Hussein (once Miss Toni Gardiner) arranged to take place this Thursday. The king's wish to have a very quiet wedding has been respected; his private life, as he insists, is his own, and if his subjects are not enthusiastic about the proceedings, neither are they rude. While it is evident that some people's hesitation to congratulate the king unreservedly stems from a sincere respect and concern for his welfare, the frozen embarrassment of some British comment has not gone down well in Jordan. It would be more seemly to wish the young king contentment and domestic serenity in a life that has so far been overcharged with responsibility and harassment.

## THE ECONOMIST MAY 27, 1961

Although by itself the marriage is unlikely to develop into a major political issue, especially as the king is not to make his wife his queen, it would be unrealistic not to admit that it has added to the king's vulnerability. Should Cairo have wanted to pick a new quarrel with Amman, King Hussein's choice of a bride might have been as good a pretext as any. As things are, a meeting between the two leaders is still on the cards. A couple of weeks ago, after a delay of more than a month, President Nasser replied, rather curtly, to the king's second letter. While making it clear that he saw no use in continuing this correspondence, he wished the king success in achieving his aspirations and welcomed the prospect of their meeting in person. For the time being, at least, the truce between the United Arab Republic and Jordan continues.

## SUMMITRY

## A Mosaic of Neutrals

PRESIDENTS TITO AND NASSER have sent out about thirty invitations to a summit conference of uncommitted countries to be held some time before next autumn's session of the United Nations General Assembly. Some twenty of those invited have already

## NOTES OF THE WEEK

replied favourably; they include President Sukarno, whose own proposal, made in March, for a new summit meeting *à la Bandung* seems to be holding fire, and Mr Nehru, whose response to the earlier Indonesian invitation was unenthusiastic. Some Latin American countries, including Cuba, have been invited as well as Asian and African countries. Ambassadors and officials have started consultations in Cairo



Marshal Tito: moving spirit

to decide the time, place and agenda of the meeting, and whether any other countries qualify for invitations.

It is a safe guess that Marshal Tito is

the moving spirit behind this enterprise. During his recent African tour he frequently referred to the need to strengthen the unity of the “non-aligned” countries so that—without, of course, themselves forming a third force—they could act as a moderating influence on the western and eastern blocks. In itself this is a sensible aspiration, especially as both the two major powers are now more anxious than ever to present an attractive image of themselves to the uncommitted countries. But as Marshal Tito said during one of his African speeches, the uncommitted countries are a “mosaic” of different state and social systems—and of points of view. Uncommitted between the two big power blocks, they represent many diverse mental, ideological and practical commitments towards specific problems. To get the uncommitted countries to form a united front on, say, the Congo, or disarmament, would be a startling achievement.

Yet a gathering at which the noses of the uncommitted countries are firmly rubbed in the hard and intractable realities of disarmament and other problems could be a useful and salutary affair. If this conference comes off, it is to be hoped that the—older and more experienced neutrals, like India and Yugoslavia, will seize the opportunity of giving some short, but not easy, lessons in the facts of international life to their less experienced associates.

and in my quality of acting leader of the Free Democratic Party of Vietnam, I want to point out that Dr Dan graduated from Harvard University, is a well-known anti-communist fighter and a pro-western leader who, for six years, has continuously opposed Diem's despotism and who, with strong support from the population, won a sweeping victory at the 1959 elections. But Diem, who considers Dr Dan as his most dangerous rival, has resorted to unlawful means to prevent him from taking his seat in the National Assembly.

As for the part played by Dr Dan in the recent military coup, it should be noted that Dr Dan joined the Revolutionary Committee only five hours after Mr Diem had officially recognised that committee and solemnly promised basic reforms (*Journal de l'Extrême-Orient*, November 12, 1960). The unavowed purpose of Dr Dan's arrest was to prevent him from taking part in the presidential elections of April 9, 1961, which he would certainly have won if he had been authorised to run.

The Vietnamese people do not feel happy about their lot: how could they when communist subversion and terrorist activities are growing in the country, stimulated by popular discontent against Diem's regime, characterised by despotism, nepotism and corruption.

As for the recent presidential elections, Mr Diem practically ran alone. Dan has been imprisoned and the two candidates permitted to oppose Mr Diem were political unknowns. There were no elections, it was merely window-dressing.

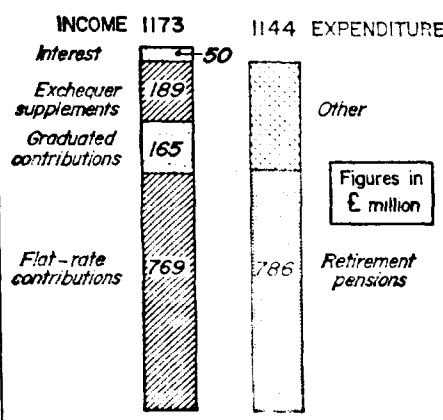
## Vietnam

SIR—Answering the letter from Mr Ngo Dinh Luyen (one of Diem's brothers) published in *The Economist* of May 13th,

## GRADUATED PENSIONS

During the seven weeks to May 12th, a further 137,000 employees were contracted out of the graduated pension scheme, bringing the total number of non-participants to 4,294,000. With a little less from contributions and rather heavier expenditure anticipated, the surplus of the national insurance fund this year is now expected to be £29 million compared with the £40 million estimated six months ago.

## NATIONAL INSURANCE BALANCE SHEET 1961-62





To close my letter, may I cite Walter Lippmann (*New York Herald Tribune*, May 4th): "Our man (Diem) is extremely unpopular, his government both reactionary and corrupt." That is the truth.—Yours faithfully,  
PHAM HUY CO  
Paris

### Restrictive Practices Court

SIR—In your review in your issue of May 13th of *Fair Trade: Resale Price Maintenance Re-examined* by Mr Friday and myself you said that we were both "more or less publicly committed to their cause" and you justify that so far as I am concerned by pointing out that I had "testified for respondents before the Restrictive Practices Court."

In fact I have given evidence before the court only once, in connection with Water Tube Boilers, and as this plant may well cost several million pounds and is supplied by the manufacturers direct to the user, it is difficult to see what rpm has to do with it.

The point I wish to raise is, however, of more general importance, namely, the assistance which economists can and ought to give to the Restrictive Practices Court in cases of this kind. As I see it, the prime duty of an economist witness is to the court; and, although it is no doubt true that a particular industry would not ask him to give evidence if his own views were not on balance in favour of the particular practices before the court, he should hold himself free to assist the court in argument as an expert in the theory of industrial economics whichever way the argument may tend. In other words, he is not before the court either to uphold or condemn at all costs any particular practice in industry but only in so far as in the particular circumstances he thinks those practices are or are not economically in the public interest.

The court is composed of a judge sitting with laymen who are not economists. It has constantly to solve economic problems. The Registrar in the selection of his arguments is commonly advised by an economist who frequently gives evidence; and it seems to me that the court should have the advantage of hearing the contrary economic arguments properly expressed. In the Water Tube Boilers case I undertook this

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### LETTERS

only after prolonged and detailed study of the industry, and in my evidence I examined the possible detriments as well as the benefits of the working of the agreement. The agreement was in fact upheld in its entirety by the court.—Yours faithfully,  
P. W. S. ANDREWS  
Nuffield College, Oxford

### How Ulster Stands

SIR—The tone of the article in your issue of May 13th is such that one would be pardoned for assuming it was written by someone with a Southern Irish background who has obviously never forgiven Ulster for choosing to remain in the United Kingdom when the Irish Free State seceded in 1922. The author writes glibly about the "occasional explosives of the Irish Republican Army" but glosses over the fact that during the last four-and-a-half years there have been 300 major raids on Ulster—they are still going on—in which five policemen have been murdered, 26 policemen and others wounded and nearly a million pounds worth of damage caused to property. The "armed police" mentioned in the article are the legacy of Southern hostility since the Ulster Parliament was established.

The truth about the coal situation mentioned by the author is that the National Coal Board fixes coal prices, not Northern Ireland.

The author sees something sinister in the fact that the same Government has been in power since the Northern Ireland Parliament was established. This, of course, is the will of the people expressed clearly at every election since 1921. Would the author deny to Ulster the right to elect the Government of its choice? Then there is the gerrymandering allegation—old stuff, indeed. The parliamentary election results under the existing single-seat system are almost identical with those in earlier years under the system of proportional representation.

Although unemployment still continues to be the major problem, 160 new industries have been introduced. While some have failed to employ the expected numbers, many others have far exceeded the employment target. Ulster's advance factory programme, under which ready-made factories are built by the Government, has been an unqualified success. Only one factory has failed to attract a tenant. The fact that nine American concerns, including such giants as Du Pont and Chemstrand, have plants in Ulster amounts to a vote of confidence in the country's stability and its attractiveness as a location for new industries. American business concerns are not particularly noted for their sentimentality. Ulster's persistent unemployment problem has been tragically aggravated in recent months by a run-down in employment in the shipyards and further contraction in the linen industry—in both cases due to factors which are outside the control of the Ulster Government.

Total trade and exports—worth £680 million and £322 million respectively—have doubled in value in the last decade.

### THE ECONOMIST MAY 27, 1961

The farming industry produces about eight per cent of the gross output of the United Kingdom as a whole although it comprises only 2½ per cent of the total area. Remarkable advances have been made in the health and hospital services and Ulster has the lowest death-rate as well as the highest birth-rate in the United Kingdom. One in three of Ulster's school population is being taught in a new school and more than one in four of the entire population has been re-housed. Ulster has spent on houses, schools and hospitals relatively more than Great Britain.

Unemployment was heavier and distress a great deal more widespread when Ulster, rejecting any idea of a united Ireland, chose in 1921 to maintain her centuries-old association with Britain, with which it has common ideals, loyalties and outlook. Advantages have undoubtedly accrued to Ulster—the same is true of many areas in the United Kingdom—but there have been obligations too. These Ulster has fully honoured. Ulster stood steadfastly beside Britain in its darkest and finest hour, all its manpower and resources being at Britain's disposal.—Yours faithfully,  
London, SW7 RATHCAVAN

### Invisible Production

SIR—You write that "industrial production has not risen much in Britain for nearly a year now, and it follows that the general standard of living has not been enabled to rise quickly either." But does it follow?

I suggest that even though industrial production might not rise at all, it would still be possible for the general standard of living to rise very considerably if a policy of unilateral tariff cuts, making the same amount of money go further, were accompanied by an invisible export drive. The advantage of invisible exports compared with visible is that they do not require the importation of, and payment for, raw materials.—Yours faithfully,  
OLIVER SMEDLEY

Free Trade Union and  
Cobden Club, EC2

### London Docks

SIR—In your article "The Docks Nettle" of May 6th you say "... when importers ensure that lorries do not have to hang around for nonsensical periods waiting for a load..."

My company is an importer of a considerable number of small consignments and I shall be interested to know in what way the writer of the article in question thinks that we could have any influence whatsoever on the time wasted by our lorry drivers while waiting to be loaded at the docks. In common with very many other importers we find ourselves completely frustrated in all our dealings with the London docks, both import and export and we shall be very glad indeed to receive any concrete suggestions as to what we ourselves can do to ease the situation.—Yours faithfully,  
Enfield, Middlesex R. D. PEACHEY

### THE ECONOMIST MAY 27, 1961

## BOOKS

### The Second New Deal

*The Age of Roosevelt, Vol. III: The Politics of Upheaval.*

By Arthur M. Schlesinger, Jr.

Heinemann. 749 pages. 63s.

IF the title of Professor Schlesinger's third volume has a rather indeterminate ring this is only a fair enough echo of the character of the years he is now describing. We have left behind the glorious try-everything-once biennium of *The Coming of the New Deal*; the third volume opens with the President, despite his midterm successes at the polls, baffled and indecisive; it ends with him triumphant in every state of the union save Maine and Vermont; but the line from frustration to victory is not a direct or single one. These are years which resist the formative hand of historiography.

For all that, Professor Schlesinger has had a very good try at imposing order on the welter of events. His main shaping concept is the idea of a Second New Deal. The first was an attempt to plan the economy with NRA and AAA as the main planning agencies and with anarchy and irresponsibility as the enemies. The second rests on a willing acceptance of competition and diversity but seeks to reform the rules of the game to protect the weakest and curb the strongest. It revives the Brandeis hostility to bigness and draws on the budgetary techniques of Keynes. This distinction is elaborated at length in what are perhaps the most persuasive pages in this always fascinating volume. But with commendable frankness Professor Schlesinger also prints (among the jumble of footnotes stowed away like luggage "Not Wanted on Voyage" in the 50 odd pages of his hold) a rather impressive dissent from Mr Leon Keyserling, who argues in effect that both New Deals were incoherent and that the second derives what character it has from a loss of momentum and a political switch from a "strategy of unity" to a "strategy of division."

The difference is fundamental. If Mr Keyserling is right, then the old anti-Roosevelt charge that for constructive purpose he substituted the fomentation of class hostility gains in credibility; if we accept the Schlesinger thesis, then we will worry less about the author's slightly offhand treatment of the opposition case. (This, incidentally, does not extend to Professor Schlesinger's handling of the Landon campaign in 1936; these are among the freshest and most balanced pages in the book, backed by some very illuminating material from the Landon papers.)

Whichever we accept, however, there re-

mains in the crowded panorama of these years a colourful jumble of events that cannot be reduced to any intellectual pattern and which Professor Schlesinger has wisely been content merely to record, with appropriate relish, for what they are. The Louisiana hay-ride of Huey Long, the ugly proto-fascist movements of Father Coughlin and Gerald K. Smith, the touching crusade of Dr Townsend are all phenomena of a period when political energies are released faster than they can be harnessed. They make splendid reading and are excellently told. They get drawn together only as the currents of politics suck every minor movement into the irresistible onrush of the 1936 presidential campaign, with which this volume closes. Here in a smooth and gripping (if not very analytic) final sequence Professor Schlesinger, as both historian and campaigner, brings his immensely readable and stimulating history abreast of another milestone in its progress. Let us hope that the distraction of the New Frontier will not delay the appearance of volume four.

### Motivational Research

*The Strategy of Desire*

By Ernest Dichter.

T. V. Boardman. 320 pages. 25s.

IT is reported that Dr Ernest Dichter can justify the considerable fees he charges for his services to American advertising agents by just sitting and talking. Even though they may not buy, for their customers' products, the full motivational research treatment which he sells (incidentally, anyone who is led by his title—President of the Institute of Motivational Research—into thinking that Dr Dichter is not selling anything will soon be put right by this book) there is always a good chance that they will pick up from his conversation the germ of a few good gimmicks. But from now on they will be able to buy this book and dispense if they wish with the personal consultations. For into a single volume Dr Dichter has thrown—"thrown" is certainly the word to describe the effect produced—dozens of the sort of ideas that have earned him the title of father of 'motivational research.'

Here also is some of the evidence of the validity of his claim to that title—some but not all, for no thorough and systematic account of individual motivational research studies is here given. It is clear that Dr Dichter is constantly asking himself *why* consumers are buying particular products.

It is also clear that he applies psychological techniques to this question. After that anything might happen. The "answers" which are suggested to some of the questions he has been asked include a few that look like very shrewd common sense and some that look like—and are—pretentious, pseudo-scientific nonsense. But most of it is good fun if you do not take it—as some solemn social investigators appear to have done—as a serious contribution to philosophical and psychological inquiry.

The most illuminating comment on the book is contained in its own implied claim to be the answer to Mr Packard's "The Hidden Persuaders." Both books are miscellaneous collections of quaint stories roughly classified under chapter headings and only vaguely connected with the vast morals drawn from them. The main differences are, first, that Dr Dichter is an originator of stories whereas Mr Packard is a retailer of them and, second, that Mr P. has slightly more skill in arranging his material than Dr D., who has no skill whatever in that direction.

### Long Sight

George Orwell

By Richard Rees.

Secker and Warburg. 160 pages. 18s.

SIR RICHARD REES, who was a friend of Orwell's for the last twenty years of his life, has written a very sympathetic study of

## BUSINESS FINANCE

F. W. Paish, M.C., M.A. 2nd edition. Since the first edition of this book was published in 1953, much has happened in the financial world. Therefore, for the new edition the contents have been completely revised and new statistics have been incorporated, so that the book is fully up to date. "As always, Professor Paish expresses himself with admirable lucidity and directness. He writes with an intimate practical, as well as theoretical, knowledge of his subject, and his book should be invaluable not only to students of economics but also to budding bankers and stock-brokers and accountants, and indeed to any young man or woman intending to make a career in the City or business administration."—*Economic Journal*. 15/- net

## PITMAN

his works and character. It is not a biography: only so much information is given about his life as is needed to explain his writings. For all Orwell's pessimism and suffering, the impression left is a singularly happy one. The time was out of joint, but not the man. He reacted to it with abnormal sensitiveness; his short-term views and feelings were often rather distorted; but he was one of the few real prophets of his time, and when he focused his view on the long term, he had no equal for sanity, perception and goodness. Justice was his passion; and he opposed lying and bullying wherever he found it. No one was less a dupe of contemporary fallacies.

Several people recently—Sir Richard Rees among them—have grouped Orwell with others who typify revolt in various forms against the tradition which is most unfashionable today: the groups vary, but always include D. H. Lawrence and usually Dr Leavis. Orwell stands alone among such type-figures in this, that everyone accepts him, revolters and traditionalists alike. His deepest beliefs were those of the *honnête homme*, and his analysis of the way we all betray them so glaringly simple—once it had been done by a man of genius—that no one can resist it.

It is the two great satires that are likely to last. How long, perhaps, depends on the development of nations; but one can prophesy a good life to books that have added words and ideas to the language and have lifted the scales off the political eyes of many men. Sir Richard Rees's book can be recommended to anyone who has read "Animal Farm" and "Nineteen Eighty-Four" and wants encouragement to go a little further.

### Merchant Princes

Rathbones of Liverpool, 1845-73

By Sheila Marriner.

Liverpool University Press. 259 pages. 30s.

IN the early nineteenth century the Rathbones, a long-established merchant family, were mainly concerned with the import of American cotton. During the depressed years of the 1840s, and stimulated by the sons of the family, the firm started to diversify its activities, and in the mid-Victorian trading boom it conducted a widespread business, primarily as a commission house, in tea, silk and breadstuffs. Rathbones had houses in China, London and New York as well as in Liverpool, and they were merchant bankers and ship-owners as well as shipping and insurance agents. Their growth was prodigious, and their capital rose from under £40,000 in 1842 to £600,000 thirty years later. They left behind a business correspondence so extensive that it partly makes up for the absence of surviving accounts, and from their papers Miss Marriner has written a scholarly and well-organised account of their operations during their most flourishing years. Her book is not just another

house history, but an outstanding contribution to the history of the organisation and finance of international trade in the nineteenth century.

The great expansion of world trade in that century is too readily taken for granted as the inevitable outcome of falling transport costs and marked differences in comparative advantage. But much depended on the ability of trading houses to handle successfully the complex problems presented by new products and new sources of supply. A merchant house like Rathbones was, of course, in a good position to expand, since the organisation devised to trade in one commodity could be adapted to deal with others. But to acquire the necessary expertise, establish a network of correspondents and agents, build up reputation and confidence, assess changing risks and devise methods of dealing with them—all this called for abilities of a very high order. Such abilities the family and its associates evidently possessed, particularly William Rathbone the sixth (the father of Eleanor Rathbone, MP) and their London agent the vigorous Mr Lidderdale, who became Governor of the Bank of England.

Towards the end of the century the firm ran down. Better communications reduced the scope for commission business. A firm with such a diversity of interests was not well adapted to survive the competition of more specialised concerns. They might have developed their acceptance business and like many merchant houses have ended up as a finance company and issuing house; but they did not in fact do so. The main cause of their later contraction seems to have been a weakening of the desire to make wealth and the increased calls of philanthropy and politics. The family had made enough to pursue these activities and were not keen enough to adapt their methods to changed circumstances. Miss Marriner has concentrated on the decades of expansion, but in doing so she illuminates the defects as well as the great merits of the family firm as a form of enterprise.

### The Liberal Democrat

Locke's Two Treatises of Government.

A Critical Edition with Introduction and Notes

By Peter Laslett.

Cambridge University Press (1960). 534 pages. 55s.

Locke on War and Peace

By Richard H. Cox.

Oxford University Press (1960). 240 pages. 35s.

JOHN LOCKE, more than any other, is the theorist of liberal democracy. We had to wait, however, till 1957 for an authoritative biography, given us by Mr Cranston; and now at last we have a critical edition of Locke's masterpiece of political theory, the "Two Treatises of Govern-

ment." This is a work of careful scholarship, in which the editor has tried to realise Locke's intentions as Locke himself, despite frustrating wrangles with his printer, was never able to do. Since 1948, scholars have had access to the Lovelace Collection of Locke's papers now in the Bodleian, Mr Laslett has worked besides through Locke's own library, still in one collection in the possession of the Earl of Lovelace. As a result, some remarkable blows have been struck at the Locke mythology.

The long-accepted legend that the "Two Treatises" were written in 1689 to justify the Glorious Revolution is now certainly refuted. It seems that they were substantially completed between 1679 and 1682, before Locke's exile in Holland, and that he did not have access to the manuscript again until 1687, or even until 1689. They were occasioned, then, not by the Revolution, but by the Exclusion Bill controversy, and by the plots that followed it. Mr Laslett's story has something of the fascination of a detective story and a spy thriller combined. Locke seems to have been involved in the Whig intrigues with Monmouth and in the Rye House Plot, not simply by association with Shaftesbury, but on his own account. So we need not wonder at his extreme caution and secretiveness, and at his disclaimers, almost to his death, of the authorship of the "Two Treatises."

Mr Laslett believes that the second treatise no less than the first was directed against the patriarchal theory of Sir Robert Filmer, and not, as some critics have supposed, against Hobbes, who was already discredited anyway, and whose work Locke professes not to know. Nevertheless, there are certain resemblances to the "Leviathan." However, according to Mr Laslett, Locke's book is "quite unlike it in doctrine." Locke "rejected Hobbes's psychological assumptions and also his entirely rationalistic, unempirical view of natural law."

According to Mr Cox, however, so far from attacking Hobbes, Locke agreed with him on all essential points. But because Hobbes's doctrines were dangerously unfashionable, he skilfully concealed the real trend of his argument. For instance, the state of nature described in the second chapter of the second treatise appears to be a social state, under a rational law of nature, and distinct from a state of war. Men exchange it for civil society only on account of certain "inconveniences." But by the time we reach Chapter XIX, we learn that the dissolution of government leads to a condition much like Hobbes's state of nature, the war of each against all. Again, Locke's theory of natural law seems at first to echo Hooker, as an account of moral obligations. But it turns out, according to Mr Cox, to be a theory of rights depending on interest and inclination, above all on the inclination of every man to preserve himself. So Locke is found to be echoing not Hooker but Hobbes. In this Mr Cox disagrees with Mr Laslett, who

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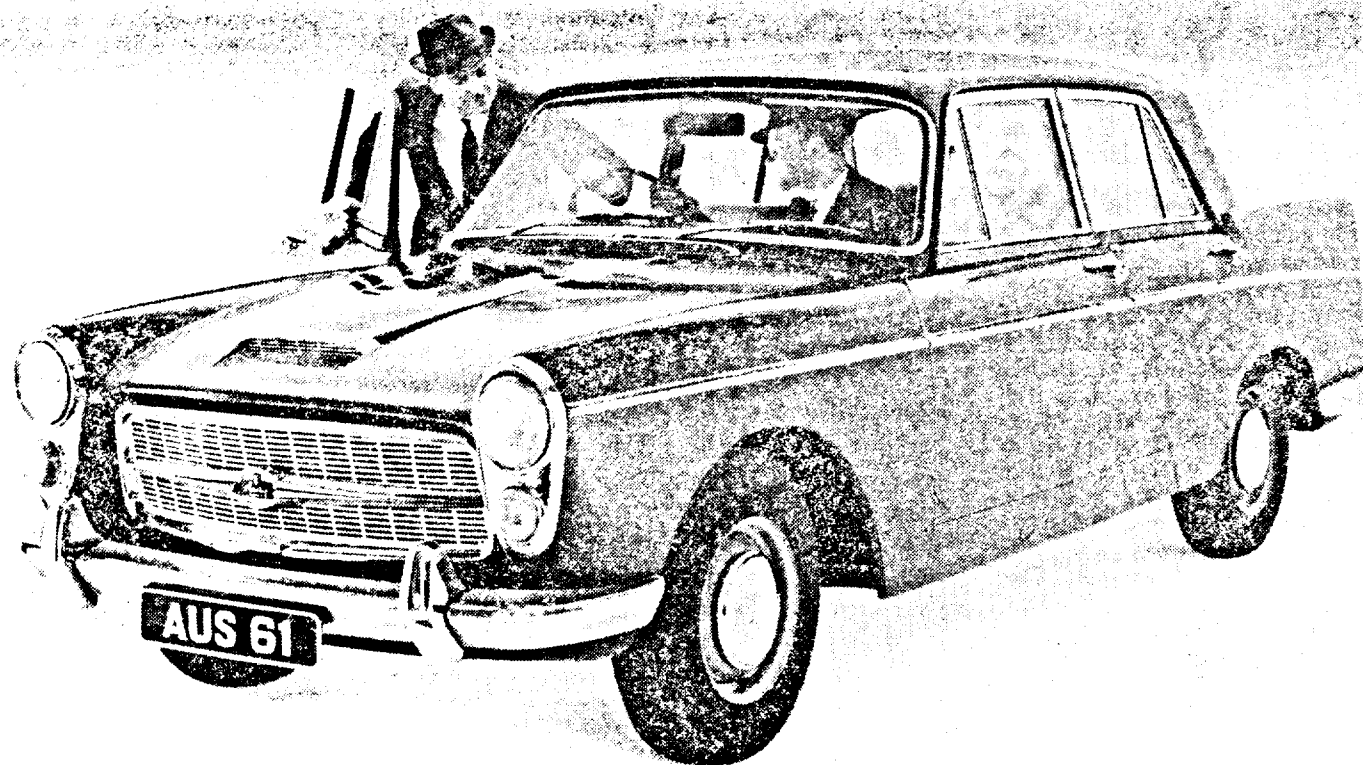
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detects in Locke a belief in a "natural political virtue"—a kind of social conscience. Again, Mr Cox seems to disregard altogether Locke's assertion that we have a duty to God to preserve ourselves, as His creatures and therefore His property. Our natural rights are ultimately conditions for carrying out this duty, at least as much as for realising our interests.

Mr Cox does not rely simply on a logical analysis of Locke's apparent inconsistencies. These are not, he believes, accidental. Locke was following a deliberate policy of concealment, but he carefully provided, in his analysis of Filmer's methods of insinuation, a key also to his own. Mr Cox deciphers the treatises, with a thoroughness and ingenuity that sometimes recall the more imaginative interpretations of the Book of Revelations. Thus he finds it significant that Locke's shift of position on the state of nature begins, according to Mr Cox, in Chapter IX, which is precisely the midpoint of the Second Treatise: "There are 243 sections in the Second Treatise, and Chapter IX begins with sec. 123."

Nevertheless, Mr Cox's examination of Locke's inconsistencies is very persuasive; and if his explanation seems improbable, it is at least a better one than Mr Laslett has to offer. For Mr Laslett tells us that Locke's political theory is not philosophy at all, and does not set out to be. And so, it seems, we need not take his contradictions too seriously.

The point of Mr Cox's interpretation is to develop its consequences for the theory of international relations. For if the state of nature is really a state of war, and the law of nature only a potentiality in nature, international relations are necessarily lawless. The "federative power," which is Locke's term for the functions of the Foreign Office and defence ministries, is not the side issue in Locke's theory that most commentators make of it, but is the most important of all sides of government, since the problem of security is paramount. And this leads Mr Cox to a different view of individual rights in civil society from the one usually offered. If Locke scholars are not disposed to accept Mr Cox's case, he has at least made out a claim to an answer.

### Unhonoured Inventor

F. W. Lanchester

By P. W. Kingsford.

Edward Arnold (1960). 246 pages. 30s.

F. W. LANCHESTER was one of the greatest of British inventors, with a mind so versatile that his achievements ranged from the theory of flight to the improvement of machine tools. The car to which he gave his name was only an incident in his career; and, though it represented the only original work in automobile engineering done in Britain during the pioneering epoch, it had little influence on the more empirical engi-

neers who fitted better into the life of the industry. His work on aerodynamics, which began in 1894 with a paper that formulated the vortex theory of lift—and was rejected by the Physical Society—culminated with his two volumes on aerodynamics, published in 1907 and 1908. These have had much influence on aircraft designers, though many of those in Britain were the last to appreciate the value of Lanchester's ideas. Unhappily, his only attempt to produce an aeroplane was abortive, so that he was denied the fulfilment of his abilities and the industry their use. He was instead limited to the role of a member of the Advisory Committee for Aeronautics, where he had to try to advise those who could not understand his book. After the first war, his creative gifts began to decline: his last venture, into high-fidelity sound reproduction at the time of the slump, lost him his savings. In between his major studies he had found time to invent air-supported domes, among other ideas that have since been adopted, and to make some of the first studies in operational research. He died in real poverty in 1946, embittered against a society, and two industries, which he felt had cheated him.

Mr Kingsford's book is the first biography of Lanchester to be published; and, though it does contain much interesting information on his life and work, it is disappointing as a portrait of a genius. One would like to know more about Lanchester's methods of work on the many subjects that he studied, and to have a rather less muted account of the disputes with lesser men—and he was never reluctant to let people know that they were his inferiors—which marked his life. It is unfortunate that Mr Kingsford did not inform himself better about the early history of motoring or about the technicalities of car design; his failings limit the value of his writings on this aspect of Lanchester's career. The absence of an index largely nullifies the book's value as a collection of facts about Lanchester's career.

### The First Roué

The Scandalous Regent: A Life of Philippe, Duc d'Orléans 1674-1723 and of his family

By W. H. Lewis.

André Deutsch. 228 pages. 21s.

THE seventeenth century Dukes of Orléans might fairly be called delinquents: Gaston instigated, and subsequently deserted, almost every conspiracy from the Day of Dupes to the Fronde; the Regent's father was a scent-soaked pervert suspected of murdering his first wife; rumour accused the Regent himself of trying to poison the King of Spain, and of successfully poisoning two Bourbon relatives who obstructed his path to the throne. These suspicions were unjustified; but they were not unreasonable; nor was the equally popular story of his attempt to seduce the

Spanish Queen, or the belief that his excessively indulgent affection for his daughter was incestuous.

Mr Lewis makes no attempt to whitewash Orléans's private life; but his complaint that Louis XIV's jealousy denied the duke adequate opportunities for exercising his alleged military and diplomatic talents is unconvincing. Louis mistrusted Orléans's character; the duke's courage was unaccompanied by commonsense, and there was no reason to believe him capable of turning the tide of war against Marlborough or Eugene. Nor was his mission to Spain a recommendation of his diplomatic reliability: doubtless he was innocent of designs on the king's life or the queen's virtue, but he dabbled indiscreetly in futile discussions of his own pretensions to the Spanish throne. It was, therefore, only because there was no alternative that Louis, almost on his deathbed, made him Regent of France in 1715.

Orléans now had an opportunity of changing his own reputation and the course of French history. Unfortunately, he was quite unequal to it. His task was far from hopeless; for Louis had, contrary to Mr Lewis's opinion, left France richer and more powerful than he had found it. He knew what reforms were needed; but he lacked the will power to carry them out. He sacrificed the chance of reuniting French Catholics to the desire of his disreputable friend Dubois for a cardinal's hat; the political education of the younger nobles to his own lazy preference for easy political expedients; and the potentialities of Law's pre-Keynesian experiments to the prejudices of conservative bureaucrats who impeded, and the greed of unscrupulous speculators who exploited, them.

This well documented biography picturesquely completes the story told by Mr Lewis in his earlier books, "The Splendid Century" and its "Sunset." The central figure is no longer the great king—but a regent who, in the brutal slang of a society which broke men on the wheel, might well be called "The First Roué."

### OTHER BOOKS

CONTINENTAL HOLIDAY: *The American Travel Guide to Europe*. Distributed by Publishers Services, Dartford. 672 pages. 21s.

THE FRUIT ANNUAL 1961. *British Continental Trade Press*. 619 pages. 20s.

THE PENNSYLVANIA MANUFACTURERS' ASSOCIATION. By J. R. Wike. *Pennsylvania University Press*. London: *Oxford University Press*. 356 pages. 64s.

INCOME TAX. By J. L. Mellor. *Pitman*. 249 pages. 30s.

CARROLL WRIGHT AND LABOR REFORM. By James Leiby. *Harvard University Press*. London: *Oxford University Press*. 253 pages. 38s.

THE INVESTOR'S MANUAL 1961. *Nicholas Kaye* in association with *Siraker*. 183 pages. 18s.

INVEST YOUR SAVINGS. By G. D. Gill. *P. R. Macmillan*. 120 pages. 12s. 6d.



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# AMERICAN SURVEY

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

## Post Haste to Vienna

WASHINGTON, DC

LIKE Alice, the more firmly President Kennedy turned his back on the summit, the quicker he found himself climbing up to it. Even before his Administration took office few things were stressed so much as its determination to postpone personal talks between the President and the Soviet leader until it was firmly in the saddle and until visible progress had been made towards better relations with Russia through normal diplomatic methods. Yet little more than four months after the inauguration, after a series of setbacks in foreign affairs, a drop in prestige abroad and a fresh exchange of acrimony between Washington and Moscow, Mr Kennedy is to meet Mr Khrushchev face to face.

In the looking-glass world of politics it is common to do in office what one denounced when in opposition. And the present Administration can add firmly that the Vienna meeting is no full-dress summit; indeed, it hoped—vainly—that the emphasis on the non-negotiatory nature of the meeting in the announcement from both capitals would make the very word "summit" unprintable. What, then, is the meeting intended to be? The explanation offered is that it is a continuation of the policy laid down last February and, indeed, earlier: to maintain contact with the Soviet Union notwithstanding any incidental or peripheral flare-ups in the east-west struggle. All along it was foreseen that to keep on speaking terms with Moscow in spite of the individual battles of the cold war would eventually require a personal meeting between Mr Kennedy and Mr Khrushchev. It was even foreseen that certain battles would go against the West. All that was not foreseen was that these initial local defeats would be, temporarily, so humiliating—or that circumstances would conspire to bring about the long-discussed *tête-à-tête* so soon after them.

As in the Cuban adventure, the timing has been forced on the President by many considerations. To some extent his allies have been responsible. They insisted on seeing him promptly, which compelled him to visit President de Gaulle in Paris; and this provided Mr Khrushchev with a perfect opening, shortly after the full effects of the Cuban fiasco became clear, to suggest that Mr Kennedy's presence in Europe provided a most convenient moment for a meeting. To refuse, it was felt, would have prejudiced the basic plan for keeping open the channels of contact with the Russians. To refuse might also have given the Russians an immediate additional card to use in their propaganda to the neutral countries; they could have said that Mr Kennedy was uncooperative or cowering after his defeats. To that extent, Mr Khrushchev finessed the trick. Having made the President vulnerable, both Mr Macmillan and General de Gaulle had to give him their overt support though Washington soon found the former to be no more than lukewarm at the prospect of the meeting and the latter distinctly less than that. (The Germans, under presidential displeasure for backsliding on their promises to join wholeheartedly in the programme of aid for underdeveloped countries, were not consulted seriously.)

The disadvantages of talking to Mr Khrushchev in the West's

present disarray are obvious enough. None of the Administration's plans for strengthening the alliance, reviving the North Atlantic Treaty Organisation, obtaining joint (including Canadian) action against communist penetration in the western hemisphere, winning neutral support and putting the development of the underdeveloped countries on a new footing has yet begun to come to fruition. Meanwhile, a despairing debate on American foreign policy has broken out in the American press over the alternatives to the collapsing policy of containment and the answer to communist infiltration and guerrilla tactics is still being sought where it is least likely to be found—in the Department of Defence. Mr George Kennan in his new book\* can offer only the dour hope that as Russia acquires more territory from the West it will be as frustrated by its friends and allies as the Americans are now. Against this Mr Khrushchev's serene pronouncements that communism is the wave of the future provide a contrast that is hardly refuted even by President Kennedy's demosthenic orations.

BUT there are, in the view of the White House, practical considerations to be set against all this. Mr Khrushchev, significantly, wanted four full days of talks; the President, urging the pressure on his time-table, has been able to reduce this to two. Thus if the talks go badly they will be brief, and if they go well they will serve as *hors d'œuvres*. Brevity also minimises the negotiating aspect of the talks with Mr Khrushchev but at the same time it enhances the importance of the trip to Europe; for after Vienna Mr Kennedy is to go to London, while Mr Rusk reports back to General de Gaulle and Dr Adenauer is presumably let into the secret also. Thus the occasion will become an expanded and perhaps more effective inter-allied conference. And because the meeting is brief and the notice of it short, the world's press cannot build exaggerated hopes on it (or so the Americans trust), giving the Russians a chance to blame the disappointment of such hopes on Mr Kennedy's "intransigence" in pursuance of the cold war.

The Vienna meeting will, it is thought in Washington, strengthen Mr Kennedy's hand with his allies and more particularly with General de Gaulle. After the Cuban fiasco there was much head-shaking over the prospects for the Paris meeting which will affect the future of the alliance itself. That meeting is still the focus of the President's trip, though General de Gaulle is displeased that it is no longer the sole reason for it. But now he can hardly say or do anything that makes the President's task in Vienna more difficult; he will be asked for counsel in the spirit of his own demand for "big three" consultation on policy so that he can hardly adopt an unaccommodating attitude on everything else. Washington expects the General to demand that the United States align its African policy (from the Mediterranean to the Cape) with France and Britain and he may express his resentment over American meddling in North Africa. But his resistance until now to Britain's entry into the common market, softened by his contemplation of a post-Adenauer Germany, may be further moderated by President Kennedy's case for strengthening European solidarity and the Atlantic alliance. It is even felt that the way is

\* Russia and the West under Lenin and Stalin. Little, Brown and Company. Boston. \$5.75.



open now to reasoned discussion on France's barracking in Nato—which is optimism indeed. To this extent, by manoeuvring Mr Kennedy into a meeting, Mr Khrushchev has helped the President to deal with his awkward squad of allies.

Another argument for accepting an early meeting was the need to be armed with personal experience of Mr Khrushchev's moods when talking not only to allies but to neutrals also. The rules of the summit club involve being "blooded" in this way before one can speak with authority. Finally, Mr Kennedy's domestic position affected the decision. No close connection is to be traced between it and Mr Nixon's call for such a meeting two weeks earlier, but Republican criticism has been silenced (or almost) and Congress—despite private misgivings voiced in the corridors—has approved it publicly. It might be disingenuous to think that the President will not exploit his trip to Vienna to exhort the American people again on the need for greater, even if still unspecified, efforts on their part; his *alter ego* and speechwriter, Mr Ted Sorenson, as well as an aircraft full of journalists is going along. But this may serve the practical purpose of getting the foreign aid Bill (the sheet anchor of anti-communist planning) through Congress intact.

Such questions of timing leave unanswered those of what the President is to say to his antagonist. The press assumes that he will warn him that Berlin will not be another Laos. The American ambassador in Moscow recommended agreeing to the meeting on the ground that such a warning against miscalculation might now be necessary; and from him the argument commands respect, poorly as the President may be placed after Cuba to draw a line. Presumably he will also warn Mr Khrushchev of the consequences of the Russians forcing the talks on banning atomic tests into failure and thus avoid the blame falling on the United States if they do. Mr Kennedy can probe Russian intentions on the critical issue in the discussions on Laos—whether the control commission is to have effective powers. If Mr Khrushchev gets tough, Mr Kennedy will be able to galvanise both his allies and American public opinion. If, on the other hand, Mr Khrushchev tries to blandish the President with charm and sweet reason and with tempting minor concessions, Mr Kennedy can, indeed must, retort that the proof will be found in Russian co-operation over the control commission for Laos and over inspection for nuclear tests.

When Washington adds up the sum like this, there seems every reason to go to Vienna now: yet there is still another. On the basis of the President's own grim assessment that things will worsen before they improve, the pessimists point out that if he waited longer, ultimately he might go to the meeting under the shadow of greater disasters in his affairs abroad. Mr Khrushchev is obviously aware of this and Washington is somewhat apprehensive of the surprise he may spring. But perhaps, feeling that history is with him, he is merely in a hurry to look over the young champion he is so sure he can throw.

## Ride for Freedom

VIOLENCE and imprisonment in Alabama and Mississippi have not slowed down, indeed they have probably quickened, the flow of "Freedom Riders"—mostly young Negroes, with a few white sympathisers, who are determined to challenge illegal discrimination in the defiant heart of the old South. Dr Martin Luther King, the symbol of the non-violent protest which has proved effective in breaking down racial barriers elsewhere, prophesied this week that there would be Freedom Riders on most of the buses leaving Montgomery, Alabama, in the near future and with the approaching end of the college term the Attorney General's appeal for a "cooling off" period may fall on deaf ears. A massive and many-pronged assault on the segregated

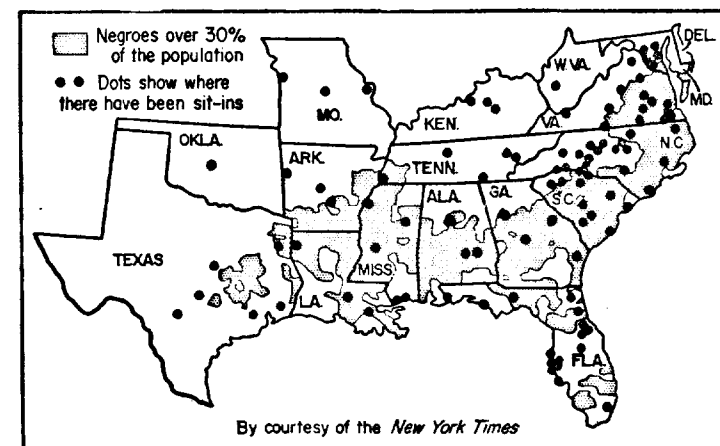
waiting-rooms, restaurants and other facilities, maintained in defiance of the Supreme Court's ruling against racial segregation in transport, may strain the federal government's determination to protect all travellers. It may also defeat the desire of other states to have no repetition of the appalling scenes in Alabama—even if, as happened in Mississippi this week, the un-



welcome guests are thrown into prison allegedly for "inciting to riot." The Freedom Riders are being sponsored by the Congress for Racial Equality, a bi-racial organisation which has led "sit-ins" all over the South to end discrimination at restaurants, lunch-counters and other public facilities.

Mr Robert Kennedy, the Attorney General, has used his powers both effectively and discreetly. The 700 federal marshals dispatched to Montgomery were not moved until it was plain that the state authorities were not honouring their promise to prevent violence; unlike the paratroopers whom President Eisenhower sent to Little Rock four years ago they are an arm of the civil power. This week as groups of Freedom Riders entered Mississippi on their way through the "Black Belt" to New Orleans, their protection was left to the state authorities. But the federal government has moved quickly to punish leaders of the mobs in Alabama; it has also secured a court order to prevent the Ku Klux Klan from interfering with travellers and is attempting to have the order extended to four police officials in Alabama.

The Administration's aim is to rally the sympathy and support of the moderates, in the South and in Congress, mainly because this is the only hope of orderly progress but also because Southerners hold the key to the success of the President's legislative programme. So far it looks as though the Administration is succeeding. But this is due as much (or more) to the folly of Mr Patterson, the Governor of Alabama, as to the deftness of the Attorney General. Alabama is probably the state where racial repression is worst and feeling runs highest, yet the Governor all but invited violence against "outside agitators." He does not seem to have tried to maintain law and order. When the federal marshals



appeared he threatened to arrest them. At the height of the crisis he became "unavailable"—even to the President. The impudence of Alabama's defiance is summed up in one incident; when the Attorney General's own representative was beaten and left unconscious in the street for half an hour, the excuse was that all the white ambulances had broken down. Other southern Governors and many southern Representatives in Washington feel that Mr Patterson has done great harm to the cause of the South; even Senator Talmadge of Georgia, who is no moderate, has condemned publicly Mr Patterson's failure to preserve the peace.

## Picking Up Latin Pieces

CUBA, scorning "capitalist bribes," will not be represented at the Latin American economic conference to be held on July 15th at Montevideo at which President Kennedy, very possibly in person, is to launch his Alliance for Progress—a joint effort to raise the standard of living in the other nineteen Latin countries. But Dr Castro will not lack some American aid of his own, if he holds to his offer of exchanging 1,214 captured members of the Cuban invasion force for 500 tractors and bulldozers. A private committee, headed by Mrs Roosevelt and with the Administration's open, if unofficial, approval, is already receiving contributions to pay this ransom, in the name of humanity and to demonstrate friendship toward the Cuban people.

For the time being the President is having to swallow not only Dr Castro's cynical offer, but also the fact that there is no likelihood of persuading the Organisation of American States to take any joint action against the present Cuban regime. Dr Quadros, the President of Brazil, the largest of the Latin American countries and the one most in need of massive American aid, has flatly refused to do more than consider measures to prevent the spread of subversion to other countries. The Administration's plan now is to send Mr Adlai Stevenson on a good-will tour in June, to see if he can charm Latin Americans into holding a political conference after the economic one. Meanwhile, at home the Administration is at last moving to clarify responsibility for Latin American affairs. Mr Adolf Berle, who with his Latin American task force is reaping much of the blame for the Cuban fiasco, seems to be moving out; Mr Cabot, the experienced ambassador to Brazil, is about to be appointed ambassador to the OAS and the long-overdue appointment of an Assistant Secretary for Inter-American Affairs is said to be in the offing.

In moving back to the attack on Latin American poverty, which is the only way to prevent new Castros, President Kennedy is building on his legacy from the Eisenhower Administration; Congress has just approved an appropriation of \$500 million for a long-range programme of help to stimulate land and tax reforms and low-cost housing. But this is not likely to be enough either in the long or the short run. Brazil has had to have first-aid: a \$1 billion package, made up of about \$500 million in new money from the United States and the International Monetary Fund and perhaps \$150 million from European banks, and over \$400 million in postponement of payments on existing debts. Bolivia is also being given emergency aid and Venezuela will probably get some too. What gives greater hope to Latin Americans is that for the first time the United States has placed on the agenda of an economic conference means of stabilising the export prices of the depressed commodities on which they depend and has put its stamp of approval on a Latin American Free Trade Area. These are not the only innovations; part of the American loan to Bolivia is for a government-owned oil industry which in the past could have expected no help from capitalist America.

## Innocent on the New Frontier

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RECENTLY IN WASHINGTON  
OFFERS SOME IMPRESSIONS



THREE days before it happened a wise and liberal professor in the President's team was arguing, "We cannot let these good Cuban patriots down." The commitment was complete and failure rocked the confidence of the Kennedy brains trust—to the point that Mr James Reston, in the *New York Times*, urged them not to pack their bags; the nation needed them still and if they left Mr Kennedy alone with his political handlers they would desert their trust. They remain, worrying out the problems of Vietnam. Kennedy fans in Britain, rejoicing a little early at the victory of new ideas, might note another rebuff for brains—the comparative calm with which newish ideas have been turned down in the economic sphere. A President all for growth, surrounded by Harvard teachers of economics, has opposed a steady orthodoxy to their heterodox proposals—to reduce short-term interest rates, for instance, or declare a tax holiday.

Invited at his press conference to discuss the prospects for the economy, Mr Kennedy dodged the broad question and instead rubbed in the risks of renewed losses of gold. Is this the man who, the bankers said, would ruin the dollar? Recovery has come more smartly than seemed likely at the beginning of his hundred days. The current game of guessing what the annual rate of national output will be by the end of this year yields some odd comparisons; \$515 billion is in the air which the Council of Economic Advisers breathes, but over at the Federal Reserve Board they talk of a possible \$535 billion. Twenty billion is the range between those who are urging special encouragement and supplementary budgeting and those of the "leave it to the market" school. At this moment President Kennedy seems to be fairly impressed with what the economy is doing to help itself, and to be leaving a massive assault on the bad spots for later campaigning.

Grave stories are already in circulation of the bitter differences that have arisen between the CEA and the FRB; (it is interesting to reconcile these with the fact that the chairman of the central bank attended the recent Paris meeting of the Organisation for European Co-operation and Development as a member of an American team led by Professor Walter Heller, the CEA's chairman). The view that Mr William McChesney Martin, Jr, is an impediment to economic progress is widely propagated by interested parties; in fact, the head of the FRB exudes humane good sense on unemployment, money, fiscal policy and a full share for the consumer in the benefits of expanding productivity. Where bankers congregate there is much talk of preventing the CEA from running the American economy as a lecture room model—a caricature, too, though it reflects something of the ambition of Professors Heller and Tobin to make the American economy "get up and go."

Of all the toilers in the Kennedy Administration, none works harder than the President himself. He finds it necessary to absorb the essence before delivering the decision—which means going most of the way with the experts before making up his mind. How long this burden can be carried worries his keenest supporters. So far there is some putting on of weight (he might think of Mr Truman's misty morning tramps through Rock Creek Park), some trace of puffiness, a few more sentences trailing unfinished in his press conferences, but no hesitation under pressure. Mr Kennedy's recovery from the Cuban fiasco was a masterpiece of

political dexterity; he rode off on international communism, side-tracked pressure to "send in the Marines" and left his advisers with the agonising reappraisal of an outside-chance adventure of a kind that they will never repeat.

Cuba brought discomfiture to everyone except the President, who proceeded to build on it. His political lieutenants have been insisting that he should pick his own time for getting his way in domestic policy and the major concentration has been on external policy—communism, Cuba, Latin America, Laos, Vietnam, Europe and Canada—where the dividends are bound to be slow. But popularity at home has been built up. Before the

Cuban episode Mr Kennedy's advisers were apprehensive whether he could deliver the vote in Congress; he has since shown unmistakably that he can—and conceivably this is in some part a reflex action that would not have happened apart from Cuba.

None of the President's aides is more impressive (though many are more likeable) than the young political masterminds in the north-west wing of the White House. What ought to be done is a matter for the Bundys, the Rostows and the Hellers; what can be done rests largely on the views of these artists of the possible. They link the enormous sophistication of the President's buzzing thinkery with the slowly paced, predominantly conservative opinion

## Aluminium Goes Abroad

FROM A CORRESPONDENT IN CALIFORNIA

**S**USPENSE over the proposed hydro-electric and aluminium project on the Volta River in West Africa came to an end in March with the news that the government of Ghana had awarded a \$10.5 million contract to the Kaiser Engineers International division of the Henry J. Kaiser Company, of Oakland, California. It will be responsible for preparing detailed engineering designs, procuring major equipment and inspecting construction. In its capacity as consultant to the government of Ghana, the firm has been evaluating bids for construction of the \$169 million Akosombo Dam and power plant, the first step in an undertaking which, it is estimated, will take twelve years to complete. Kaiser also heads the consortium of American producers which are members of the Volta Aluminium Company (Valco), with headquarters in the Republic of Ghana. It is now holding discussions with the American government over the financing of a proposed \$178 million plant which would use electric power from the dam to produce aluminium from local deposits of bauxite.

The aggressive part which Kaiser has played in the Volta River development has captured the spotlight, but it is only one case out of many. American producers of aluminium, who have hitherto been more or less confined to the western hemisphere, are now active all over the world, taking part in projects to develop bauxite and hydro-electric resources, planning aluminium reduction and fabricating plants, and buying interests in the aluminium enterprises of industrial countries, notably those of the United Kingdom. Among those taking part are such leading producers as the Aluminium Corporation of America (Alcoa), the Reynolds Metals Company and the Olin Mathieson Chemical Corporation as well as the Kaiser interests.

They give three main explanations for this upsurge in international activity. One is the depletion of the resources of bauxite in the western hemisphere, as demand in

North America has expanded, and the need to ensure supplies for the growth which is expected. The second is that American businessmen recognise that during the next few years the rate of growth abroad in markets for aluminium products may be even greater than it is in North America. Last—and perhaps least—the big aluminium firms in the United States, which are among some of the largest enterprises in the country, are convinced that foreign investment which stimulates economic growth in both under-developed and industrialised countries can be a powerful weapon in the cold war.

Demand for the primary metal in the United States has been rising at the rate of about 7 per cent a year, or double the rate of growth for the economy as a whole. Although there has been a temporary slowing down in the past two years or so this trend is expected to continue over the longer term. Demand in other countries is also expected to increase substantially. Even in the highly industrialised countries the amount of aluminium used a head of the population falls far short of the figure for the United States—about 22.4 pounds last year.

In the search for raw materials, Africa is the favourite hunting ground, because its tropical areas are believed to contain about 25 per cent of the world's reserves of bauxite ore and because African rivers

such as the Congo, Volta, Konkoure, Kouilou and Sanaga are vast untapped reservoirs of the hydro-electric power needed to extract the metal from the ore. In the next decade Africa's contribution to the free world's supply of aluminium may rise from the present 1 per cent or so to around 15 per cent. Other projects reach into the distant corners of the earth.

The list below, which is not exhaustive, gives an indication of the far-flung interests of the major producers and fabricators:

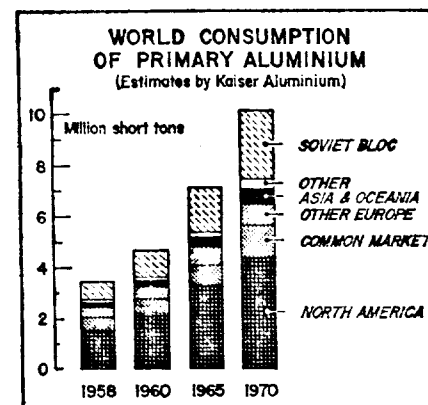
**Olin Mathieson Chemical:**  
Republic of Guinea, 48.5 per cent interest in FRIA Compagnie Internationale; Exploratory studies in other African countries.

**Reynolds Metal:**  
United Kingdom, 47 per cent interest in the British Aluminium Company, 49 per cent interest in Reynolds T.I. Aluminium Ltd.; Greece, participation in an alumina plant; Venezuela, joint venture with the government of Venezuela to build a reduction plant; Exploratory studies in Africa.

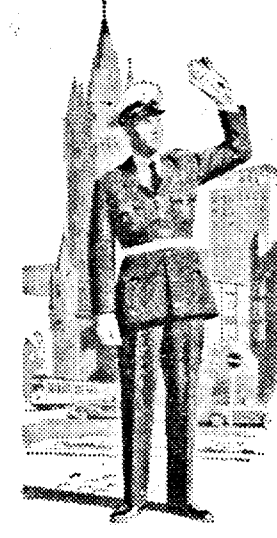
**Kaiser:**  
United Kingdom, through 50 per cent control of James Booth Aluminium Ltd.; Australia and New Zealand, with Consolidated Zinc forming Comalco Industries Ltd. on 50-50 basis; India, 27 per cent interest in Hindustan Aluminium Ltd.; Argentina, 49 per cent interest in Industrias Manufacturera del Aluminio, SA; Spain, four ventures with the French Pechiney company.

**Alcoa:**  
United Kingdom, 49 per cent interest with ICI in Imperial Aluminium Ltd.; Venezuela, in partnership with the Montecatini company of Italy and local investors; Mexico, minority interest in a new Mexican company; Surinam, the country's first aluminium smelter and hydro-electric power project; Japan, about one-third interest in Furukawa Aluminium Company, Ltd.

All these enterprises have been undertaken because they are good business. Nevertheless, they also have political overtones. As they forge links with the newly emerging nations and with the industrialised countries of the free world American producers of aluminium feel that they are helping to strengthen western democracy.



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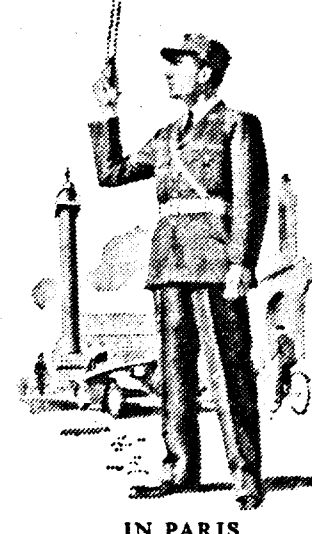
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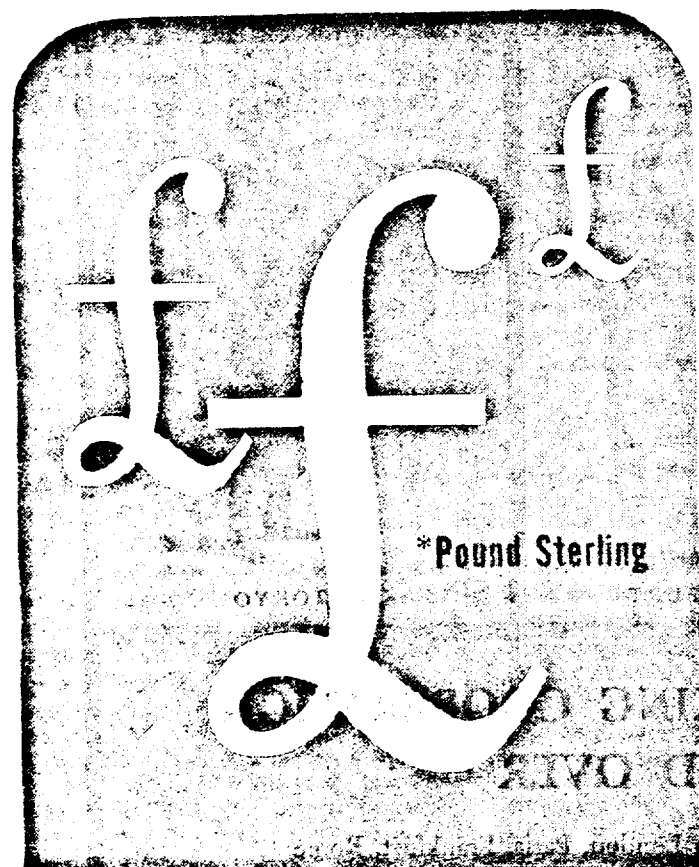


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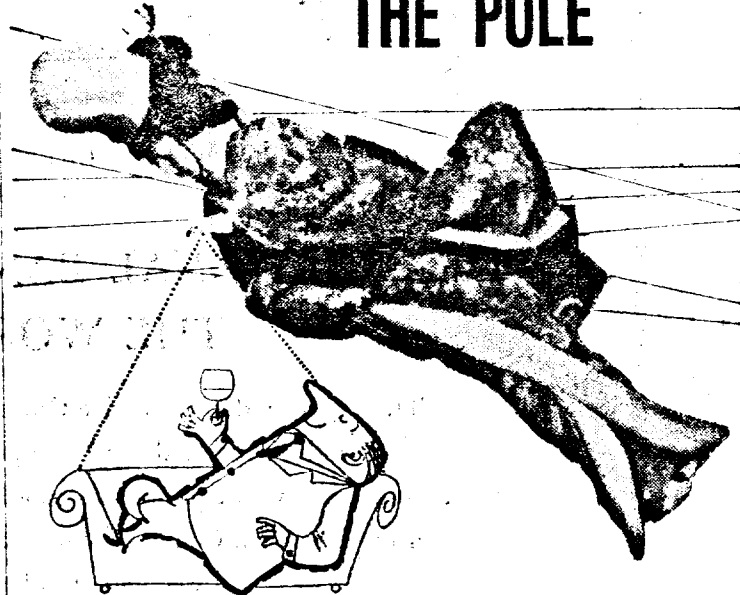
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of the country. A campaign for economic growth can be mounted at the very moment when Americans begin to want it. When unemployment strikes the public conscience, and begins to react on Congress, policies for curing it will be ready. There are some difficult items, too, that the public has to be persuaded to swallow—foreign aid for one and trade policy for another.

In sheer professionalism, this apparatus of government is nowhere rivalled now, or perhaps in the past. A good deal of the effort is wasted along the labyrinths of the American constitutional system; if it were delivering its full force under, say, the British system of government the results would be spectacular and perhaps even unbearable for ordinary democrats. The first hundred days brought no crisis, save Cuba, which ought to count as a disaster but somehow does not, and they heralded the double K meeting in Vienna in a week's time. Old Mr K will not have to ward off any fatal charm in young Mr K—that is not a dominant quality—but he will be pinned down to a confrontation of plain facts, quick analysis and cool unflappability. And Mr Khrushchev, of all people, will recognise the political quality that the Americans, by so narrow a margin, chose for themselves.

## Du Pont Divested

FOR the second time the Supreme Court has reversed a decision of Judge LaBuy, of the Federal District Court in Chicago, in the du Pont-General Motors anti-trust case, involving two of the largest firms in the country. First, in 1957, the Supreme Court ruled that, contrary to Judge LaBuy's opinion, E.I. du Pont de Nemours and Company was in fact violating the anti-trust laws by holding 23 per cent of the shares of the General Motors Corporation. Now the court has rejected his remedy for this situation, which was that du Pont should continue to own the GM shares but pass on to its individual stockholders the voting rights that went with the shares. Justice Brennan, who wrote the Supreme Court's opinion, argued that the du Pont stockholders would be just as likely as the company's officers had been "to vote in such a way as to induce General Motors to favour du Pont"—in purchases of paint for cars, for example—which was what had been found illegal in the first place.

While it is now for the lower court to devise some other remedy, Mr Brennan made it clear that the most effective means of protecting the public interest would be for du Pont to divest itself completely of its holding in General Motors and this will now presumably be ordered. The Department of Justice is delighted at this vindication of its attack although it would have liked a more solid majority; the vote was four to three, as it had been in 1957, with two members of the nine-man court abstaining because they had been involved in the case before going to the bench. The dissenters, led by Justice Frankfurter, insisted that Judge LaBuy was right in disapproving of divestiture because it would bring "great and unjustifiable loss to innocent shareholders" in the du Pont company.

That it will be difficult to avoid this is undeniable. If du Pont puts its 63,000,000 shares of General Motors stock on the market, the average dealings in the stock—28,100 shares a day in 1960—will be doubled even if the sale is spread over ten years, as the court has allowed, and prices will obviously suffer. If du Pont distributes its GM holdings among its own shareholders, these "dividends" will be taxable at the same rate as ordinary incomes—the total tax to be paid might come to \$1 billion or more—and price-depressing sales in order to raise the money would be inevitable. While investors in these shares have known of this particular risk since the case was first brought twelve years ago, nevertheless there is clearly a good argument for some form of tax relief, already proposed in Congress.

## Meetings in May

NEW YORK

IN April and May thousands of Americans indulge in the largely seasonal pastime of attending the annual meetings of the companies in which they own shares—a sport that has been gaining considerably in popularity. This year's meeting of the American Telephone and Telegraph Company, held in Chicago for the first time, attracted some 20,000 shareholders, thus outdrawing by a good margin the Chicago White Sox who opened their baseball season the previous week. While few companies are in anything like the same league as the giant AT & T, scores of them can count the shareholders at their meetings in the thousands.

Time was when American shareholders (like their British counterparts today) were content to draw dividends and leave the running of the company to the management. But they are no longer so passive. Most meetings continue to be largely routine affairs, but some provide plenty of action—like that of the Allegheny Corporation on May 1st; at this, it has just been announced after a lengthy count of votes, shareholders gave control of the big holding company, and victory in one of the most expensive proxy fights of all time, to the Murchison brothers of Texas, apparently on the ground that under the direction of Mr Allan Kirby Allegheny has pursued an unimaginative investment policy. Last year, in the wake of the television scandals, one shareholder of the Columbia Broadcasting Corporation arrived with mop, pail and apron to "clean up TV," while at the Chrysler Corporation's stormy meeting this year a Detroit lawyer brought along a card table on which he piled ledgers said to contain evidence of corruption, favouritism and mismanagement within the company.

To some extent the companies have themselves to thank for the growing interest of shareholders in their affairs. Nervous at their size and wealth—and with one eye on the anti-trust laws—many corporations have made a point of telling shareholders that "this is your company." Shareholders are further egged on to do their corporate duty by a group of semi-professionals who buy a small number of shares in a large number of companies and make it their full-time business to protect the rights of shareholders. Best known among these are Messrs Lewis and John Gilbert, brothers who spend their time on their feet at company meetings and even issue their own reports on their activities to subscribers. Another vocal figure at many a meeting is Mrs Wilma Soss, head of the Federation of Women Shareholders in American Business Inc, whose first concern is to protect and promote her own sex, but who sometimes joins forces with the crusading brothers.

THE influence of these "active" shareholders, such as it is, is due more to their nuisance value than to any real power since, in most cases, their combined voting strength is fairly negligible in relation to the number of shares outstanding. Thus, at this year's Chrysler meeting the management faced four hours of relentless heckling from an angry group of shareholders, but even so, when absent friends were included in the tally, it was returned to office with a 98 per cent vote. Nevertheless, the prospect of being grilled at the next annual meeting is certainly a factor that management must take into account. American law gives the shareholder the right (if he demands it) to a great deal of information about his company, and as a rule he feels no delicacy at, for example, making top officials divulge at the meeting their total take-home pay. There has also been a big increase in the number of law suits brought against managements by shareholders who believe that their interests have not been protected and in some cases these have had a very considerable impact on the company in question.

Some firms go out of their way to get shareholders to their

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meetings, particularly if the company is new and expanding, if it has new products which it wants to promote, and if its record gives the officers much to be proud of. A sure way to swell the ranks of shareholders is to offer free refreshments; the prospect of a box lunch on the company seems to be irresistible to many people (particularly women) with ample bank balances and otherwise reasonable palates. Some companies go further and search for an original gimmick to attract the attention of stockholders. This year, one held its meeting in a large tent with the management seated on a circular and revolving platform in the centre. A fast-growing company in Florida entertained its shareholders in its "Seaquarium" outside Miami, with skin-divers and animals co-operating; a penguin waddled to the rostrum with an annual report under its flapper.

Other companies are more interested in checking the flow of shareholders to annual meetings. A particularly effective device is to provide no refreshments. Another is to shift the location of the meeting so as to cut down the attendance of the "regulars" who have grown brazen and tiresome with the years or even to hold it in a place that is far removed from the homes of shareholders; a western railway company, for instance, meets regularly on the east coast, though most of its shareholders live on the west coast. The free box lunch can also be deployed in the interests of brevity; if it is available only when business is completed the sense of the meeting is usually in favour of a speedy adjournment.

Privately, many managements regret the day that anyone mentioned "corporate democracy"; for some the annual meeting is a modern form of torture for which they have to be well drilled in advance. But in public they maintain a stoical smile, realising that the days when the internal operations of the company were no business of the shareholders have gone for good.

## Senate Goes to School

By the time this article appears the Senate will almost certainly have passed a Bill, satisfactory to the Administration, providing \$2.5 billion in federal funds over a period of three years to be used by the states for building class rooms and paying teachers in the tax-supported schools. But this will be the fourth time in five years that the Senate has passed such a Bill and each time it has been defeated in the House of Representatives—and this year the House is showing itself particularly unwilling to co-operate with the Administration. So it is not surprising that the main concern of those responsible for the Bill in the Senate is that it should emerge in the form most likely to please the House.

The basic objection to aid for education comes from the conservatives who dislike both government spending and federal interference with states' rights, of which the responsibility for education is one of the most jealously guarded. Until now conservative opposition has always centred in the South but this year a number of Southerners are comparatively friendly to the Bill. This is partly because the formula under which the federal money will be divided among the states favours those with low incomes and lots of children—and Southerners have both of these. Partly it is because Southerners are already spending all that they can afford on their schools and the pressure of the school-teachers' lobby for more money is just as well organised in the South as it is elsewhere. Finally, Southerners have always feared that federal aid would mean forcible mixing of white and Negro children in the class rooms; now more and more of them realise that this is coming anyway.

Nevertheless one of the amendments that had to be fought off in the Senate would have stipulated, in effect, that government money would not be denied to schools which were still segregated

racially. The Administration has in fact no intention of doing this but northern liberals refused to accept a Bill that said so specifically. Their attempts actually to prohibit federal grants to segregated schools were also defeated; such an amendment would have alienated the South completely. The third important amendment to be shot down was put up by an avowed opponent of the Bill. He proposed that federal funds should be available for building private schools, that is, for the Roman Catholic institutions which, in the Administration's view, it is prohibited from aiding under the constitutional division of church and state.

But apart from this the Bill's managers have succeeded in keeping out of the debate the religious questions which promised earlier to make this year's school Bill more controversial than ever before. This has been done by arranging to bring up in the near future a Bill which would provide federal loans, not grants, to build class rooms in parochial schools. At one stage it was thought that it might be better strategy to combine the two measures but finally it was decided that the school Bill should go to its fate in the House stripped of all but the essentials.

## SHORTER NOTES

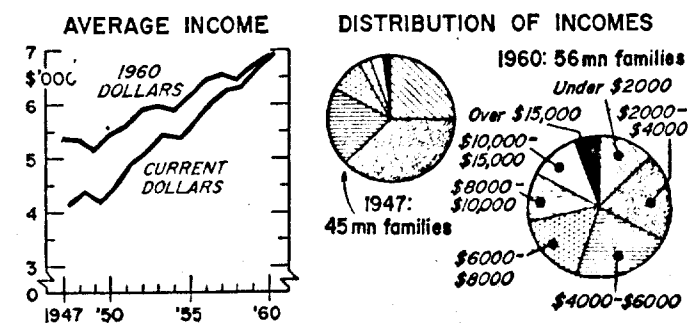
Embezzlers, the Supreme Court ruled last week, must pay income tax on the proceeds of their crime. But because the court had ruled precisely the opposite in 1946 the embezzler in question had his conviction reversed; he might have relied upon the earlier ruling in making up his income tax return. How this conclusion will affect other cases before the courts is far from clear. But from now on embezzlers are to have no advantage over honest taxpayers. The dissenting Justices argued that the proceeds of embezzlement belong to the original owner and that to tax them will make restitution more difficult.

\* \* \*

*Correction:*—In 1959 the New York Zoological Society received more than \$500 thousand in gifts, grants and legacies and was visited by 2,119,685 people; the figures were given incorrectly in the article on page 544 of *The Economist* of May 6th.

## FAMILY INCOMES

The total personal income of families and "unattached individuals" in America came to \$385.6 billion in 1960, up from \$184.6 billion in 1947 and \$365.6 billion in 1959. The number of families with incomes of \$10,000 and more, before paying taxes, was at a record high of 9.7 million and the number with incomes of \$2,000 or less was at a record low of 7.2 million in 1960, according to an article in the May issue of the Department of Commerce's *Survey of Current Business*.





## HOME REPORT

*In HOME REPORT members of the editorial staff and local correspondents report on life and happenings in and around Britain.*

## Old Father Camus

FROM OUR SPECIAL CORRESPONDENT



It is still the most beautiful town in England, and is likely to remain so; but its face is changing somewhat. Old buildings are being torn down, for good reasons and bad, and are being replaced by new ones of very varying quality. The bad new buildings, of which there are several, are provoking a vast amount of passionate argument among the inhabitants, but it is doubtful if the visiting tourist will notice much difference in the dear old place until the Cavendish fulfils its monstrous threat, and builds its fifteen-storey tower in the very centre of the town.

Until now the new buildings have shunned the limelight, even Mr Basil Spence's new block at Queens' blending invisibly into the Backs. Churchill College is still no more than a huddle of plum-coloured little boxes at the top of a long green slope on the Bedford Road; Sir Hugh Casson's magnificent Arts Faculties buildings have to be content with putting the kitchen quarters of Newnham out of countenance, and the Clare Hostel is cunningly hidden behind St Giles's Church and the grim villas of Chesterton road. To the tourist, or returning alumnus, Cambridge seems unchanged and unchangeable, above all in the early summer, the city's season of seasons.

Nor is this impression misleading, for the same might be said, in less purple terms, of every aspect of the university. The name of Crowther starts no spirits there. Any question about the approaching bulge, or the need for an enormously increased number of university places if Britain is not to enter on a period of national decline, is met by a firm: "It's none of our business." Indeed, there is a widespread hope that the numbers of undergraduates can actually be reduced, and it is declared university policy to cut down the intake.

Some colleges, it is conceded, will be unable to resist the temptation of raising their income by continuing to grow, or will be unable to face the loss of revenue that cutting down would bring; and no-one has

yet discovered how to stop dons plotting to bring to Cambridge any new subject, and consequently new professors, in which they have an interest, though it is widely felt that Cambridge has quite a wide enough range of studies already. But on the whole the university intends to stay at its present population of 9,000 and proposes to leave "the provincial universities" to deal with the bulge.

ANY Cambridge resident, whether townsman or gownsman, knows how even the present numbers are straining almost to bursting point a structure never meant to deal with so many. While it is not a necessary part of a liberal education to have your bed made and your china broken by hags, and your food served cold by college waiters, a bed and food you must have, and to find either without an enormous waste of time and money could easily become as difficult as it is in London. More positively, it is felt that Cambridge does very well as it is at present, and that its problem is to do better what it does now, not, by swelling, like Aesop's frog, to destroy itself.

The base of this feeling is loyalty to the college system. This still dominates Cambridge socially though the days when the university was little more than a convenient fiction are gone for ever. But even now, in spite of the government subsidies which are channelled through the university, in spite of the huge laboratory buildings, in spite of the fact that, in almost every faculty except history, there are more university teachers than there are fellowships available for them, the colleges continue to set the educational as well as the social pace. It is they which choose the undergraduates, get their men through the examinations, keep their private lives from disaster and strive, throughout, to accomplish the educational task of bringing out, as one head of a college put it, each individual's potential in terms of imagination and originality.

This conception of the purpose of "going

up" is fundamentally at odds with metropolitan Benthamism, and inhibits any expansion of numbers. Dons cannot be manufactured as quickly as undergraduates, and if the college system of tuition is to be maintained, so must the present ratio of senior to junior members. That the system might, perhaps, be sacrificed is a conclusion that would be generally resisted. It is conceded that the colleges, if they are to justify their continued existence as independent entities rather than as mere halls of residence, must continue to be efficient teaching establishments. It is admitted that there is room for improvement. But it is still widely felt that lectures, seminars and university classes produce swots and crammers unless corrected by the genial relations of pupil and teacher in the colleges.

Many instances show how this college faith works in practice. Thus, research students—graduates, that is, who undertake a course of study resulting in a PhD or MLitt thesis, or in a fellowship dissertation—are universally agreed to be the proletarians of Cambridge. Exiled to the horrors of "digs" by many colleges which make no provision for them; coming, often, from outside Cambridge; embarking upon a career which necessitates a high degree of intellectual isolation, in sharp contrast to the undergraduate's traditional gregariousness, they are a new, numerous, and perplexing problem to colleges and university alike. But the university has deliberately referred the difficulty to the colleges, whose negligence created and maintains it.

Again, some colleges regret their inability to pay salaries sufficient to attract, as fellows, individuals, whether scholars or not, who have valuable educational abilities but no turn for lecturing, and hence no supplementary university wage. But a suggestion that the state might subsidise college salaries as directly as it does university ones is rejected in the name of academic freedom, of which the colleges see themselves as the last guardians.

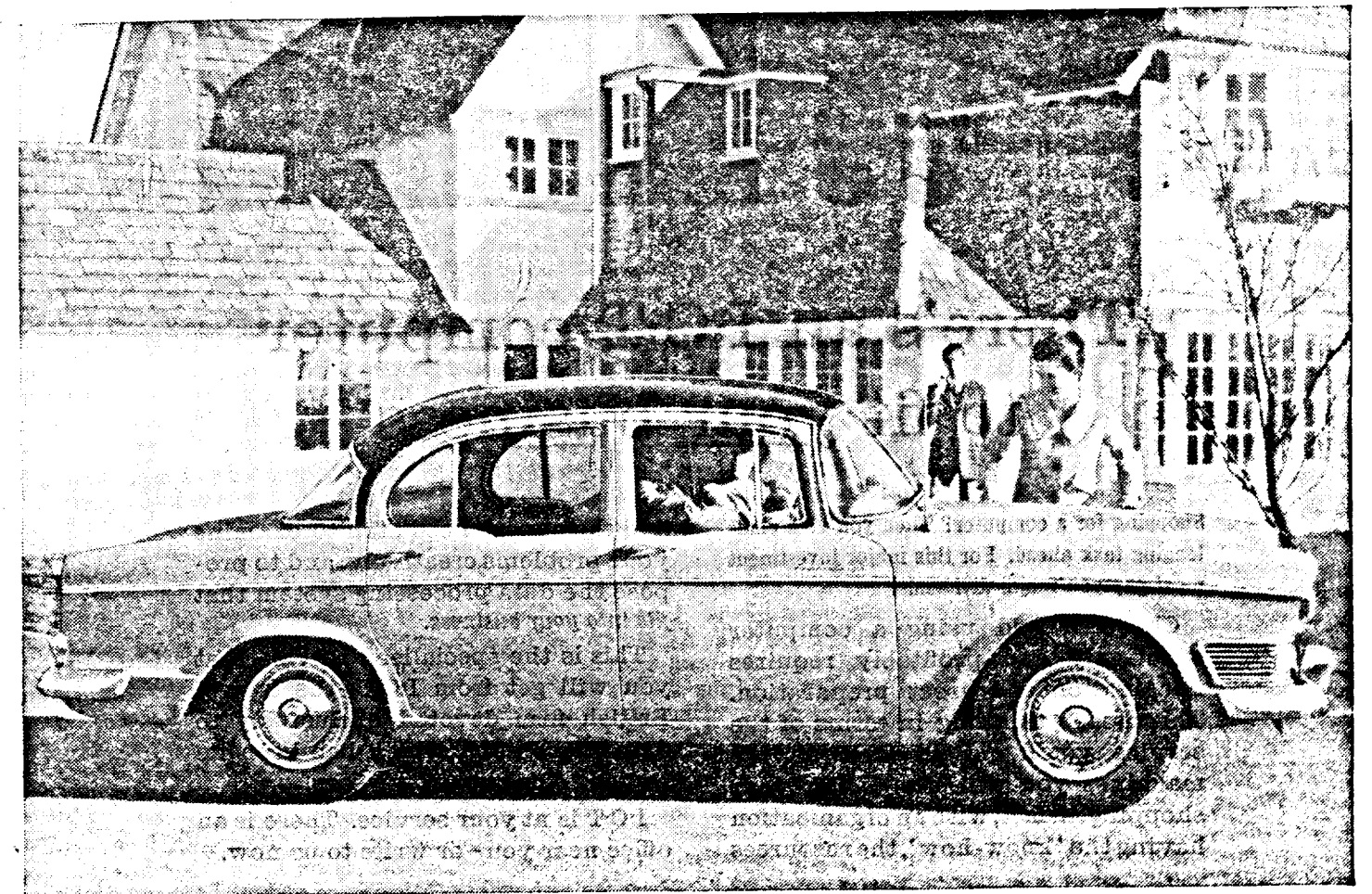
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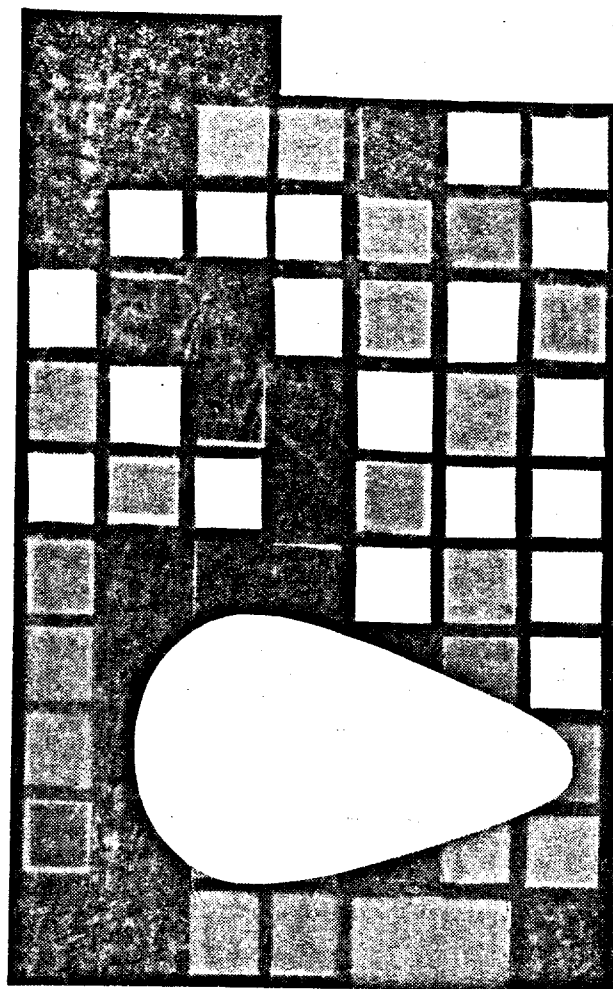
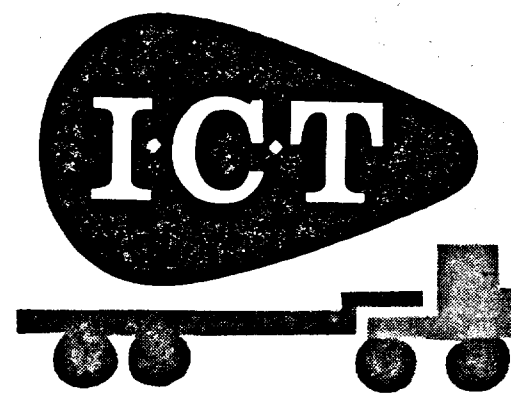
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can be seen at work in Cambridge's youngest and most vigorous child. Churchill College was created as Cambridge's answer to the needs of the modern world, but it is a singularly unrevolutionary one. In one respect, indeed, it is reactionary: the greatest scandal in Cambridge at present is the ludicrously inadequate provision made for women's education, yet Churchill is not only an all-male college on the old basis, but arose to draw money to itself at just the time when New Hall, youngest and smallest of the women's colleges, was in desperate need of funds to enable it to grow.

Churchill has, however, done something to make up since. It will provide quarters on its doorstep for married research students, whose wives and children are therefore certain to modify, to some extent, the masculine austerity of the college; and its fellows all agreed, somewhat to their own surprise, to admit ladies as guests to High

Table, whatever their academic or personal status, every night of the week. The sensation this caused can, perhaps, only be understood by Cambridge men. One don went so far as to describe it, with evident passion, as "a retrograde step."

The incident throws light on Churchill's conception of its mission. The colleges are to be reinvigorated, not abolished. It regards itself as the exemplar of the new college which will demonstrate the system's continuing virtues to the new world. Thus, rooms will be found in the college buildings, at some stage of their careers, for all research students, of whom Churchill will have far more than the other houses. The 70-30 ratio of scientists to arts men will foster the disciplines of which Britain is most in need, and do something to bridge the gulf between the two cultures—Sir Charles Snow is one of the "extraordinary" fellows. His status as such, incidentally, is

planned to enable the college to benefit, as All Souls does, from the presence of men who are not academics in any real sense—there are others, and will be more. Lastly, the invention of visiting fellows, of whom there is to be a large and rapid turnover, will do something to look after visiting lecturers who, at present, tend to find themselves totally ignored by the natives once they have left their rostra.

So the reverend sire, as Milton so perceptively remarked, foots it slow, and sees no reason for ceasing to do so. Churchill's example has not been without its effect—Peterhouse, the oldest college, was perhaps taking a hint from the newest when it decided to build a bar, hall, and some sets for its research students, and elected Mr Kingsley Amis a fellow. More such gentle innovation can be expected, but fenland sleepiness will try to put a brake on anything else.

## Home Fires Burning Bright

FROM A CORRESPONDENT IN LEEDS



THE National Coal Board employs about 116,000 miners at more than 100 pits in Yorkshire. Each of them receives concessionary coal, amounting to anything up to 13 tons a year. But because new smoke control zones will restrict the use of free coal, the Board is now in the middle of complex negotiations with the National Union of Mineworkers.

For more than half a century, "home" coal, usually about 12 tons a year, has been acknowledged as part of the men's remuneration. The trouble is that every pit management and union branch has negotiated its own home coal agreement in the past with an eye on its particular problems. At one pit, for instance, the miners may have an arrangement for supplying miners' widows with three or four free tons of coal a year from their own home coal supply. A neighbouring pit may make the same grant to old age pensioners. Yet another may give the hand-out to retired miners or disabled colleagues.

There are varying opinions as to the amounts of free coal to which miners should be entitled. The old Yorkshire range which miners' wives stoked with a bucketful of coal at a time is obsolete and many miners find it impossible to burn 12 tons of coal a year on modern ranges. At many pits this fact has been acknowledged, and miners who do not take delivery of the whole of their entitlement receive 15s. or £1 a ton if they

leave their coal at the colliery. Old union men constantly frowned on this practice, maintaining that it undermined agreements striven for in the past. As it turns out they were right, for the NCB has used this as a lever for negotiating new compensation rates.

On the face of it the issue seems simple. The board could give the miners smokeless fuel or a sum of money to buy smokeless fuel. In fact the national executive of the NUM and the Board have agreed in principle that miners should receive some £42 a year in lieu of concessionary coal. The board reserves the right to supply solid smokeless fuel instead of cash at its discretion. But this agreement has yet to be ratified and there are indications that the mining rank and file are not entirely satisfied. They ask what is to become of the widows, the pensioners, the retired and disabled who have been receiving coal merely for the price of its carting. The NCB, understandably, says this is really not its concern.

One aspect of the problem which probably does not reach the conference table is the fact that the clean air drive will probably end many illegal but extremely lucrative black market deals. It is no secret that, rather than leave their "spare" coal at the pit head and collect £1 or 15s. from the management, most miners have it delivered to their homes and then sell it

to non-mining neighbours for perhaps half the normal price of coal. This saves the neighbour perhaps £4 a ton and is a pleasant "pick-up" for the miner.

The cost of smokeless fuel in Yorkshire varies between 8s. and 11s. a hundredweight, so that, on average, the miner will be able to buy about four and a half tons of smokeless fuel with the £42 the NCB gives him. A table of comparative heating efficiency published by the Solid Smokeless Fuels Federation says that one and a half hundredweights of solid smokeless fuel (burnt in an inset open fire with back boiler) provides the same heat as two hundredweights of coal. One may therefore assume that four and a half tons of solid smokeless fuel will provide the equivalent heating efficiency of about six tons of coal—which may be about the amount of concessionary coal a miner burns every year.

Mineworkers' officials in Yorkshire are maintaining a discreet silence on their members' views on the agreement. They appear to be taking refuge in the fact that negotiations have been conducted entirely on a national basis and, one feels, they anticipate adverse criticism of their national executive. The fact that the NCB will supply smokeless fuel at its own discretion suggests that the board will take whichever course is cheaper. It is thought that this points to future decreases in the cost of production of solid smokeless fuel.

SOME critics doubt whether the board will be able to meet any great demand for smokeless fuel for some considerable time. Mr Roy Mason, MP for Barnsley, in the heart of the Yorkshire coalfield, criticises the "complete lack of co-ordination between the central government, local government and the National Coal Board". He maintains that the Clean Air Act and the smokeless zones registered by local authorities



should not have been proceeded with until the NCB had given an assurance that it could meet the tremendous increase in public demand. Mr W. H. Sales, chairman of the north eastern division of the NCB, said when launching a solid fuel sales drive recently that the pilot plant for producing solid smokeless fuel was overcoming teething troubles and that, by 1965, it was hoped that there would be a number of plants producing the fuel in the division.

Mr Mason may have lost sight of the fact that private concerns in Yorkshire and Derbyshire are buying coal from the NCB and producing their own particular brands of solid smokeless fuel in appreciable quantities. An official of the Coal Utilisation Council said he felt that any increase in demand as a result of the sales drive could be adequately met.

The NCB is not merely selling smokeless solid fuel but is concentrating on maintain-

ing and possibly increasing the sale of coal which may be burned smokelessly in a variety of industrial appliances. After a period of coal stocking and indifference about production figures, the board in Yorkshire is striving for increased output to meet present and future demands. It is expected that, in 1965, 45.5 million tons of coal a year will be produced from the Yorkshire coalfield, 5 million tons more than at present.

THE ECONOMIST MAY 27, 1961

THE ECONOMIST MAY 27, 1961

## Cornish Costas

FROM A CORRESPONDENT IN CORNWALL

THE Cornish still talk of "going to England" when they cross the Tamar, and country girls who marry outside the tribe still find their husbands labelled "foreigners." Anglo-Saxons who go to Cornwall on holiday may find this insistence on a separate identity rather quaint at first, but they soon learn that it has a good foundation both in past history and in present differences.

Cornish people are not, in fact, as English as the rest of us. They are the descendants of races that lived in Britain long before the English arrived: of stocky, round-headed people from the Mediterranean who came in search of dyes and metals and settled where they found them just as they had done in Galicia and Brittany. And later, of course, the Celts moved in.

The names on any modern map of Cornwall are part of the legacy of these invasions, and neither the Romans nor the Anglo-Saxons or the Normans were able to change them much. Nobody talks Cornish now, but fishermen from Brittany coming ashore at Newlyn in their clogs somehow find their Breton sensed and understood by local men, who are strangely alike in looks, and voice and temperament. They rarely, for example, keep appointments, and if they do, as late as not, they will be an hour, or a week, or a year late.

The Cornish are not in the least diffident about being different. They are proud of it and even arrogant. They tolerate the English as convenient and profitable neighbours, but they always take them with a pinch of salt, plus of course whatever percentage they can get. But although the Cornish have always been different it is only recently that they have turned it into a commercial asset. What started as natural separatism has now become a major tourist attraction.

According to a recent survey carried out by the British Travel and Holiday



Association about 30 million Britons—nearly sixty per cent of the population—spent their holidays away from home. Of these 17 per cent went to the south-west of England. More than five million people now spend not far short of £100 million in Devon and Cornwall in a single year. The money spent by British holidaymakers even in the most popular countries like France and Italy and Spain is chicken feed compared with this. About ten times more people went to Cornwall in 1960 than to all the brave and sunny Costas of Spain.

It is, of course, more the sun and the beaches and the sea that attract the Londoner and the Midlander to Cornwall than the Cornish themselves. They are factors of attraction all the same, as much, certainly, as the medieval churches and the "quoits" and the relics of King Arthur. Every spring, before the Easter influx, the fishermen of Sennen start polishing up their ear-rings and their patter. In five months they will earn enough from trippers' tips to keep them in idleness and television through the winter.

But, like the Spaniard, the Cornishman somehow manages to fleece the foreign tourist without losing his individuality and his dignity in the process, as the Italian, for example, is apt to do. He goes on using his six-letter words in public just as often in the tourist summers as he does in the empty winters, and if your maiden aunt doesn't like it, Well, his tone implies, next time she had better go to Devon. . . .

"It's like being in a foreign country," say visitors from Rochdale and Reigate, "and think of the money you save on the fares." The money you save on the fares is, however, all you are likely to save. Attics and sheds that are occupied free by cows and mothers-in-law in the winter are whitewashed at Easter and let at 12 guineas a week, and farmers and fisherfolk evacuate their own homes in August for the sake of £100 or so. But visitors don't complain at the prices, much.

SOME of the Cornish coastline is as beautiful and as unspoilt as any in Britain. But for the most part it is not a lovely county. The buildings are grey and ugly, the countryside is often dull and treeless, and many of the inland towns are frankly squalid. Why then do so many people go there? "Ah," they say, "it's warmer there and sunnier, and the sea isn't so ruddy cold." There are charts and statistics in Penzance and Newquay to prove it, too. They are a great consolation, to be sure, while you shiver in an August drizzle and when you switch on the sidelights of the car as you thread your way through a clammy midsummer fog in St Buryan.

And yet . . . five million people went there last year, and this year there will probably be even more. There must be lots of good reasons for it, and one of them perhaps is the feeling that many people get when they cross the Tamar that they are somehow crossing a frontier: an easy, warm and friendly frontier, and Customs-less both ways.

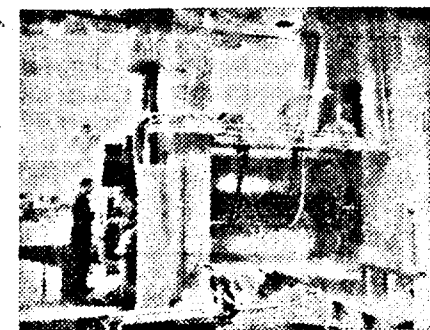


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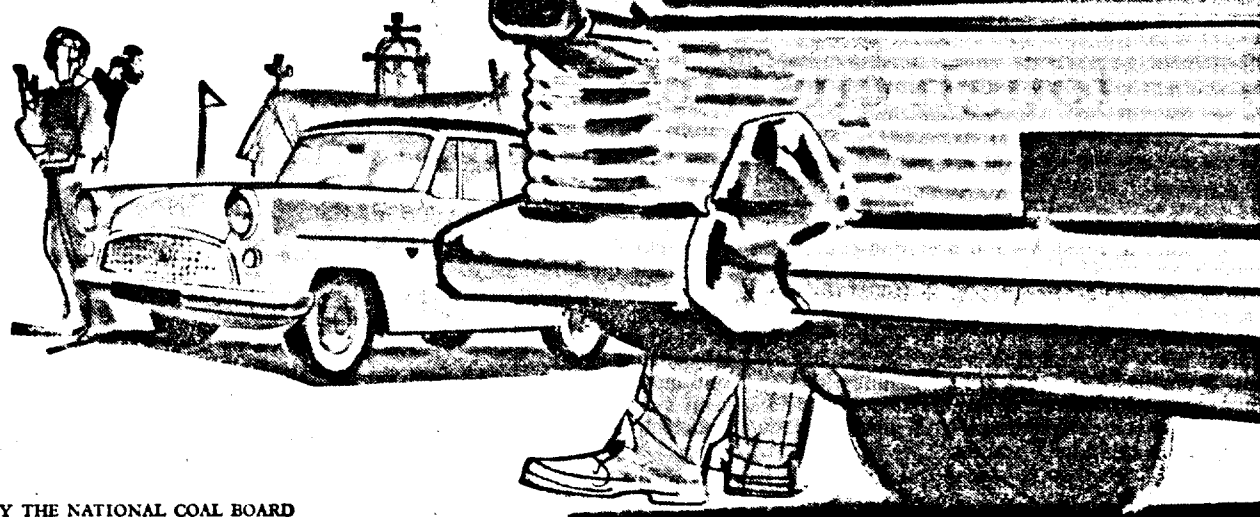
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| Number of boilers      | 4 high-pressure water-tube boilers, with superheaters, airheaters and economisers |
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| Steam temperature      | 940°F.                                                                            |
| Feed temperature       | 380°F.                                                                            |
| Max. continuous rating | 1,000,000 lbs. of steam per hour (largest unit 400,000 lbs. per hour)             |
| Method of firing       | Pulverised fuel                                                                   |
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# THE WORLD OVERSEAS

SOUTH AFRICA REVISITED—I

## The One Sane Country

BY OUR SPECIAL CORRESPONDENT

AFRICA two years ago was mostly colonial and the world, in Afrikaner eyes, was mostly sane. Now the continent is mostly black and the world, to Afrikaners, has gone mad. But South Africa is as it was in 1959—and, indeed, in 1949. The white population has been hit in the stock exchange and in the headlines, but it is still one of the most prosperous communities in the world. Political Africans have been hit on the head and in the statute books. The list of events is long, but they have caused little change: the country's course is set and there seems no way of turning back.

When Dr Verwoerd cast the Commonwealth loose, South Africans confidently awaited the police raids; these came a few days later, on March 20th. There were many more at the end of April; and at 4 a.m. on May 3rd thousands of detectives and uniformed officers knocked on doors to search for pamphlets and haul away "subversive elements." On Wednesday this week they did it all over again and, for good measure, the army reservists were called up. The raids are Dr Verwoerd's answer to the threat of a nationwide three-day strike, which has been called for the end of this month to mark the birth of the Republic.

Nearly all of this has happened so often before that it is now a normal part of South African life. African leaders have long looked on the nationwide strike as the only effective non-violent political weapon, but no organised "stay-at-home" has ever really come off. Strikes are prohibited by law; calls to stay at home are normally followed by raids and arrests. A police and army show of strength on the designated day is now accepted practice. If African politicians had no other way of spreading the message, the presence of tanks in the townships would do it for them.

Africans who stay away from work risk losing their jobs. The automatic result of dismissal is that they are ejected from their homes and face the danger of losing their permits to be in the city at all. A successful stay-at-home in the face of these odds would be impressive evidence of an organising ability that Union Africans have not so far possessed; it would also demonstrate a new spirit of resistance in the country. No stay-at-home has received so much publicity in the press as the one called for next week: if there is any new feature to South African life it is that the newspapers are at last taking serious notice of African plans.

But the African political organisations are banned, and many of their leaders have been arrested. On Thursday it was not known who had been caught in the latest raids; until then, at least half-a-dozen of the top leaders, including Mr Nelson Mandela, chief organiser of the strike, had managed to evade the police by sleeping in a different bed every night. This was an advance in political ability on two years ago. Another sign of the advance is that leaflets have been distributed to most houses in Johannesburg's townships by night: formerly the distributors stood on the station platforms in the mornings and were soon arrested.

An official who is responsible for the administration of the 600,000 Africans who live in Johannesburg believes that his charges are "about thirty per cent better at agitation than they

were in 1959." This is an advance on a low base. It is possible, through intermediaries, to meet the men the police are seeking. The safest place to talk is in one of the "shebeens"—speakeasies in which African city-dwellers take their drink. For about a year raids on shebeens have been slackening off (one city has cut its 1961 budget estimate for income from fines by half). It is, therefore, not too difficult to talk politics over a glass: one of the less dusty backyards in which this can be done is not very far from the Johannesburg office for the administration of Africans.

These conversations bring to light the remarkable degree of moderation that still prevails in black political thinking in South Africa. At his home in Natal, Chief Luthuli tells visitors that what he wants is not an "African majority," but a "Democratic majority," and that he believes black voters will one day vote for white candidates if they are the best men. This is far to the right of the nationalism in the rest of Africa. The Chief is also known to discourage talk of violence by pointing out that non-violent methods have not yet been given a proper trial.

IN the shebeen in Johannesburg, Chief Luthuli's executive officers may be a little more radical than their leader, but they are still, by African standards, conservative men. The banned African National Congress believes firmly in multi-racialism, while African nationalists elsewhere talk of black men's countries. But black nationalism is contagious. The ANC leaders underground have grown little beards that match the ones worn north of the Limpopo; and if the rest of their slogans differ, "one man one vote" has become firm policy.

There is a reason for this moderation. Africans in South Africa's urban areas—about a third of the country's African population—are closer in their aspirations to American Negroes than they are to Africans in the rest of the continent. South Africa has three million white people, and it is very near to being a modern industrial country. It possesses a wealthy, established and extensive western society. For most city Africans, political ambition means the wish to take part in this society rather than the northern wish to take over a backward country and get a black face into the United Nations. The ANC's vision of a multi-racial society has in it a genuine place for Europeans. It is a different situation from one in which there is no need to think of anything besides "Uhuru" and the removal of the "British imperialists."

This is why urban Africans in South Africa are a political force of a different—and in some ways less tough—character than Africans in other parts of the continent. On the other hand, Union Africans have a much harder battle to fight: there is no outside force (such as the withdrawal of the British) to aid them. It is in the rural areas that the South African government has come up against the strongest resistance. Last month the Transkeian territorial authority, run by supposedly pro-government chiefs, surprised everyone by politely requesting the independence that Dr Verwoerd promised last year they would have one day.



South Africa's white electorate was quickly reassured that the Transkei is nowhere near ready for it.

African nationalism is making inroads into South Africa through the flow of ideas from the north; through the migrant labourers from the British Protectorates; and through the Pan-African Congress, a breakaway group from the ANC. The power of the PAC has waned since the Sharpeville massacre, but those of its men who are not in jail are making attempts to co-operate with the ANC in adversity, and it seems likely that the result of their influence will be a tougher political line.

Equally important is the change in the attitude of the leaders of South Africa's one-and-a-half million mixed-blood Coloured people. Traditionally, white policy has been to treat the Coloureds as a political appendage to the Europeans. The Nationalists have cast them away, and Dr Verwoerd has said that there shall be

no compromise on treating them as a separate group, with a government Department of Coloured Affairs in charge of them. (The CAD is as unfortunately named as the Bantu Administration Department, steadfastly called "the BAD" by Africans.)

This treatment of the Coloureds has driven many of their leaders to threaten joining the African camp. Afrikaner Nationalists, knowing how the Coloureds come into the world, are divided on what to do with them: there is a strong movement in the Cape to give them direct representation in parliament. To Dr Verwoerd this is treasonable; to English-speaking South Africans it seems a sensible way of preventing them from giving their support to the Africans. Many South Africans believe that the course of the next few years will be determined by which way the Coloureds go. If they go all the way towards the Africans they will infuse new ability into the anti-government forces.

## Old Ports in a New Europe

FROM OUR BONN CORRESPONDENT



BEFORE they have had time wholly to recover from the bombing and dismantling of the nineteen-forties, the North Sea ports of western Germany are anxiously appraising maritime and commercial developments which they know they must adjust themselves to, or gradually wither into insignificance. The leading four, in order of turnover, are Hamburg, Bremen, Emden, and Wilhelmshaven. All but the last are some distance from what is considered nowadays to be deep water. And the phenomena that haunt their dreams are monsters of 100,000 tons swimming around in search of a berth, rogue pipelines breaking into Germany from the south, and a *danse macabre* of cut-throat ports including Stettin, Rostock, Amsterdam and Antwerp—the performance culminating in the terrible appearance of Rotterdam, hand in hand with the new Europoort, together stealing the show and everybody's wallet.

Various costly schemes are being canvassed along the flat North Sea coast with the object of ensuring survival. Some have already been adopted, others are awaiting approval or money. Yet, for want of central direction, the local planners seem to be about to make the mistake of subjecting their respective ports to a great deal of injurious and unnecessary competition among themselves. It would not be in keeping with the national character if the postwar German federation did not engender excesses of regional fancy. The Free and Hanseatic City of Hamburg (its

badge a door) no more likes to be told what to do than does the Free and Hanseatic City of Bremen (a key). The Land government of Lower Saxony has a strong say in the affairs of Emden and Wilhelmshaven; but the two are none the less jealous and suspicious of each other, and both resent what Bremen is doing today and what Hamburg talks of doing tomorrow. With a look at the expanding ports of the Low Countries, which are nearer to the centre of the European common market, cooler German heads maintain it is high time that at least a federal plan should be devised for the North Sea ports, if not an all-embracing German-Benelux plan.

Emden, which has had to struggle for centuries against sea and sand and was heavily damaged during the war, is perturbed while it rebuilds by the likelihood of the transoceanic ore-carrier of the future being a ship of between 50,000 and 100,000 tons. Emden is chiefly an ore port. About four-fifths of the ore arriving at German ports comes through Emden, roughly half being carried to the Ruhr by barge along the Dortmund-Ems canal, and the other half by rail (which is to be electrified as soon as possible). A substantial share of the Ruhr's wheat and timber goes by the same route and bulk cargoes of iron, steel, coal and coke move in the reverse direction. Yet only ships of less than 30,000 tons can put into Emden; and although work is in hand to make way for 32,000-tonners, the largest vessel that could

possibly be accommodated—after additional heavy outlay—would be of 35,000 tons. The port is consequently much at pains to make the most of its distinguishing assets:—These are its proximity to the eastern Ruhr (the Dortmund-Ems canal is being adapted to take barges of up to 1,350 tons); its special installations, by which 30,000 tons of ore can be unloaded in thirty hours; and the space that it has—and the Ruhr hardly has—for storing 100,000 tons of grain and 700,000 tons of ore (to be extended shortly to hold 2.2 million tons).

But the increasingly serious handicap of shallow water, and the new interest being shown by Wilhelmshaven and Bremen (let alone Europoort) in handling ore, are compelling Emden to encourage alternative sources of income for its 45,000 inhabitants. The Rheinstahl-Nordseewerke, which can build ships of up to 28,000 tons, and other local yards that specialise in barges, employ some 5,000 persons. Since last summer the Erdölwerke Frisia (sponsored by Duttweiler) has been refining oil landed at Emden at a rate of 1.5 million tons annually, and is planning to increase production to over two million tons. Büssing, the lorry manufacturers, are about to instal a subsidiary plant in the docks area. And there are plans for developing market gardening in the surrounding countryside.

Wilhelmshaven, with deep water at the door, is brisk with ideas and optimism, despite the devastating punishment it received for harbouring so much of the German navy. An artificially created town, Wilhelmshaven used to be governed from Berlin (today by an absolute majority of local Social Democrats—as also are Emden, Bremen, and Hamburg). In its heyday, the port was the home base of 100,000 sailors and could offer little work outside the naval establishments. The 100,000 people now living in the town have had to adapt themselves to very different circumstances. No more than a quarter of the harbour, it is reckoned, will be occupied by the new federal German

Among the whites, the government grows stronger all the time. It has increased its majority at two by-elections during the last six weeks, and the cabinet has cited this as evidence that white voters support Dr Verwoerd in discarding the Commonwealth. Nationalists are sure that the world, which is temporarily insane, will come round to their view when the rest of Africa collapses under black bad management. "Insane" is not an exaggeration. The editor of the leading Nationalist Sunday newspaper has called the world mad in print; the editor of a government daily says privately that this is his belief.

Among the thinking Nationalists the talk is of a future federation of states. Some will be black, some white, some (like the English-speaking Natal and the Eastern Province) will be multi-racial. Dr Verwoerd envisages black "Bantustans" in a "Commonwealth" relationship with white South Africa: Coloureds and

Asians will each have their separate parliaments existing side by side with the white parliament at Cape Town. The opposition United Party talks of a racial federation, but blots its copybook in Nationalist eyes by bringing the Coloureds into the white camp and recognising urban Africans as a permanent part of the community.

Far out to the left is the Progressive Party, whose policy resembles that of Sir Roy Welensky's United Federal Party in the Rhodesias. The Progressives scraped up 1,703 votes against the United Party's 2,993 in a 42 per cent poll in a by-election at the beginning of this month. The Africans, who seek "one man one vote," will also not speak to the Progressive party, whose leader, Dr Jan Steytler, expects to acquire a following when the economic consequences of apartheid and isolation hit white South Africans.

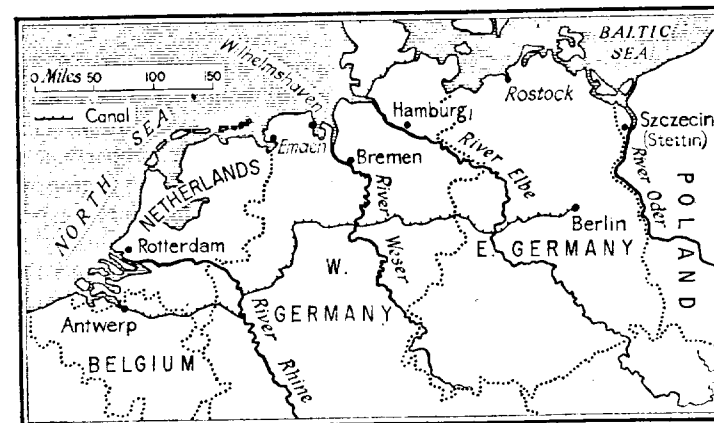
navy. A hundred or so companies of one kind and another, together employing 30,000 persons, have gone into business since the war in the Wilhelmshaven area; the largest is Olympia, maker of typewriters and other office machines. Yet it is upon the sea, and its own deep fairway, that Wilhelmshaven's hopes are mainly fixed.

Tankers of up to 65,000 tons can already moor alongside the special pier from which oil is pumped through the north-west pipeline to the Ruhr and Cologne, and arrangements could be made without much trouble to handle ships of 100,000

for methane gas. All these potentialities naturally disquiet Emden, Bremen, and Hamburg. For a while they troubled even mighty Rotterdam. But since the Rhine can hardly take all the traffic that Rotterdam, Europoort, Antwerp and Amsterdam could pour into it, peace of mind, it seems has returned to the worriers in the Low Countries.

Bremen, lying 44 miles up the Weser, will never be accessible to ships with a draught of more than 31 feet. The port specialises mainly in the transhipment of piece goods. Yet, to the concern of Emden and Wilhelmshaven, Bremen too

has entered the ore-importing business, Klöckner (of the Ruhr) having recently built an integrated coke and steel plant near the Bremen docks. The big ore carriers of the future, which will not be able to come up as far as Bremen, will be able to unload at the outer harbour of Bremerhaven, which is used by



tons. Last year 10.6 million tons of crude oil passed through Wilhelmshaven. This year the total is expected to reach 13 million tons; and it is hoped that it will eventually run to 22 million tons, competition from the Rotterdam-Ruhr and Mediterranean pipelines notwithstanding.

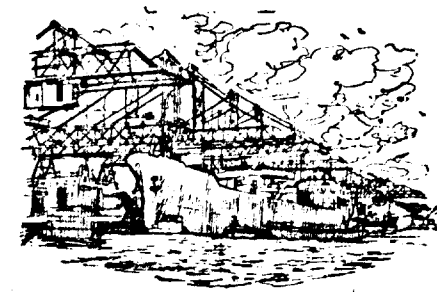
In view of Germany's increasing use of ore from overseas (25 million tons imported in 1960 and an estimated requirement of 34 million tons in 1970), and of the fashion in large carriers, the Wilhelmshaven planners are talking seriously of building an ore harbour and setting up local plant for manufacturing not only ore concentrate but also steel, the latter fired by coal imported cheaply from the United States. There is an even more forward look to the day when Wilhelmshaven might well be Germany's principal port

the big trans-Atlantic liners. Bremen's alacrity to adapt itself to new conditions and opportunities is understandable, for some forty per cent of its population is dependent upon the port, which has lost a sizeable part of its prewar central European hinterland, though not so much as Hamburg has. Like Hamburg, Bremen is insuring itself against the possibility of a further lessening of transit traffic by fostering local industries that will stimulate the port as well as provide employment. Cadbury of Bournville, it is expected, will be one of the next industrial settlers in Bremen, with some 2,000 jobs to offer.

Hamburg, which since the war has been uneasily watching Rotterdam respond to the expanding opportunity of a hinterland linked by the Rhine and other waterways, while the Elbe no longer leads to

friendly markets, is now disturbed by Wilhelmshaven's resurrection. Wilhelmshaven is already helping to feed the new Ruhr refineries that have put Hamburg's own into the shade. The upstart's plans for coping with ships of 100,000 tons make invidious reading in Hamburg, which, although it is Germany's busiest port, is inaccessible to loaded ships of more than 35,000 tons. Hamburg has been making a tremendous and highly successful effort to promote local industries. In order further to make good some of its lost hinterland, it is also pressing for the construction of a link between the Elbe and the Mittelland canal, which would give access for Hamburg traffic to the network of west European waterways.

Hamburg's latest idea—though still little more than an idea—is to build an outer harbour on Scharhörn-Neuwerk, an island in deepish water off the mouth of the Elbe. The island belongs to Lower Saxony. Negotiations have been opened that may lead to Hamburg acquiring the island in exchange for its old sovereign rights in Cuxhaven, an enclave within Lower Saxony which the state government would like to develop as a fishing port. It goes without saying that this project is viewed with misgiving in Bremen and Wilhelmshaven. Indeed, the more one hears about all these ambitious plans and their underlying rivalries, the more necessary it seems to be for the North Sea ports of western Europe to agree upon the tasks they should be individually carrying out.



Added up, the forces ranged against the government in South Africa are not strong. They have no chance of victory at the polls; their strength in tactics of non-violence outside parliament will be tested again next week; so far they have rejected methods that go further. The government faces a greater danger from the loss of foreign capital and foreign exchange, from the economic attacks of the outside world, and from the possibility of a spread of the Algerian-Angolan virus. But, for the immediate future, three million heavily armed white people sitting on the world's richest gold mines are in a strong position.

## Over Lake Geneva

FROM OUR SPECIAL CORRESPONDENT

THE lake of conferences can have seen none quite like this. It is not only that it takes place on both sides of the water. The French stay in the small thermal resort of Evian, where the police now far outnumber the visitors who have come to take the cure. Twice every other day, helicopters bring the Algerian delegation up from Geneva. Journalists who try to commute by land between the two poles of attraction have to brave innumerable check-points. The Algerian delegation, secluded in a villa on the outskirts of Geneva, is protected by Swiss police who keep their fingers on their triggers. The Algerians give their press conferences from a distance. The journalists gather in front of a big screen on which, through a closed television circuit, Mr Belkacem Krim and his colleagues appear and answer questions—like Chinese shadows, say the wits.

Such heavy precautions are a defence against bombs or other acts of terrorism by French extremists. They also illustrate the peculiarity of this conference. True, the neighbouring Laotian meeting is also concerned with ending a war and its predecessor, the Indochinese conference of 1954, set out to end a conflict that had immobilised strong French forces for some years. But the 1954 conference opened in a moment of French defeat, while, in Algeria, the French have not been defeated in battle. Instead, in the seventh year of war Paris has grasped that military operations are a Sisyphean task and is trying, through negotiation, to salvage French economic and strategic interests.

In this context the French opening gambit was clever rather than far-sighted. Last Saturday, even before M. Joxe had greeted Mr Krim at Evian, Paris announced a unilateral cease-fire, under which French troops would suspend military action for a month, except for purposes of self-defence. The gesture was more spectacular than generous. An organised army, in control of the bulk of the territory, can remain on the defensive without much difficulty. Areas near the Tunisian and Moroccan frontiers, where rebel troop movements might be strategically dangerous, were excluded from the truce. In other areas French troops maintain their right to reply to attacks, and the truce may be suspended or extended according to circumstances. Tactically the move was adroit, since it confronted the FLN with an unpleasant choice. Aware of the impact of a truce on the morale of guerrilla fighters, the rebel leaders have always said that they would not lay down arms until they obtained political guarantees. Yet if they now stick to this principle the contrast between French generosity and Algerian intransigence could be used to confound Algerian as well as international public opinion.

The Algerian delegation, therefore, reacted angrily. Insisting that progress could only be achieved by mutual agreement, it described the French move as a manoeuvre and a piece of blackmail. Other French measures, announced simultaneously, were also greeted coolly. The freeing of 6,000 political internees was countered by the argument that hundreds of thousands still remain in prison and "two million in concentration camps." The transfer

of Ben Bella and his companions to quarters about a hundred miles from Paris was condemned as insufficient. The Algerians are asking for their complete liberation or, at least, for means by which they can communicate with them directly. At present they can get in touch with Ben Bella only through the French ministry of justice. This week's bloody rebel ambushes in Algeria show that the Algerians are refusing to play the game that Paris has proposed. The French have undoubtedly scored a point. But when association is the aim, a success of manoeuvre can be a doubtful gain.

Temperatures calmed down during the Whitsun recess and by mid-week the conference had got into its stride. Both sides agreed to hold sessions on alternate days and to preserve a veil of secrecy over the negotiations. However, enough news has filtered through for it to be clear that so far they are sticking to their traditional postures. The Algerians have emphasised the territorial integrity of Algeria (including the Sahara) and the unity of its people, ruling out the possibility of self-determination by individuals or groups. The French have restated their case, the gist of which is that Algeria can have its independence if it chooses to be associated with France, but if it chooses to secede the country will be partitioned.

M. Joxe's comment that the Sahara is "a question on its own," set against the rebels' strong insistence that it forms an integral part of Algeria, has led to the report that sovereignty over the Sahara is the main obstacle to agreement. But this is to put the cart before the horse. If the rebels accept a form of association with France, and if the Algerian state remains in the franc area, tied to France by a variety of economic links, the legal question of sovereignty over the Sahara will be secondary. The French want to put the Saharan issue at the end of the agenda because they are, as yet, uncertain about the future relationship between France and Algeria. The rebels insist on territorial integrity because they are uncertain whether the French terms for association are acceptable.

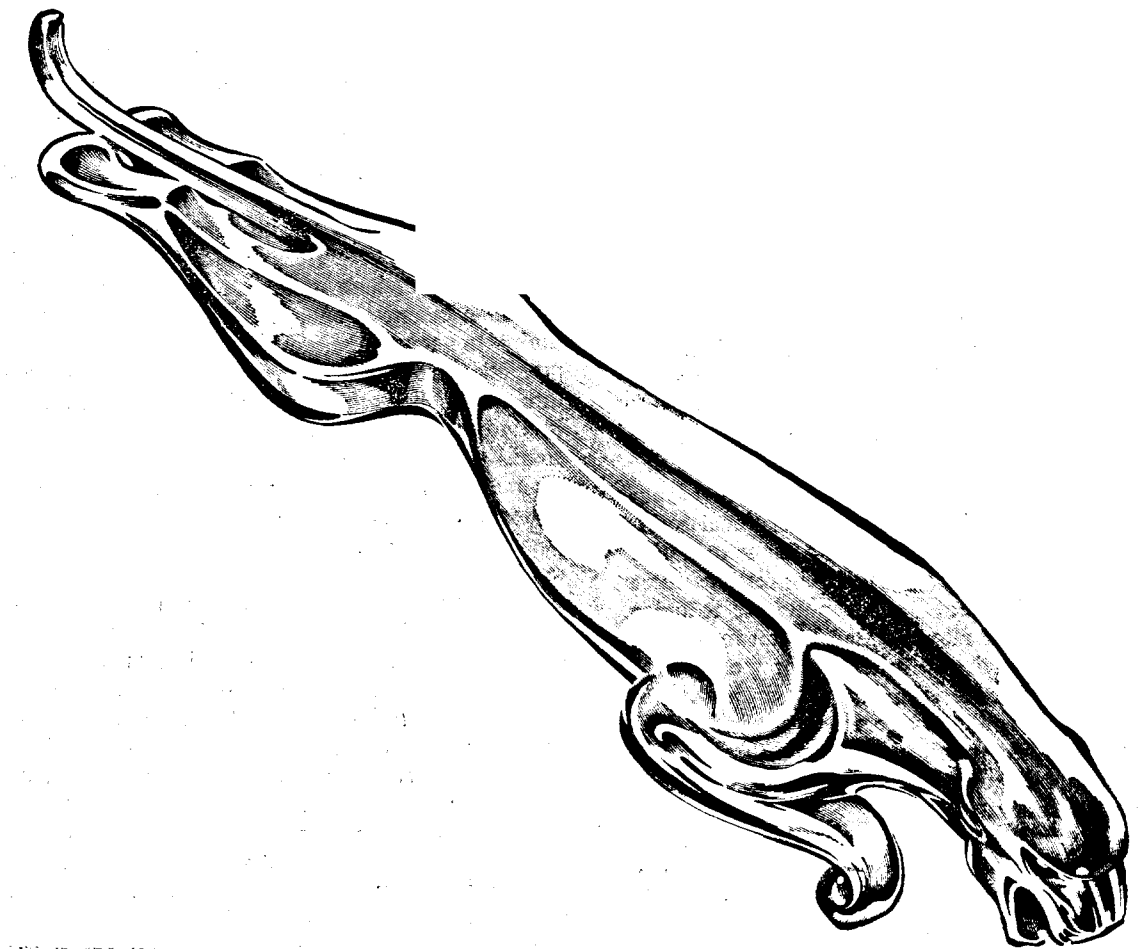
General de Gaulle has already provided the framework for association. Negotiation should fill in the content. The French ask for an "organic statute" for the different communities. This implies a guarantee of their physical safety, their property and their political rights. Might the special status of the European community prevent an Algerian government from carrying out a land reform programme or from nationalising certain industries? Similar questions may be asked about the French demand for special economic relations. Finally, the Algerians must decide whether the French request for bases and other military facilities is compatible with their often proclaimed aim of neutralism.

Both sides talk eloquently about self-determination and guaranteeing a free vote. Yet everybody knows that if they agree on a solution the vote will be no more than the formality of ratification. If they fail to agree the French army can, as it has done in the past, stage-manage a referendum designed to go France's way. Association or war—these are the alternatives the Algerian delegates have to ponder.

## Greece's European Challenge

FROM OUR ATHENS CORRESPONDENT

"WE have plunged into the water," wrote a leading Greek financial editor after the treaty of association between Greece and the European Economic Community had been initialled; "we may now either sink, or swim ashore to prosperity." Only a few Greeks accept this gloomy epigram at its face value. Yet whether this venture leads Greece up or down hill largely depends on the Greeks' own response to the gigantic task of readjustment which even a gradual integration into the powerful European economic group imposes.



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Greece's plight has not been under-development alone, but also the discouraging realisation that the Greeks would never catch up with the elusive standard of contemporary prosperity unless their rate of advance became faster and faster. Accelerating progress, however, involves a drastic change of mentality and geographical outlook; it requires a "Europeanisation" of the Greek mind, which perhaps through the centuries of submission to, or contact with, the Orient has become blissfully complacent.

Now the Greeks, whether they realise it or not, have allowed themselves the span of only a generation within which to effect all these drastic changes, or to sink. After twenty months of complex negotiations, Greece and the Six have evolved a formula of association that affords Greece special protection, softens the shocks of integration, and grants comfortable delays for the structural and psychological readjustments needed for the ultimate objective of full membership in the common market economy. It is a challenge. The Greeks will have to become alert to the unlimited opportunities which a unified market of 170 million Europeans will offer. Above all, they will have to show courage and imagination in averting the perils of massive competition, and perhaps reconcile themselves to some ruthless sacrifices.

It had been expected that the 76 articles of the treaty, initialled in Brussels on March 30th, would have been brought before the Parliament of Little Europe for ratification before the end of this month. But last-minute snags have been caused by Italy's request for certain readjustments. These are to be discussed with the Greeks before the council of ministers meets on May 29th. Once the treaty is officially signed, the long process of national ratification will follow. The agreement is unlikely to become operative before January 1, 1962. The formula of association features three fundamental advantages for Greece: Greek exports are to enjoy at once the reduced internal tariff rates granted to full members; Greece will be allowed to maintain tariffs intact for ten years to protect local industry, before embarking on the 12-year process for the gradual abolition of duties; and, to accelerate economic development, it will receive a loan of \$125 million from the community's bank. The loan, to be supplied over five years, will be repayable in 25 years at current interest rates.

The six common market countries have been taking nearly 40 per cent of all Greek exports in value. Last year, however, was a bad export year and the proportion dropped to 32 per cent, while at the same time Greek exports to the countries of the Communist block rose sharply, from 16 to 22 per cent. These figures suggest how exposed Greece would be if it remained outside the main stream of Europe's unified trade: to offset declining purchases by the West, the Greeks would have to rely more and more on eastern markets to sell their products.

Association with the common market will not alter perceptibly the pattern of Greek trade with the Communist block through clearing agreements. The negotiators obtained the sanction of the Six to grant tariff quotas to these bilateral trade partners so as to preserve those markets for some vital agricultural exports. If, however, the Communists were to cut down heavily on imports from Greece for political reasons, the Greeks could always fall back on their common market partners. In that respect, the association will give the Greeks a greater sense of economic security.

Four-fifths of Greece's exports are farm products; tobacco provides the bulk of export revenue. When the treaty comes into effect most of these products will gain an advantage of cut-rate duties over their external competitors. Tariffs on Greek tobacco and currants, two staple exports, will be cut in half at once, and will be abolished completely by the end of 1967. Quantitative ceilings—which are, however, satisfactory to Greece—have been placed on the common market's imports of certain Greek fruits to

safeguard the prior interest of Italy, a full member. Although association with the Six will favour Greek agriculture, no spectacular growth in Greek exports is likely at once. Much will have to be done to improve and standardise the quality of farm products and reduce their production cost before they can be fully competitive. The Greek Agricultural Bank has already prepared an exhaustive five-year investment plan costing about £14 million to create food industries that will meet the new competitive requirements.

While Greece will follow its six partners by reducing tariffs on nearly 64 per cent of its industrial imports from the common market area, almost all manufactured and handicraft goods produced in Greece today will enjoy protection; and this, with certain limitations, will be extended to new Greek industries until the full abolition of duties by 1984. To meet the coming challenge, some Greek manufacturers, for example, in the textile industry, have moved towards the formation of export combines which will not affect their domestic operations, but will unite them in facing competition and in taking advantage of new export opportunities.

The main emphasis, however, is on attracting foreign investors who would co-operate with Greek manufacturers in expanding Greek industry with fresh capital and imported technical knowledge. Officials here stress that the new arrangements offer investors from countries outside the common market a singular opportunity to supply the domestic Greek market under strict tariff protection from outside competitors, and to expand their exports throughout the community unhindered by the external tariff wall. Investment opportunities are enhanced by low labour costs, price stability and favourable tax treatment to importers of foreign capital. Locally produced raw materials are an added asset. There is unexploited mineral wealth, high-quality cotton, and excellent possibilities for establishing local food industries which should find ready European markets.

The \$125 million loan from the community was originally linked to a Greek pledge to settle Greece's still outstanding prewar foreign debt; but the Greek negotiators in Brussels apparently managed to detach this string. The common market is expected to state in writing its wish that Greece should settle its outstanding bonded debt soon. The Greeks have officially stated their wish to liquidate these liabilities, but no further acknowledgement is required of them. The loan is to be granted for specific development projects approved by the Greek government. The Six propose to subsidise the interest rate on two-thirds of this loan if it is spent on unproductive infra-structure projects. Further loans from the community's bank have been promised.

Thus the stage has been set. Success will depend on how the Greeks—one and all—react to responsibilities so sharply opposed to their traditional individualism. Perhaps the need for survival will gradually create enough pressure for the necessary adjustments to be made.

## THE MOTOR INDUSTRY

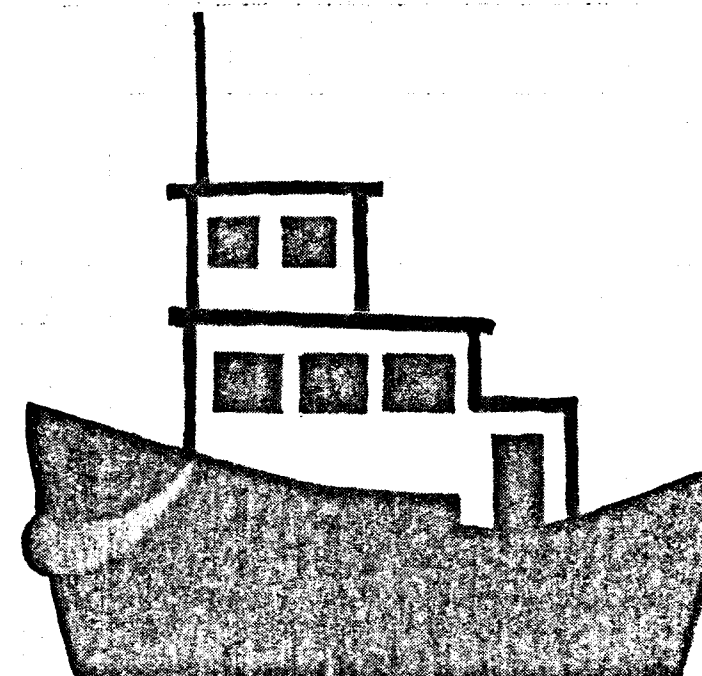
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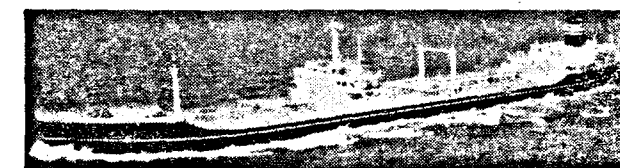
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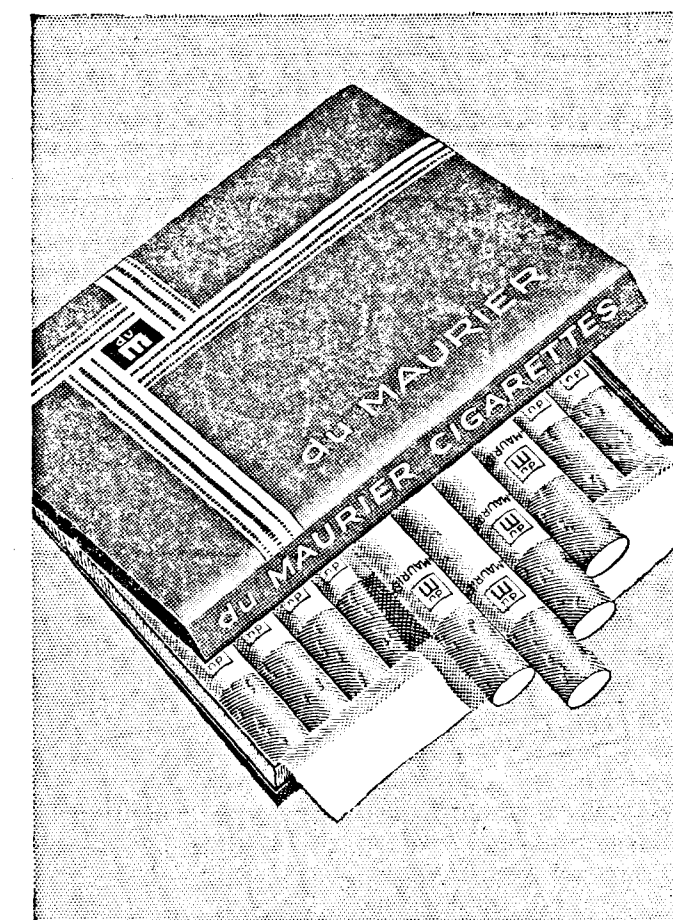


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## THE BUSINESS WORLD

### New Regulators for Old

Some new research on hire purchase contracts  
deserves careful study

THE most likely problem of the next few months," the Chancellor of the Exchequer declared on Whit Monday, "is such heavy demand here at home from consumers' larger incomes, new Government spending, and new investment programmes that our resources cannot quite meet the requirement." In that case, Mr Lloyd implied, he might have to use his two new economic regulators—the first to vary purchase tax and revenue duties by up to 10 per cent and the second to impose a surcharge on employers of 4s. a week for every employee on the books. It would be astonishing if the payroll tax were implemented in its present form, for its limitations have been referred to by the Prime Minister, Mr Butler and even by the Chancellor himself. The Treasury must decide whether it wants an economic regulator (for which it would have to persuade the Cabinet to accept a variable surcharge not on employers but on employees) or a long-term deterrent to wasting labour (for which a surcharge on employers is the right instrument, but at a much stiffer rate and variable between different industries and areas). As both these proposals would be sure to raise a political storm, one may reasonably assume that for the time being Britain has in reserve not two new regulators of consumer spending but one. The power to vary indirect taxes would itself work more effectively and more smoothly if it were applied to a single flat rate sales tax or turnover tax, and if its practical operation were eased by a decimal currency.

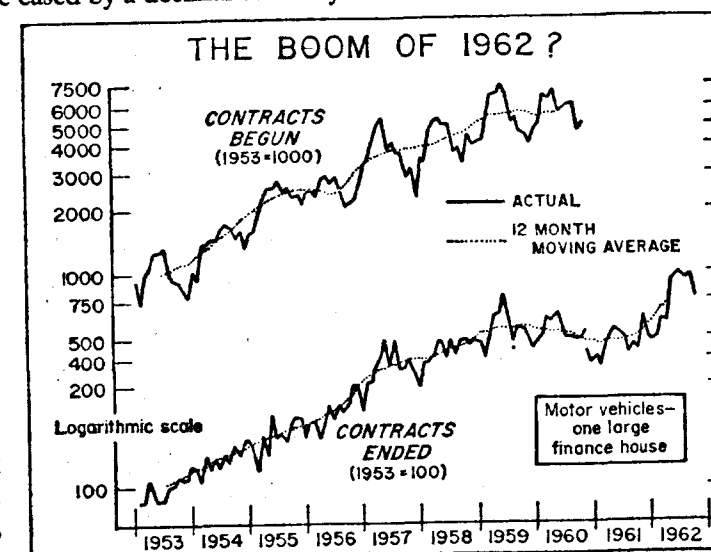
But this at least is a weapon of substance: its potential effect on purchasing power of £200 million in either direction exceeds the net impact of the average budget.

How far will this new and powerful instrument of control replace existing instruments? Monetary policy, the Chancellor was quick to point out, is not being dispensed with. But he admitted that international considerations were inhibiting the free use of Bank rate as a domestic regulator. Thus at the end of last year, Bank rate was reduced in order

to help to take pressure off the dollar. This was sensible, addressed to the first priority of the time. But central bankers and finance ministers should be careful to ensure that short term international co-operation of this kind does not slide into attempts to rule out properly founded differences between interest rates. Balance will not be restored to world payments if interest rates in leading countries are kept off the level that is appropriate domestically. In Britain, it is important to ensure that "international co-operation" is not used as a cloak for inaction by those circles, in the City as well as Whitehall, that have become sceptical of the effectiveness or practicability of using interest rates as an economic regulator. Ten years ago an active monetary policy was often regarded as a panacea for all Britain's problems, including that of how to reduce taxes during a raging boom; recently it has become fashionable to swing to the other extreme.

This is to be resisted. But a concurrent swing in fashion against that hybrid control, the regulation of hire purchase contracts, is wholly welcome, and long overdue. Each successive piece of evidence and analysis of the effect of these controls reinforces the case against them. In Whitehall the point has been partly taken. The Government now professes an attitude something like this: "Hire purchase controls are undesirable in principle and discriminate unfairly against a few industries; but their effects have been proved to be

prompt and substantial, so the Government could not be expected to renounce them unequivocally." This is close to the view of the Radcliffe committee that, because of their undoubted efficacy, hire purchase controls should be held in reserve for emergency use. The dangers of any such view were painfully illustrated in the reimposition of controls in 1960. There was no emergency then and the controls were in fact imposed in the last stages of a hire purchase upswing; the effects were so violent that relaxations had to





be made after less than nine months, and would have been justified a good deal earlier.

But quite apart from these difficulties of timing, it can be maintained that the actual effect of changing the regulations is very different from what the controllers intend. It has been clear for a long time that changes in the regulations themselves generate major swings in the hire purchase cycle. But a precise working through of what people actually do when hire purchase terms get tighter or easier has been inhibited by lack of information on two fronts: on the habits and the economic circumstances that govern the way in which people take out hire purchase contracts; and on what these contracts actually are. By making a set of arbitrary though not unreasonable assumptions about the first, and obtaining figures from one large finance house on the second, Mr J. R. Cuthbertson has been able to analyse in this month's issue of *Economica* the impact of changes in HP regulations more fully than has been attempted before. The conclusions are startling. As any essay in model making must be, this ambitious projection is open to important qualifications when applied to the practical world, but it deserves close attention.

THE core of Mr Cuthbertson's argument—which is confined to the car market—is that the prime influence affecting new hire purchase contracts at any given time is not the size of the minimum deposit or the maximum length of repayment but the incidence of completions of past contracts. The basic assumption, which is a widely accepted one, is that the hire purchase buyer will continue to set aside part of his income for monthly instalments. Applied to cars, this means that as soon as the car has been paid for, the buyer thinks of trading it in for a new one. It follows from this that the size of the deposit will normally be unimportant, as it is covered by the trade-in. The experience of the finance house that Mr Cuthbertson looked at also shows that about half its vehicle buyers are not greatly affected by controls on repayment periods, so long as the maximum is not less than two years; and that in 1959 about half its total vehicle business was being done on two-and-a-half and three-year contracts.

It follows from these assumptions that changes in regulations will have relatively small effects on the current volume of hire purchase contracts taken out. But, by advancing or postponing the date at which contracts will be paid off, these changes will have a sharp effect on the level of hire purchase business two and three years ahead. Past regulations rather than present ones are, on this theory, the major determinant of the current volume of instalment business. Thus

THE MODEL

|                     | Repayment<br>period (years) | New contracts<br>will mature in | Contracts maturing<br>were started in |
|---------------------|-----------------------------|---------------------------------|---------------------------------------|
| Year 1 (1958) ..... | 2/3                         | 1961                            | 1956                                  |
| Year 2 (1959) ..... | 3                           | 1962                            | 1957                                  |
| Year 3 (1960) ..... | 3/2                         | 1962                            | —                                     |
| Year 4 (1961) ..... | 2/3                         | 1964                            | 1958                                  |
| Year 5 (1962) ..... |                             |                                 | 1959                                  |
| Year 6 (1963) ..... |                             |                                 | 1960                                  |

the falling off in new business in 1960 was "in no way" connected with the controls imposed in 1960. It is attributed rather to a depressed level of terminations, which reflected first the successive two-year reverberation of the levelling off in 1956 and secondly the relaxation of restrictions in late 1958. The switch then from two-year to three-year contracts created

a future gap in maturities in "year three." Buyers who took the maximum term of repayment will have completed no contracts between the summer of 1960 (when the last of the two-year contracts were paid off) and the summer of 1961 (when the first permitted three-year contracts are repaid). By the same process, the return to two-year contracts last spring threatens to produce a bunching of maturing contracts in 1962—when these two-year contracts will be completed at the same time as the three-year contracts of 1959. So a major boom in domestic car buying is foreshadowed for 1962. And this is to be followed, on this projection, by a slump in 1963, since the return to three-year contracts at the beginning of 1961 implies a dearth of maturities two years later—Mr Cuthbertson's "year three" effect again.

How precisely can one reckon on all this? The question about any theoretical model is its assumptions. Mr Cuthbertson probably has gone too far in dismissing the immediate impact of a tightening of terms. Even if his assumption about trading-in is true for a substantial sector of hire purchase buyers, in recent years there have been perhaps more buyers than usual going straight to a new car, and others have found that their prewar model has lost all value even as a trade-in. In such cases the size of the deposit may be more significant (as it is in any case for consumer durables other than cars). There is also evidence, on Mr Cuthbertson's own figures, that the stringent deposit of 50 per cent imposed early in 1956 caused a marked fall in new contracts, in face of the continued rise in terminations—this seems to be the one place at which Mr Cuthbertson's correlation breaks down. To the extent that changes in regulations do have an immediate effect, the future ups and downs in Mr Cuthbertson's projections would be modified. Recently, moreover, the finance houses have not been so anxious to encourage buyers to go for the maximum three-year repayment, and many new contracts are still for two years. This diffusion too will modify the "Cuthbertson effect". It is also true that only about one-quarter of new cars are bought on hire purchase. But this is not necessarily significant, since the whole market for new cars is strongly influenced by the second-hand market, which governs the value of the trade-in; in practice, total new home registrations follow the curve of hire purchase sales of all cars, old and new, quite closely.

Mr Cuthbertson's model-making has not proved that there is bound to be a major boom in 1962, and a major slump in 1963. It has, however, provided a forcible reminder that one of the most important forward indicators of consumer spending, the projection of hire purchase terminations, has been neglected. "It seems to be too little realised that the day 5s. a week comes free can mean an order for nearly 200 times 5s. worth of goods." These are figures that all finance houses have and could produce. The Government should get them. The next requirement is to find out more about what makes people act as they do in buying cars and other things on hire purchase. The importance of consumer psychology grows with the importance of durable consumer goods: the car market, above all, is the poor man's stock exchange. This is one for the depth boys. Instalment buying is still imperfectly understood. The Government should brush up its knowledge, and until it has done so, beware of meddling.

## Canadian Questions

Canada's friends are puzzled by the stodgy condition of the Canadian economy and distressed by the vituperative character of public debate about it. Our special correspondent recently spent some time in Montreal, Ottawa and Toronto seeking answers to three broad questions and hoping to find conclusions that would point to renewed expansion, to a firmer grasp of economic policy and to strengthened national confidence. His analysis is tinged with scepticism at a number of points, but it does not share the dark mood of doubt that afflicts much Canadian thinking on the future of the economy.



### What Happened to Growth?



A BUSINESS upturn is on the way in Canada; it is attracting the minimum of attention and it affords the minimum of consolation in a country perplexed by its longer-term future. A quarter of a century of rapid growth during and since the war is over. In four years the rate of unemployment has doubled, averaging 7 per cent for the whole of last year and rising through last winter to over 11 per cent. Not all of this represents total hardship, but it does mean production and income forgone. The stimulus of a 30 per cent increase in population from 13.7 million to 17.8 million in the fifties has had no follow through; and if by 1970 Canada finds herself with 22½ million people, formidable gains in production will be called for during the sixties to employ them and satisfy them. Glancing back over the course of the past decade, Canadians find good grounds for their present doubts. Between 1949 and 1956, the real growth of the Canadian economy averaged about 6 per cent a year; since 1956, the rate has been about 1 per cent, and per head there has been a fall in real output of more than one per cent. What worries Canadians is how they can possibly match in the sixties the kind of advance that gave them an increase in their real spending power of nearly a quarter during the fifties. They fear, with some reason, that their economy has entered a period of seriously slow growth.

In this period of questioning, no voice has been more persistent than that of the Governor of the Bank of Canada, Mr J. E. Coyne. A speech he made two months ago included this formidable exercise in economic re-examination:

A review of developments during the so-called "fabulous fifties" leads to the question, "What went wrong?". With one-third more capital investment each year in proportion to gross national product than in the United States, why did our gross national product not increase significantly more than in the United States to a level above that of the United States? Why did we have a continuing balance of payments deficit on a scale no other country in the world has ever experienced? Why did net foreign investment in Canada quadruple from four billion dollars at the end of 1949 to seventeen billion dollars at the end of 1960? Why did our costs of production in secondary industry rise more than costs of production in secondary industry in the United States? Why has secondary industry in Canada producing for domestic consumption languished while a tremendous increase occurred in our imports of the products of secondary industry abroad?

Mr Coyne's role as Grand Inquisitor of the Canadian economy has become a matter of acute controversy about which more will have to be said later. In his latest catechism, he manages to include pretty well all the factors about which Canadian economists are arguing—though not all of them share the pessimistic implica-

tions of his questioning, or would expect a satisfactory rate of advance throughout the Canadian economy necessarily to match the United States in all respects.

Mr Coyne has answered many of his own questions on many occasions. He believes that higher employment and output could be achieved "through measures designed to reduce the large deficit in our current account balance of payments" (a phrase that keeps his critics guessing, though they suspect some dark kind of autarky). He also argues for "increases in spending of a selective character likely to increase production in Canada, rather than through measures designed to raise the level of total spending by Canadians." Certainly it is not through any deficiency of money supply that the Canadian economy has become stationary; since 1954 there has been an increase of 35 per cent and through the past winter a further big injection has occurred. All this massive stimulation has produced the minimum of effect on the economy. Mr Coyne's warnings on the dangers of excessive reliance on money creation deserve respect; he is not the only central banker to advocate remedial measures outside the field of central bank action.

### Vulnerable Balance

BUT Mr Coyne's main theme, in a series of pronouncements over the past two years, has been the vulnerable state of Canada's balance of payments and its consequences for the economy. Every year since 1952, and particularly since 1956, the account has shown a large net deficit sustained by large imports of capital. Since the deficits have not been followed, so far, by increased production or export earnings, he reaches this stark conclusion:

At a time of relatively high unemployment in Canada . . . the continuing very large deficit in the balance of payments . . . is indicative of an excessive capital inflow as well as structural weaknesses in the Canadian economy which result in excessive aggregate spending on goods and services provided from abroad to the detriment of the production of goods and services of a similar character in Canada.

According to this view, there is a direct connection between an average rate of unemployment running up to 7 per cent in the last three years and a payments deficit amounting to nearly 4 per cent of Canada's gross national product. If more of Canada's total spending had been on Canadian production, unemployment of Canadian resources would have been much lower. To the outsider, the fact that the Canadian dollar remains at a premium over the US dollar seems almost bizarre, since it exacerbates the flow

of imports and discourages Canada's secondary industry both in its own market and in exports. The end result is that in 1959 the average Canadian imported \$230 of manufactured goods, while his average share in GNP was about \$1,900. But the capital continues to flow in, particularly from the United States, despite the fact that Canada's growth industries have seemed to be fully developed, in relation to demand, for the past four years. In 1957, rather over 27 per cent of GNP was devoted to fixed investment of all kinds—a remarkable figure probably unmatched in the free world. There has since been a significant fall, to about 23 per cent, but this does not suggest that Canada's troubles arise from inadequacy of capital formation.

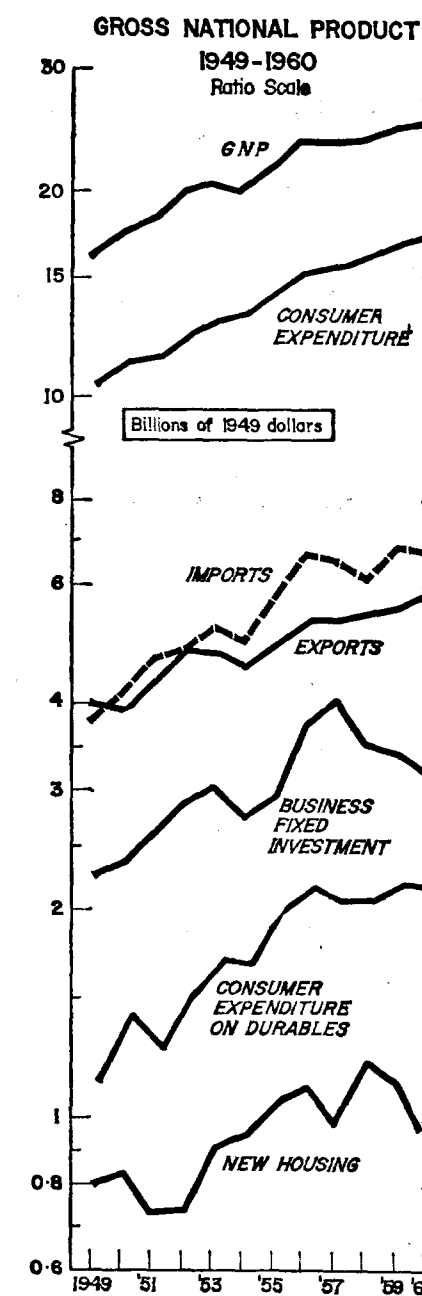
It does, however, pose Mr Coyne's biggest worry. Between 1950 and 1955 Canada's capital formation was financed to the extent of about one-fifth from foreign sources; between 1956 and 1959, the proportion was more than one-third. To talk of moderating the capital inflow to Canada when the pressure of the inflow remains so strong is hardly realistic. Nor does the governor's analysis entirely clear up the question whether the deficit promotes the capital inflow, though his general argument suggests that it does. From this view emerge his main policy conclusions, on which his critics have pounced: that foreign borrowing is a primary cause of instability because it makes possible investment expenditures that otherwise would not be made; and that foreign funds permit an excessive inflow of imports which involve unemployment for Canadian resources, together with distorted growth and political dependence.

The two parts of the argument do not hang together conclusively, and some of his critics, at least, see them as stemming from an unduly nationalistic and austere view of the potentialities of the Canadian economy. It cannot be accidental that Canada's growth up to 1957 was conducted with a high degree of dependence on foreign capital (though not so high as it has since become), that the growth of public debt was moderate in relation to the growth of the economy, and that the balance of payments did not go badly awry. The development of Canada's primary resource industries on any other terms would have been inconceivable, and the inflow of funds followed a well-established pattern of American interests in Canada.

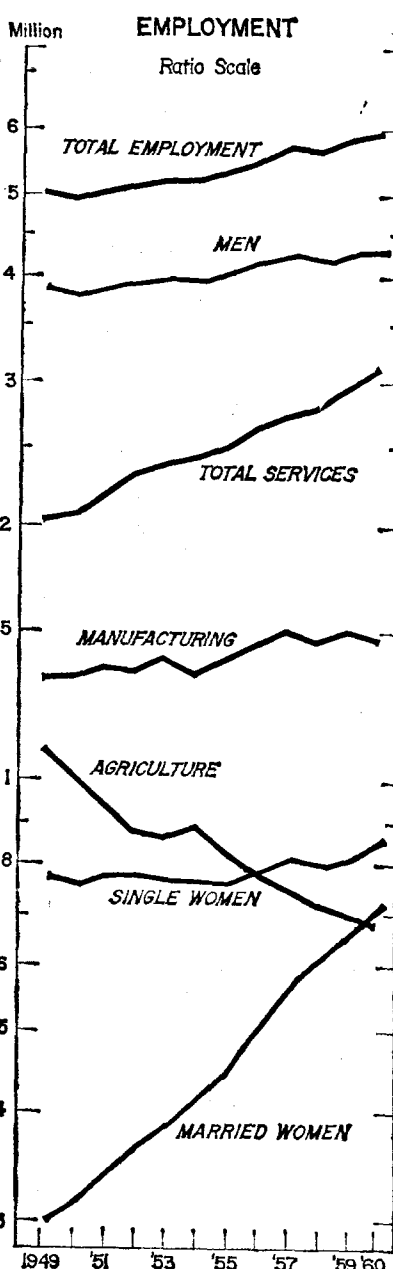
### The Price of Independence

A STRICTLY puritanical "do it yourself" approach to Canadian development is therefore too late, whatever might be said for it in austere principle. Half of the foreign investment in Canada in the past decade has been direct investment in productive resources which has clearly been good for Canada and does not leave her vulnerable to a flight of capital or to difficulties in servicing it. Whether the volume of borrowing of Canadian provinces and municipalities on the New York market (which makes up most of the other half) is so estimable is another question. The objections to the inflow are only in part economic. Nationalistic instincts are aroused by the fact that two-thirds of Canadian industry is foreign controlled, with a much higher proportion in cars, oil and nickel. Any reasonably profitable business in Canada feels vulnerable to an American take-over. "We have," a Canadian has said, "an automated industry with the push buttons in the United States." It is these things, rather than condemnation of "living

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beyond our means" that make an impact in Canada, sometimes to the point of obscuring the fact that what matters is not ownership but operation. If the ownership of Canadian industry was more Canadian, or more diversified, it would not alter the increasing dependence of the Canadian economy on the American market.

The question, then, is whether economic independence for Canada is a practical goal that can be achieved at a tolerable price—whether, in Mr Coyne's words,

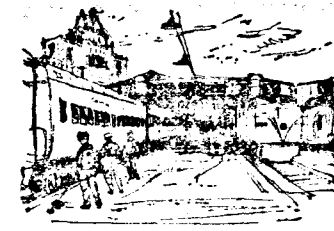
we are prepared as a nation to live by our own exertions, to save out of income what we think we need for future growth and development, and to finance and control our own development to such a degree that the Canadian interest in Canadian industry shall in future increase instead of continuing to decrease.

He holds that this can be done by a concerted national effort to restore growth, flexibility and progress to the Canadian economy, with greater diversification of output, increased employment to absorb the present unemployed and new entrants, a sound currency and a rising standard of living. It is a tall order, and before examining whether it can be done, we must ask how it is that Mr Coyne has stepped so far out of the accustomed role that central bankers assume and how responsibility for economic policy falls in Canada.

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## Whose Hand at the Wheel?



CONTROVERSY about Canada's economic future has stirred plenty of controversy about Canada's economic direction. In many quarters, Mr Coyne is denounced with excoriating abuse. Not all of this is just. If there is some odd mixture of shyness and intellectual assertiveness about him, there is certainly no forked tail. All this follows from the fact that the governor has constituted himself a unique official source of economic comment and opinion, in a spate of speeches that contrasts sharply with the silences of Mr Donald Fleming, the Finance Minister. The most dramatic reaction to Mr Coyne's self-appointed task as national economic counsellor has been a demand for his dismissal in a letter signed by 29 Canadian economists addressed to the Minister, which says in part:

We are facing serious economic difficulties in Canada, both in our domestic economy and in our trade and financial relations with other nations. The undersigned economists wish to express to you that we have lost confidence in the ability of the Bank of Canada under its present management to play its proper role in ameliorating and resolving these difficulties.

These are extreme words. One of the principal signatories of the letter, Professor H. Scott Gordon, has added that attack was made on the person rather than on the policy because this group of economists had "powerful reasons for believing that the present Governor of the Bank of Canada is an independent source of economic difficulty and instability in Canada... we wanted to say, without disguise or ambiguity of any kind, not only that the policy and operations of the Bank are wrong, but that, as professional economists, we have lost all faith in their ever being made right under the present management."

Professor Scott Gordon has spelled out these charges in a pamphlet that nails the governor with a series of hard punches that could well have put him out of office. His own sense of duty, coupled with an element of personal pride, has so far kept him there, serving out the last months of his seven-year term that ends in December. He would hardly obtain reappointment even if he were to seek it. The time has clearly come for change, for the office is of greater importance than the man.

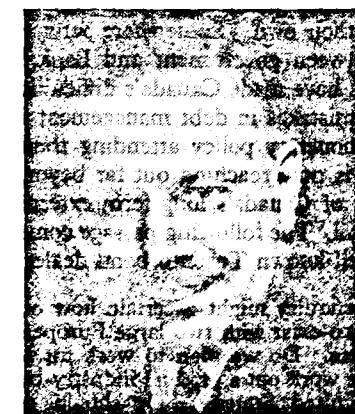
### Monetary Irresponsibility

BUT it is not a reappraisal of the Bank's management or even its functions alone that is needed. There is also the matter of irresponsibility (in the literal sense) on the part of the Government for Canada's monetary affairs. Mr Fleming holds that the government does not exert any sway in the field of monetary policy, and he is not the first Minister of Finance to put forward that view, even though he argued in the opposite sense when he was in opposition. The argument is that, through the Bank of Canada Act, parliament placed the responsibility and power over monetary policy in the hands of the Bank. It seeks to draw a sharp distinction between monetary policy, which is for the Bank and for the Bank alone, and fiscal policy and the management of the debt, for which the Government is responsible. Mr Fleming has repeatedly insisted on this demarcation and has characterised as "demagogic rot" the assertion that it imperils Canada's financial and governmental system.

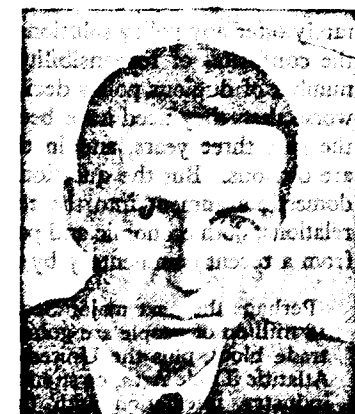
Obviously, such demarcation is unreal in a modern economy. Even in the United States, where steps have been taken to keep the

money supply out of politics, the Federal Reserve Board is ultimately responsible to the President. In Canada, it is producing the most embarrassing situation. Mr Coyne is on good ground when he declares that further monetary expansion cannot right what is wrong in the Canadian economy. On the demarcation principle, that leaves it solely to the Government to work on fiscal policy to put matters right. This is a false view, and it does credit to neither side in the current controversy. Mr Coyne has spoken in outright and even extreme terms about the things he feels to be wrong; but when it comes to positive proposals for putting them right, he has been surprisingly unforthcoming—as his recent testimony to the Senate Committee on Manpower and Employment showed ("I am here," he said in introduction, "at your request."). There are many ways, he asserted, by which governments at all levels can remove difficulties in the way of Canadian business enterprises and increase employment opportunities. Asked to name them, he said that the committee had already a long list of suggestions to which he had nothing to add, since he had nothing "very specific or detailed in mind."

This negation is baffling to the outsider, and to some Canadians undoubtedly infuriating—though his harshest critics noted that while Mr Coyne eschewed monetary expansion, he also opposed controls over imports and foreign payments. In the anti-Coyne hate, this has been labelled "evasive," though it puts the Coyne record on controls completely straight. But the silences of Mr Fleming also need explanation. Of all the ministers, Mr Fleming has emerged as the most hardworking and the most adept in his own department (the competition is not too impressive, but the compliment is not intended to be backhanded). He would claim that he has made plenty of speeches about economic policy, including his "baby budget" before Christmas, and that there was no gap for Mr Coyne to fill. Others say that Mr Coyne has felt the responsibility to inform the Canadian public of his ideas simply because ministers were not prepared to speak often enough or strongly enough on economic policy. The reaction has been a studied silence from the Minister of Finance, suggesting resentment of the governor's excursions into the widest economic fields (and therefore into matters of government responsibility), reluctance to widen the argument by denial or counteraction, and powerlessness to say "stop" to him.



Fleming



Across the street but never meet

Coyne



## Economic Management

So from both components in the apparatus of economic management, the Canadians are offered a differently coloured *non possumus*. Mr Coyne, one feels, would if he could; Mr Fleming, on his construction of the law, holds that he cannot, and feels no superior power of will and responsibility. It is a dismaying misfit that must be remedied—and a misfit only in part of personalities, though that is important enough since the two gentlemen, though only a few yards from each other across the street, never appear to meet each other unless it is over the formalities of a government loan operation. Mr Coyne's speeches have clearly shown that a modern central bank is bound to concern itself with the broadest and highest functions of economic policy; yet they have denied that monetary policy and interest rates could contribute effectively towards a solution of economic problems. Mr Fleming's insistence on demarcation is meaningless and even dangerous for democratic government; and when it comes to the pinch (as in August, 1959, when the treasury bill rate got out of hand because of misjudgment by the Bank) the minister has to act.

It is more than time to set up a widely ranging inquiry into the instruments of economic policy available to Canada. The Senate investigation into manpower and employment will no doubt throw



## What Price for Independence?



AN Italian vegetable grower in Toronto this winter took his car and three friends down south on a golfing trip, took one look at Pinchurst and decided it was too wet and proceeded to Hollywood Beach, Florida. The green fees, he said, were a bit stiff, and the electric buggies cost \$14 a day, but the party had a good time. It is easy for an outsider to sound stuffy about this style of living, for this is, after all, a man who will get no vacation this summer. Yet episodes like this illustrate the complaint (voiced not only by Mr Coyne) that Canadians are living too high off the American hog. To the visitor, the perplexing thing about Canada's present mood of introspection is that it provides powerful (sometimes contradictory) analyses of what is wrong without offering anything very conclusive in the way of remedies. Mr Coyne's recent reticence before the Senate committee did him less than credit. His critics concentrate on him, and on where they think he goes wrong, but rarely offer any policy solutions of their own. Somewhere between the confusion of responsibility between government and Bank, a number of dubious policy decisions have made Canada's difficulties worse than they need have been: mistakes in debt management in the past three years, and in the monetary policy attending them, are obvious. But the questioning is now reaching out far beyond domestic argument into the realm of Canada's long-term external relations, both economic and political. The following passage comes from a recent commentary by a well-known Toronto bond dealer:

Perhaps the next major Senate enquiry might ascertain how our 18 million of people are going to co-exist with two large European trade blocs, plus the United States. Do we plan to work for an Atlantic Trade Area, or should we work out a gradual industry-by-industry integration with the United States? Or should we pretend the Sixes, Sevens and US don't count, hiking tariffs by reclassification until retaliation, and the shock of a United Kingdom

up valuable suggestions here. Apart from the basic issue of responsibility for economic policy, there are many day to day questions. Many people criticise the Bank's competence in its market operations (some of its bitterest critics would use the word honesty instead of competence). What explains its manifest inability to get on with people outside, whether with the Minister across the way, or the bankers and bond dealers in Montreal and Toronto? Why is there no regular consultation with the financial community to explain the Bank's broad aims? What foundation is there for the Bank's view that bankers are unresponsive to signals? What possible justification is there for a merely residual Bank rate which the Bank denies any power to control ("it is all determined by the market")? Is a government bond market conducted by telephone to Ottawa the best way of organising loan dealings?

Proper investigation of all this would take time. Long before conclusions are within sight, changes will be needed in the Bank's structure. It is important to be clear about the reasons for this. It is not because of Mr Coyne's speeches and policies of the last two years. These have fulfilled a public service, though they may not have enhanced the authority of the Bank as an institution. The reason is that the Canadian Government cannot in the end shrug off responsibility for the Bank; a wise constitution would recognise this nexus and build a broader authority for the Bank by doing so.

*modus vivendi* with Europe, panics us into ill-advised *ad hoc* action?

In his Lennoxville speech over two months ago, Mr Coyne ended as he had begun on a note of nationalism, putting the case for independence in the strongest terms:

Canada was established as a nation, not as a natural economic unit. The very idea of Canada implies nationalism at its root, and nationalism is nothing if it is not an expression of emotion . . . self-development is better for the rounded life and continued vigour of a nation like Canada, and will do more to satisfy national aspirations of every kind, than the most ideal kind of purely economic development, if the latter involves perpetuation of large deficits in our balance of payments, continued reliance on endlessly growing foreign debt, and a continuously shrinking proportion of industry under domestic ownership and control.

The trouble is that a "little Canada" policy will not give Canadians a good performance from their economy, plentiful employment, social improvement, and freedom of choice. They want maximum unemployment of 3 per cent and minimum growth of 5 per cent and they are not getting them. There is nothing in Mr Coyne's diagnosis to show how they are to be got. Some measures immediately suggest themselves to the visitor. Mr Diefenbaker's cry of "Free Enterprise versus Socialism" is impotent under conditions where business has become so little enterprising. Entirely new planning arrangements, bringing together the public and private sectors, are urgently necessary. A new purposive sense is needed in the federal government's economic thinking.

There is another consequence of Canada's rapid and uneven growth that urgently needs remedy. This is in the field of education, and particularly of technical education. One of the current anti-Americanisms is that Canadian companies controlled by American

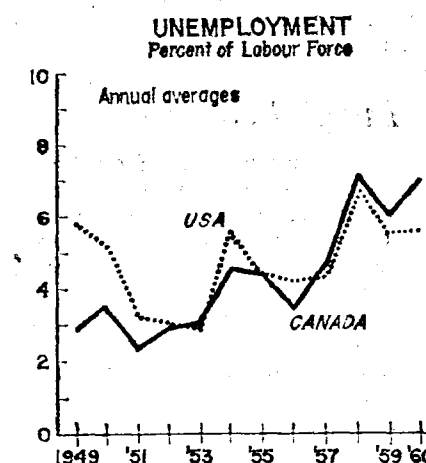
parent companies get no research work. There are several reasons for this, not all xenophobic—one is that the manning of good technical research in Canada suffers from the scarcity of adequately educated young people. The lack of training in elementary applied techniques is frightening in relation to the number of young people who are emerging, not only into industry but also into family and social life. Canada is now starting virtually from the bottom with measures to improve productivity. Quebec, which is a liberal stronghold, has lately introduced a scheme to provide \$10 a month for youngsters who stay at school until 18—but even blind alley jobs pay more than this. Unless real vigour is applied to education, the social waste and permanent handicap to the Canadian economy of unskilled young people entering the labour market will be inescapable.

## An 80-Cent Dollar?

The exposure of Canadian secondary industry to international (not merely American) competition, has revealed the weaknesses of its high cost conditions. Behind their tariff wall, these industries have been geared to a limited home market; their capacity for expansion has been limited, their efficiency and productivity relatively low, and their part in Canadian development essentially passive. Canadian industrialists accept virtually without question that there is an essentially non-competitive quality about much of Canadian secondary industry. Some of them say that they would need an 80 cent dollar to become competitive, but this is an extreme view—a depreciation of 5 to 10 per cent is a more frequently heard view. Others, more thoughtful, find it absurd that Canada should be attempting so wide a range of secondary industrial output and argue that concentration on particular lines of output would have a significant effect on costs. It is impossible to ignore the defeatism among businessmen responsible for secondary industry. They react favourably to Mr Coyne's nationalist arguments and are quick with protectionist replies when one asks about the need for dynamism. But it is difficult to see how the near-viable can be sorted out from the plain hopeless in Canadian secondary industry without government influence and help. Until the existing structure of these industries is greatly strengthened, it is difficult to imagine a positive policy for development. Notions that they can be put right by a massive depreciation of the Canadian dollar leave out of account the forces playing on the Canadian price and cost structure which push it up irrespective of serious under-employment of resources.

Canada's resource industries, whose selling prices are determined in export markets, can claim an efficiency, thanks to massive capital investment since the war, as high as that of comparable industries anywhere else in the world. But Canada was not the only country that overbought the arguments of the Paley report that the pressure

of demand on raw materials would become compounded as the world economy expanded. Forestry, mining and oil employ no more Canadians than ten years ago, and agriculture far fewer. Their rapid expansion in the middle fifties means that they will have to wait, *pace* Paley, for demand to come up to their potential. The sixties will not help Canadian agriculture; in non-ferrous metals the world



has surplus capacity; in aluminium the next phase of expansion will not be in Canada; uranium has proved to be a short-lived boom. Paper is no longer a Canadian and Scandinavian preserve. Iron ore exports are big and will grow, but petroleum promises nothing spectacular in this decade. And in secondary industries it is impossible to see any break-through from the marginal state of its profitability until concentration, better management and more realistic ideas about wages have come to prevail. The increase of nearly one-quarter in wages costs per unit of manufactured output during the past ten years and the heavy falls in employment in such important sectors as automotive and electrical production cannot be merely coincidental.

Canada's ever-increasing weight of foreign payments demands a more intense export effort, coupled with all reasonable methods this side of *dirigisme* to limit the bill for imports. (The present exercise for using more Canadian crude oil for domestic consumption may not suit the oil companies' book, for they have more, and cheaper, crude outside Canada than they know what to do with; but given the present huge deficit, any Canadian government would by now be getting rough about its oil bill.) It remains difficult to put too great faith in optimistic projections of output and prosperity in this decade. To take up the present slack, to find jobs for a labour force increasing by over 2 per cent a year, and to secure growth per head at almost the same rate—all this would no doubt increase total output by nearly three-quarters and the average family income by one-third, and even allow for the balancing of the external payments account without further resort to borrowing. But how does Canada secure the time to experiment with this growth model? Given all the necessary components, in education, technical expansion, industrial research, and more effective harnessing of domestic resources to investment, can the job be done?

## The Canadian Make-Believe

It may be that these ambitions will take root and produce a flourishing and more self-sustained economy. But it is not easy to find much support for them at this moment. Capital continues to flow in to support the Canadian make-believe. Common stocks are readily bought at prices that many industrialists (who should know what they are earning) regard as quite excessive. Most significant of all, the very people who argue for the preservation of Canada as an independent country and who point to the economic opportunities that might be grasped are those who concede, with Mr Coyne, that Canada is not a natural economic unit. But an enormous country full of raw materials and thinly supplied with people cannot enjoy rapid development on Operation Bootstraps. Nor is it clear that Canadians would now prefer an austere self-sufficiency to a better living financed in part from abroad, such as they have known in the past decade. Only part of the choice will be theirs. They cannot afford to count indefinitely on the provision of capital from the United States at anything like the recent rate. They cannot pretend to an American standard of living. They have to find a workable political formula for steady and soundly based expansion (in this, the election which is expected in the summer next year will be crucial). And they will want something that has been conspicuously lacking in the past three years—an effectively integrated fiscal and monetary policy.

If ultra-nationalism becomes a main plank of Canadian policy, independence will be bought at an outrageous price. The notion that Canada must fight to the end against absorption by an alien society is as untenable as the opposite view that Canada's eventual economic salvation lies in integration, political as well as economic, with the United States. The practical possibilities for a healthy Canadian economy must lie between these extremes.

# BUSINESS NOTES

## THE POUND

### Sterling and the Markets

STERLING has held its own in the exchange markets this week. The selling pressure that persisted through the week before Whitsun dried up after the holiday. Business has been small, and sterling has been quietly firm at \$2.79½. The market has not detected any evidence of official support. Dealers report some demand from New York and the Continent, and London seems to have stopped selling. (Through the whole phase of recent pressure it seems that London has been taking a poorer view of sterling than Zurich.) There are few signs of outright bear speculation. The cost to a non-resident of borrowing sterling on the Paris market (there is a ban on overdrafts to non-residents in London) is not, at 5½-5¼ per cent, at any large premium over rates on the London market. The turnover in the market, for these funds, which some people call Euro-sterling, remains small—probably not much over 10 per cent of the European market in dollar deposits. This market in "Euro-dollars" is founded on much greater rigidities in the New York money market, and notably on the statutory limitation on deposit rates in the United States.

The financial world is keeping an anxious eye on South Africa as Republic Day draws near. The reserves of the Union central bank fell again in the week to May 19th, though at £1.6 million the fall was notably smaller than in previous weeks. Since March 16th, when it became clear that South Africa would leave the Commonwealth, the reserves have fallen by over £22 million, to £74 million.

THE stock markets, meanwhile, have been reacting to last week's weakness in sterling. Gilt-edged securities weakened after the Whitsun holiday, showing their first significant decline since the budget. The Chancellor's reference to his new regulators played some part, and also acted as a restraint on equities. But the worries in the gilt-edged market stem basically from fears about sterling. Previously, these left unusually little impact on gilt-edged, no doubt because investors have felt that other influences point the opposite way. The budget certainly does. But the renewed pressure on sterling before the holiday visibly changed the immediate Bank rate prospect. The discount houses smartly reversed direction at the Treasury bill tender and raised their discount rate by about ¼ per cent, so that the average rate rose to £4 8s. 3d. This week the discount houses are also reported to have been sellers

of bonds. Selling of gilt-edged has not been heavy in total, and seems to have been more or less confined to professional dealers who had bought in anticipation of an early rise. But the selling has been sufficient to reduce prices right through the lists. War Loan on Thursday touched a new low point of 55½ xd.

The equity market is having its quietest spell for some months and there has been a steady decline in recorded bargains. Selling has been light since the holiday and buyers have reappeared slowly, but prices have failed to recover much of the pre-Whitsun setback and over the week the *Economist* indicator fell by 5.8 points to 421.1. However, the weight of money available for investment is still heavy. Vickers has raised about £6½ million by placing with financial institutions 1,375,000 of its 4,750,000 ordinary shares of International Computers and Tabulators, at 95s. (compared with a market price of 104s. before the deal was known) to yield about 2½ per cent. With bank advances of £13.6 million at the end of 1960 Vickers finds this the cheapest way to strengthen its holding in ICT from 38 to 26 per cent.

Almost daily, companies attracted by the present low yield basis are coming to the market for new money. By far the largest of these is Distillers, which is to make a rights issue on a one for ten basis. No terms have yet been announced, but there are 200 million shares in issue standing at 40s., and the offer may be in the region of £25 million.

## GAS

### Application to Import

EITHER during this week, or within a very short time, the Gas Council intends to put in a formal application to the Ministry of Power to be allowed to import methane from Algeria for supply—reformed into town gas—to British gas consumers. The council is at present undertaking a joint study with the National Coal Board of the comparative economics of using reformed methane alone, methane plus gas produced from low-grade coal in pithead Lurgi plants, or Lurgi gas enriched with other imported or home-refined hydrocarbons. But one could hardly expect a result from this study before, say, six months' time. And there is little doubt that the Gas Council would like to get approval

for the import of methane before that.

In the council's application to the minister it has the powerful technical and economic backing—not without political influence—of the Shell group, which has a large interest in Conch International Methane, a company formed to promote the ocean transport of liquified gas. The council faces powerful political and technical opposition from the National Coal Board, which thinks that town gas can be supplied more cheaply by mixing imported gas with Lurgi gas made from low-grade coal than by straight reforming of methane. It also faces the more guarded scepticism of some of the other major oil companies—which would not be sorry to sell the British gas industry much larger volumes of refinery products of one kind or another, from home or abroad, and remain dubious about the economics of shipping methane refrigerated.

Some people in these other groups think that natural gas piped from the Mediterranean coast to the Channel coast, after being moved in one way or another from Algeria to France, might eventually be a better bet than methane shipped all the way by tanker: others wonder whether some methane might not be made available from the large new fields recently located (by Shell and Esso) in the Netherlands. But Conch and the French semi-nationalised companies at present in control of Saharan gas and oil are offering the British gas industry methane on a long-term contract at a landed price that would give it town gas cheaper than it can at present make gas in many parts of Britain. And the Gas Council, understandably, feels that it has waited long enough: other ways of getting natural gas here—or even getting firm quotations for what it might cost at Atlantic seaboard terminals—would simply mean more delay. The ministry itself, so far as one can gather, is inclined to think there is a good technical case for the use of methane in one way or another. It is also still smarting because its opposition to a duty on fuel oil was overruled by the Treasury this spring—and hence, perhaps, disinclined to give coal protection against yet another imported fuel.

### Lurgi Economics

IN these circumstances, the Scottish Gas Board's display to the press of a new Lurgi plant in Scotland this week had some irony. One organ of the industry was celebrating the commissioning of a type of plant of which other leaders of the gas industry, in the short run at least, do not want to see any more started. The Lurgi plant at Westfield in Fifeshire is not as large as the ones Mr Alfred Robens would like to see built near the Midlands pitheads. It is getting rather better coal than it was

designed for: on the other hand, it is paying rather more for its "enrichment," butane from Grangemouth, than some of the prices being quoted nowadays. The Scottish Gas Board has not given a figure for its final cost of town gas, but unofficial estimates put this at 8d.-9d. a therm.

Even technical questions about this process tend to be answered somewhat according to the sympathies of the experts one happens to ask. In the report of the Robson committee on coal chemicals last year, for example, the thermal efficiency of the Lurgi process—from coal to gas—was given as 50 per cent. A few months before an engineer of the Scottish Gas Board, talking about the Lurgi plant that has finally been opened this week, predicted that the yield of gas from the total thermal value of all the coal used in gasifiers, steam and power for the plant would be 64.6 per cent. This week this yield was again quoted as 65-70 per cent.

Technical disagreements of this kind offer rich chances for delay in the joint study of Lurgi economics by the gas and coal industries; and until recently this does appear to have proceeded at a snail's pace. There are now indications that expert technical advice is being sought, in the form of invitations to "tender," on a paid basis, with design and cost studies for Lurgi plants of a specified size on specified sites.

Whether a ministerial decision on methane will await the results of all this, however, is a question of politics at various levels rather than an economic or technical question. The politics are not merely national; the course of discussions at Evian, with their implications for the ultimate ownership and control of Saharan oil and gas, could possibly influence this British issue. The gas industry is mainly interested in the chance of cheap gas without more delay, free of the irritations of coal, with most of the capital requirements borne by private or foreign investors, and the superb technical resources of the Shell group to smooth away any problems that arise. The Coal Board thinks town gas can be made equally cheaply, on equally long-term contracts, from coal supplied at a profit to Lurgi plants, with the lean gas produced there enriched with hydrocarbons of one kind or another from refineries either in Britain or securely in the West. The minister would have to approve the import of methane; or equally the capital investment involved, in Lurgi plants, whoever built them. It is a straight issue of energy policy—and not the only one now facing the Government.

## MOTORS

### Delayed Recovery

CAR production in April was slightly lower than in March, at 19,351 a week; this did not reflect a check to the recovery in demand for cars, but some special factors that depressed production during the month. The chief of these was

the strike at the Pressed Steel Swindon factory, which lasted from April 11th to May 12th, and meant a sharp drop in the production of the British Motor Corporation's Farina line models and the Sprite during this period. The assembly lines were stopped for a time, and many thousands of cars were lost—which was especially embarrassing to BMC when it had just announced its plans to raise production to its capacity of 15,000 vehicles a week for the summer. Ford, also, may have had a slight cut in production during the month as a result of the change in production from the Prefect to the Consul Classic. The other manufacturers report little change in output compared with March; but all those in the Midlands would have had one more day of holiday than in March.

Demand showed little change in April other than the expected seasonal moves. Home sales were 16,000 fewer than in March at 73,855, no bigger a fall than had to be expected since Easter came at the beginning of April. Exports rose more than 5,000 from the March level to 31,784, but were still less than half the level of April last year. Stocks of vehicles must have fallen sharply again, with exports and home sales, less imports, some 19,000 more than production; they must now be so low that scope should exist for stock-building during the winter. Canada took most of the increase in exports, but there was so significant rise in those to the United States, and most European markets also took fewer cars than a year ago—which seems to reflect over-stocking during the winter rather than a fall in sales. The drop in exports to Australia and South Africa follows the restrictions placed on sales in these markets. May, however, is expected to be a better month for both exports and home sales—as would be seasonally expected; the trade thinks registrations at home will reach last May's level of 84,000.

Commercial vehicles continued to sell well at home and abroad in April, and production remained at near-capacity levels; exports in April and for the first four months of this year were the highest ever recorded for these periods. Tractor exports were also at record levels: it is only private cars that have suffered so sorry a decline.

## ENGINEERING

### Unravelling the Enigma

THE sharp jump in engineering orders in March, 17 per cent up on a year ago compared with the miserable increase of one per cent or so in January and February, is more in keeping with industrialists' earlier statements to the Board of Trade that they expected to spend about 30 per cent more this year than last on new schemes of expansion and modernisation. Orders from the Central Electricity Generating Board for new power station equipment served to inflate the March figures: when generating sets for stations of 2,000 MW can be

ordered in one go this is bound to happen. But the Board of Trade states that home demand for plant and machinery generally was running pretty strongly. Export orders are still very disappointing, however. As against last year, they were eight per cent down in March and nearly three per cent down for the first quarter as a whole. Home orders in comparison were running about 27 per cent above last year during these three months.

Virtually the only effect of this sustained pressure of home demand has been to lengthen order books. At 112 (January, 1958 = 100) at the end of March, orders on hand were nearly eight per cent greater than at the beginning of the year and fifteen

## ENGINEERING ORDERS & OUTPUT

|            | Deliveries<br>Ave.<br>1958 | Net New<br>Home<br>Ave.<br>1958 | Orders<br>Export<br>Ave.<br>1958 | Orders<br>in hand<br>Jan.,<br>1958 |
|------------|----------------------------|---------------------------------|----------------------------------|------------------------------------|
|            | =100                       | =100                            | =100                             | =100                               |
| 1959 III.. | 99                         | 101                             | 97                               | 87                                 |
| IV..       | 114                        | 120                             | 122                              | 90                                 |
| 1960 I..   | 116                        | 140                             | 129                              | 97                                 |
| II..       | 113                        | 122                             | 115                              | 99                                 |
| III..      | 106                        | 119                             | 118                              | 104                                |
| IV..       | 122                        | 121                             | 124                              | 104                                |
| 1961 I..   | 120                        | 153                             | 126                              | 112                                |

per cent greater than at the end of March, 1960. Output for this mixed group of engineering industries as a whole has remained virtually level. In the first quarter of this year it was hardly three per cent higher than in early 1960. The inclusion of such depressed sectors of "engineering" activity as the domestic appliance makers and the railway wagon builders cannot account for the whole of this sluggishness. But, though other recession centres, such as shipbuilding, motor car manufacture, and possibly aircraft are excluded from these figures, such industries buy in a considerable part of their gross output from what might best be described as intermediate engineering firms, which are included. The car manufacturers in particular cut back their ordering of bought-out components quite sharply when car sales collapsed last autumn and winter. It is only now that car production is beginning to get back to something approaching its former level. Subsequent figures of engineering output ought to show some signs of this revival.

## BUILDING SOCIETIES

### Jumping the Gun?

A WEEK after the Building Societies Association had decided against any immediate change in its recommended interest rates, the Provincial Building Society, a member of the Association and the sixth largest society in Britain, announced increased rates. For new borrowers the interest rate on mortgages is raised from 6 to 6½ per cent and the interest rate on investments from 3½ to 3¾ per cent. Existing borrowers are still to be charged 6 per cent for the time being.



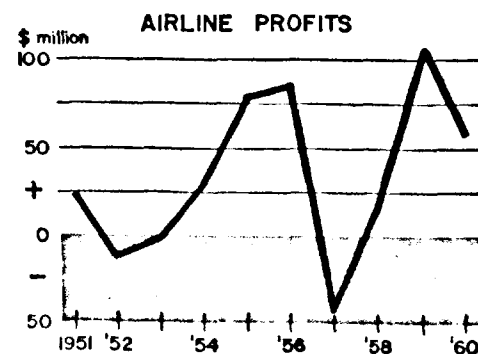
So far no other societies have followed Provincial's lead, but Mr Hubert Newton, general manager of the Leek and Moorlands Society, declared last week that a rise in rates seemed inevitable unless the Government eased building society taxation. The higher rate of profits tax has squeezed further the societies' narrowing margins but the association is clearly waiting on the annual adjustment soon to be made to the societies' composite rate of income tax, at present 5s. 4d. in the £. Anything but the smallest increase in this rate is likely to mean a general upward adjustment in mortgage rates and probably a smaller increase in interest rates as well.

#### AIR TRANSPORT

### Jets and Profits

THERE are now nearly 400 jet aircraft flying in the West with another 400 or so still to be delivered. Last year, airline profits took a nose-dive. Is there any connection between the two? If there is, it lies most probably in the rate at which jet airliners were leaving the factories during 1960. According to the International Civil Aviation Organisation, 258 were delivered during the year, and more than half of them were Boeings and DC 8s. Total airline capacity went up by more than 16 per cent, its biggest increase since the last major re-equipment drive in 1955. But traffic was growing at the same steady jog-trot of the past ten years, nearly 14 per cent per annum and this came nowhere near to filling the extra seats. The yardstick of an airline's commercial health is the proportion of seats that it manages to sell over the year. In 1960, the airlines in the West were flying half empty on average—with only 55.5 per cent of their capacity sold against nearly 57 per cent the year before. As the chart shows, the difference of a few decimal points can halve profits.

Airlines have never yet managed to gauge their re-equipment programmes in a way that will prevent them from having too few seats to sell one year, and too many the next. They can reasonably expect traffic to begin to catch up with all this extra jet capacity some time during 1961, but in the meantime, BOAC will not be the only large European airline to find itself in the red. Last year's rate of profit for the industry



#### BUSINESS NOTES

as a whole amounted to 1 per cent of turnover; ICAO calculates that revenues probably came to \$5,505 million, all but \$1 million of it from passengers, while profits probably amounted to \$57 million. This may look an uncomfortably small margin, but it is important to remember that it includes the returns of a substantial number of exceedingly badly-run airlines, many of which are kept in business solely for reasons of prestige, and these tend to pull down the industry's average rate of earnings. Air transport in the 1960s ought not to be unprofitable, otherwise British independent airlines would not now be clamouring to the new Air Transport Licensing Board for permission to extend their routes.

#### INTERNATIONAL FINANCE

### Rival to IMF?

ALTHOUGH the leading lights of the world of international finance have pretty clearly, and not unexpectedly, come down in favour of the less ambitious scheme for extending international credit put forward by Mr E. M. Bernstein, the campaigning season is by no means at an end. Both Mr Bernstein and Professor Triffin, proponent of a much more radical scheme, have been doing some personal canvassing in Europe: they have just missed each other in the City of London. Not all the parties concerned have yet been convinced of the need for even the least ambitious reform. The German authorities have indicated their willingness to make available stand-by credits to the International Monetary Fund on the lines of the Bernstein plan, but the French are reported to be dragging their heels, and resisting any formal commitment.

Professor Triffin seems to recognise that his plan has little prospect of immediate acceptance. "Something will undoubtedly be done within the next few months to increase the resources of the Fund, but I am afraid it will remain far short of the mark." He now points to the administrative inflexibilities of the world-wide IMF, with nearly seventy member countries. His present feeling is, therefore, that instead of being implemented through the IMF alone, his reforms should be in large part carried out through regional organisations, and notably the new OECD. "The members of OECD could distribute their international deposits between the IMF and [an] Atlantic Monetary Organisation in rough proportion to their pattern of international trade and payments." Certainly many continental central bankers have their reservations about IMF, in which they have relatively small voting rights, and are in any case reluctant to commit funds which as they see it might be used in inflationary ways by under-developed countries. But bankers of this school may not be enamoured of even a European Triffin plan. Moreover, any scheme for improving the international credit machinery through OECD would

#### THE ECONOMIST MAY 27, 1961

have to start from scratch; there is an obvious danger that a diffusion of efforts to improve the international credit machinery might weaken the whole operation.

#### BANK CREDIT

### Liquidity Tightens

BANK liquidity has tightened again. The relief that was secured in April derived largely from a large Government bond maturity. But the budget, with its encouraging pointers for gilt-edged, enabled the Government broker to unload a substantial amount of stock for a few weeks, and this correspondingly reduced the Government's need to borrow from the banking system. In the last week or two these sales have dried up, as the gilt-edged market has taken a turn for the worse. But unless the Government finds it necessary and expedient to provide substantial net sums to support that market, the banks have no reason to expect a net increase in their liquid assets in the coming year, since the domestic needs of the Exchequer are, on the budget estimates, covered entirely

#### LONDON CLEARING BANKS May 17, 1961

|                                   | £ mn. | Month<br>£ mn. | Year<br>£ mn. |
|-----------------------------------|-------|----------------|---------------|
| Gross deposits.....               | 7,350 | +19            | +252          |
| Net deposits* .....               | 6,840 | -17            | +215          |
| Liquid Assets.....                | 2,314 | -35            | +71           |
| Cash .....                        | 593   | +2             | +33           |
| Call money .....                  | 580   | -31            | +18           |
| Treasury bills.....               | 912   | -6             | -69           |
| Other bills and "Liquid" credits. | 229   | Nil            | +89           |
| Special deposits.....             | 145   | +3             | +139          |
| Risk Assets:—                     |       |                |               |
| Gilt-edged .....                  | 994   | -8             | -281          |
| Other market investments .....    | 112   | -1             | -18           |
| Advances* .....                   | 3,446 | +23            | +312          |
| (to State Boards)                 | 62    | -2             | Nil           |

\* Excluding all transit items, except ratio of advances to deposits; all ratios are of gross deposits.

from revenue; and this is hardly a time for releasing special deposits. Nor, unhappily, is there any likely prospect that the Exchequer will need to find large sterling sums to finance a large external surplus.

Faced with this prospect of continued stringency, the banks must be relieved at the indications that some of the steam is at last going out of advances. The increase in the four weeks to April was £25 million, after making allowance for transit items and for State Boards. The slackening is in line with the seasonal trend, but the May increase is notably smaller than in 1960 or 1959.

The banks' May statement also showed the smallest liquidation of investments this year, at £8 million. As liquid assets fell by £35 million, this reduced the average liquidity ratio from 32.0 to 31.5 per cent—and pushed Barclays to a bare 30.0 per cent, the Midland to 30.2 per cent and Lloyds to 30.8 per cent.

#### THE ECONOMIST MAY 27, 1961

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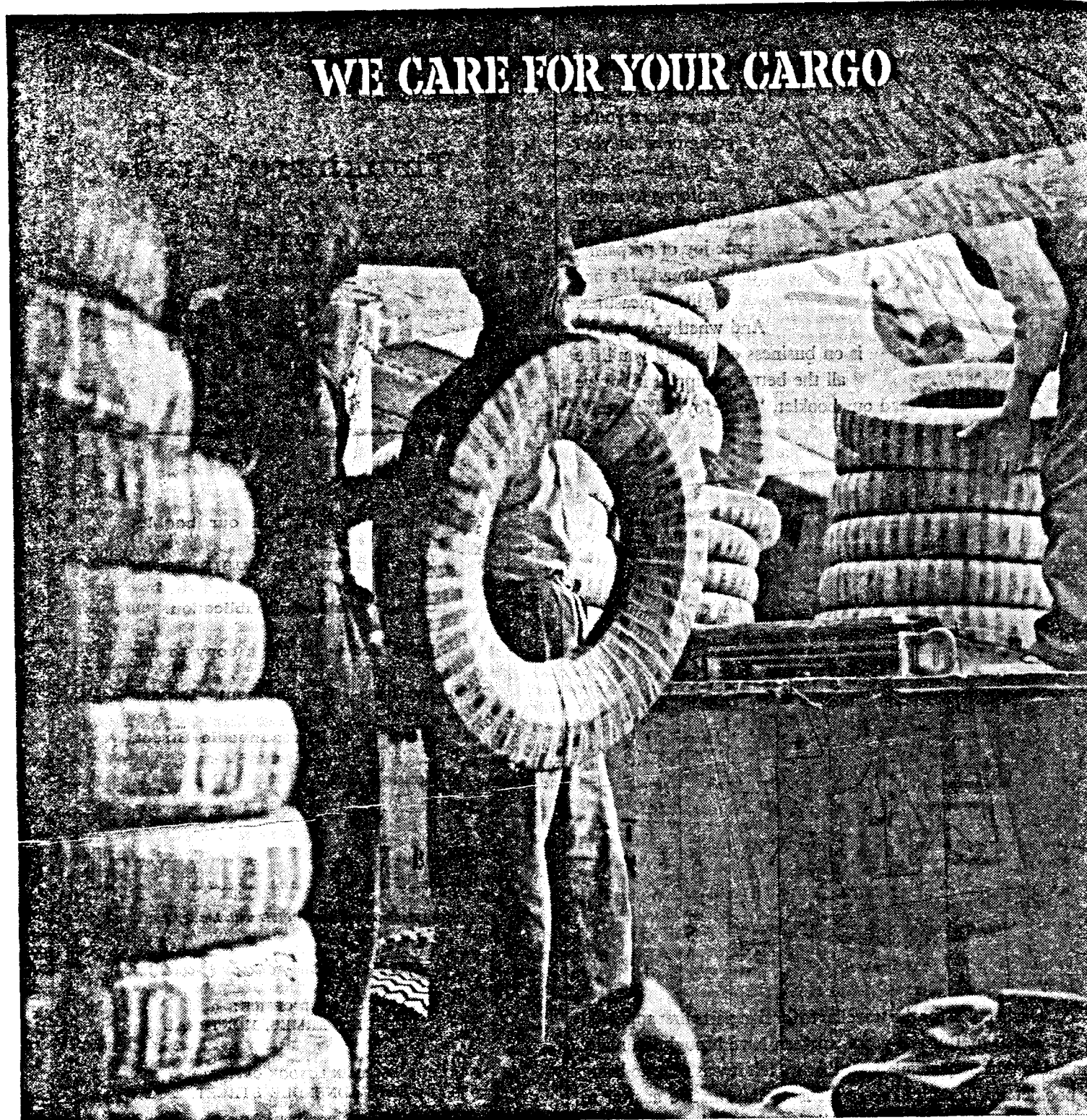
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### OVERSEAS TRADE

#### A Boost in Time?

**R**APID implementation of the first part of the Anglo-German arms deal would apply a welcome salve to British exports at a point that is becoming increasingly tender. Since the start of the year, exports to West Germany have been slipping more perceptibly below the level of a year ago; in the first four months of the year they fell £1.9 million to £55.7 million. Although exports to all other members of the European Economic Community increased, the psychological impact of this disappointment in the largest and most competitive market within the "Six" at this stage in its development is much more important. Imports from West Germany, which look full advantage of the buoyant British market for manufactured goods, continued to rise in this period.

The Board of Trade believes that, seasonally adjusted, imports fell by 5 per cent between September-January and February-April. Imports of foodstuffs fell most abruptly, but imports of industrial raw materials also dropped 4 per cent and imports of semi-manufactures were cut by 7 per cent so that they at last reflect the long standstill in industrial production. In general in all these categories, imports have declined month by month since the start of the year. However, imports of finished manufactures have risen a further 2 per cent in the three months to April.

Eliminating seasonal variations and dock strikes, the Board of Trade reckons that exports in the three months from February to April were 1½ per cent higher than in the previous five months. Since the end of 1960 there has therefore been no significant rise in exports, but what rise there has been has come in exports of engineering products other than cars, although motor exports began to revive in April. However, the down-turn in imports and staunch rear-guard action in exports has succeeded in substantially narrowing the trade gap. In the three months to the end of April the trade gap (with exports valued fob and imports on a cif basis) averaged £54 million a month after seasonal adjustment. The average monthly deficit in 1960 was £72 million.

### STERLING AREA

#### Third Party Intervention

**T**HE sterling area that is emerging from the straightjacket of trade restrictions is a far more awkward beast than the adolescent sterling area of before the war. By 1960, it seemed to have its timing all wrong: the vaunted stability of the system that normally compensated for a change in the United Kingdom's overseas trade by a

converse movement in that of the rest of the sterling area was shaken by both partners simultaneously running large deficits. Britain's overseas trade is still roughly comparable with that of the rest of the sterling area; in fact, in trade with non-sterling territories, the imports and exports of both partners had an almost identical value last year. That in itself is an indication of change permeating the system; there is no longer such a pronounced triangular trade as in earlier years, with the overseas sterling countries exporting primary products to third countries and importing manufactured goods mainly from Britain.

In the late 'fifties the non-sterling trade of the overseas sterling area exceeded its trade with sterling countries, and this trend accelerated last year. Total sterling area exports excluding Middle East oil rose by 6 per cent in 1960, while imports expanded by 15 per cent. Between the first and third quarters of last year imports of the overseas sterling area adjusted for

### TRADE OF THE OVERSEAS STERLING AREA\*

|                                 | Imports (£ million) |       | Exports |       |
|---------------------------------|---------------------|-------|---------|-------|
|                                 | 1959                | 1960  | 1959    | 1960  |
| With:—                          |                     |       |         |       |
| United Kingdom ...              | 1,344               | 1,464 | 1,228   | 1,256 |
| North America ...               | 696                 | 880   | 552     | 544   |
| European Economic Community ... | 640                 | 752   | 616     | 644   |
| EFTA ...                        | 148                 | 180   | 72      | 84    |
| Total Sterling Area ...         | 2,146               | 2,348 | 1,980   | 2,076 |
| Total Non-Sterling Area ...     | 2,570               | 3,076 | 2,072   | 2,196 |
| World ...                       | 4,716               | 5,424 | 4,052   | 4,272 |

\* Based on Board of Trade statistics. † Excluding United Kingdom.

seasonal variations rose by 29 per cent, but in the last quarter they fell about 3 per cent, preceding the decline in the United Kingdom's own imports, which the Board of Trade reckons probably brought total imports into the sterling area in the first three months of 1961 down to about the average level for 1960. Australia, New Zealand and South Africa have tightened their belts and with Britain's imports showing a more perceptible decline this year there should be a simultaneous narrowing of the trading deficits of both parts of the sterling area.

Although commodity prices fell steadily throughout 1960, after the previous recovery they started at a comparatively high level. Higher prices accounted for half of the 5 per cent increase in the value of exports of the overseas sterling area last year. In the last quarter of 1960, lower prices contributed to a fall in exports, but since the beginning of this year prices of several key commodities have recovered. Imports into the overseas sterling area rose by 15 per cent in 1960; of the major suppliers, the lowest rate of increase was in imports from the United Kingdom, which rose by 9 per cent, while imports from North America rose by 27 per cent, and from Japan by 40 per cent. The only sterling country apart from Britain in which Japan failed to make a striking advance last year seems to have been Hongkong, where

the gain was 22 per cent. Japan's exports to the overseas sterling area are now running at a quarter of the value of Britain's, and exceed those of Germany.

### CHEMICALS

#### Enter Mobil

**S**OCONY MOBIL's bid for O. and M. Kleemann will gain it an entry to the British chemical industry. At the offered price of 19s. 6d. for the ordinary shares and 22s. 6d. for the preference, Mobil is valuing the company at £6.7 million, with an earnings yield of only 5 per cent. These are generous terms, but the ordinary shares had been up to 20s. recently and stood at 18s. 8½d. before the bid was announced. At the beginning of the year they were only 8s. 6d., but buyers have been expecting a bid. As the directors and their friends own 42 per cent of the ordinary capital and will accept Mobil's offer, it seems certain to succeed—even if some recent buyers must be disappointed by the terms.

Mobil has at first sight made an odd choice in bidding for Kleemanns; the companies have no common interests. Mobil's only chemical interests are an ethylene plant being completed this year in Texas, and an aromatics plant that is being built at Naples. Kleemanns is concerned with marketing moulding powders and producing semi-finished parts. It markets polystyrene resins which Shell Chemical makes for it under a long-term contract, and uses some of these to produce polystyrene sheet, extrusions and other parts for sale to the makers of finished goods. It produces casein and cellulose acetate resins for sale as moulding powder, and acts as the British agent for the polystyrene resins made by the American National Distillers Company. Until two years ago the company also made plastics articles, like combs and toys, but this part of the business was sold because it meant competing with the company's customers, for moulding powder.

If Mobil sets up in plastics manufacture in Europe, Kleemanns could provide a British marketing organisation—all the better if its agreements with Shell Chemical and National Distillers had expired. But as Mobil has yet to start building a plastics plant, any such use for Kleemanns is looking a good way ahead. Petrochemicals retain an irresistible attraction for oil companies; but for the present this merely helps to keep profit margins small.

### RADIO INDUSTRY

#### What Happened to Trade

**W**HAT would the radio industry have done last year without steam radio? While television production continues to slide, output of radio sets is still rising. It



was seven per cent higher in the first quarter of this year than last, while deliveries in 1960 amounted to 1,846,000 radio sets, which was more than the number of television receivers that the industry sent to the shops. Deliveries of television sets last year were down to 1,817,000, against 2,776,000 in 1959, and this included large numbers of cut-price sets that manufacturers were unloading before Christmas.

Although the industry has been making more cheerful noises during the past few weeks, trade in the first quarter of the year gives little ground for comfort. Deliveries to the shops were down to 344,000 television sets. This was 19 per cent less than in the same three months last year, when trade was already beginning to turn down, and 34 per cent lower than during the same time in 1959, the last "normal" period of trade before the industry embarked on its switchback course of boom followed by the sharp reaction that led to the present slump.

#### COLVILLES

### Essay In Expansion

WHEN in 1959 the Government decided to site a semi-continuous hot strip mill at Colvilles' mill at Ravenscraig near Glasgow and its ancillary cold rolling mill at Gartcosh some eight miles away, there were arguments about the economic wisdom of that political choice. Although production of pig iron and steel were already being expanded there, as part of a large modernisation and development scheme costing some £40 million, Ravenscraig is not on the coast, so that imported iron ore has to be transhipped and railed 17 miles to the works to meet the coal brought in from Scotland's eastern coalfields. And in putting the cold rolling mill another eight miles away from Ravenscraig, further rail costs were added before the sheet was ready for delivery to the consumer. Colvilles rejoined that there were obvious advantages in integrating the hot strip mill with the plans for greatly extended steel making capacity at Ravenscraig; and that in any case it would be a mistake to underestimate the value of having the mills close by a community with long experience in iron and steel production.

Bucked by the right to borrow up to £50 million from the Government at a rate of interest similar to that paid by nationalised industries, Colvilles has gone ahead with the strip mill project which is now well up to schedule. When completed in 1962 it will bring crude steel output at Ravenscraig up to 1.26 million tons and provide 675,000 tons a year of strip mill products. With the completion of other development projects, which include a new slabbing and blooming mill, a 4-high plate mill at Clydebridge works, and the modification of the heavy section mill at the Lanarkshire works to roll universal beams, Colvilles expects its steel output to total 3.3 million ingot tons by the end of 1963. Of this output about half will consist of sheet and light plate suitable for

the lighter engineering industries manufacturing durable consumer goods such as refrigerators and motor cars.

Whether Colvilles will, without financial strain, be able to pay the interest on the Government loan (of which the first £15 million was drawn earlier this year), and repay the drawings when due in 1978-81 as well as find the generous dividends due to shareholders for the confidence they have shown, clearly depends on the extent to which new light engineering industries are attracted to the Scottish lowlands now that sheet steel from local sources will soon be available. They have stayed away in the past not only because there was no sheet but also because they would be far from the main consuming centres in the Midlands and the South. So far only BMC, Pressed Steel and Rootes have been attracted to put some capacity in the north by Colvilles' ambitious development. More customers will have to follow if the sharp upturn in the curve of steel output expected in the next two years is to be underpinned by an equally sharp increase in orders for Colvilles.

#### STEEL

### A Coat of Many Colours

ONE way of meeting competition is to take over one's competitor. This, in a sense, is what the steel industry has tried to do in solving the tricky problem of giving steel a thin coating of plastic. The colour range, warm appearance, and resistance to corrosion of pvc plastic sheet is thus combined in a single material with steel's strength and ease of working. It is rather more expensive to buy than ordinary steel sheet or strip—about two and a half to three times as much, in the more standard sizes. But steel with a layer of plastic does not need to be painted and the consequent savings, in money and factory space, of a paint shop can for a number of purposes make plastic-coated steel cheaper to use. The makers say that plastic-coated steel is as easy to fabricate as uncoated steel: it may be deep drawn, folded, punched, crimped, sheared and expanded without risk of the plastic coat fracturing or coming unstuck. Pieces can be joined together by most conventional metal joining techniques, such as lock-seaming, riveting, bolting or screwing. It can also be welded, by a modified form of spot welding, or by the hot air and high frequency methods used for vinyl.

The steel industry has been keenly interested for quite some time in this combination of steel and rigid plastic sheet, not so much because of opportunities it might give of opening up new outlets, but because of the stronger standing it offered steel in markets where it has been under heavy competitive pressure from other materials. The range of applications already successfully tried out is indeed impressive: household appliances, motor

#### BRAZIL

### Billion Dollar Package Deal

THE International Monetary Fund and the United States have announced a programme of large scale financial assistance to rescue Brazil's virtually bankrupt economy. The assistance involves about \$1,000 million in new and extended credits. Negotiations with representatives of Belgian, French, German and Swiss banks, now in their final stages, are confidently expected to produce a further \$150 million as stand-by credits.

If the European negotiations are successful Brazil will receive in all \$648 million of new credits—\$338 million from the United States, \$160 million from the IMF, and \$150 million from Europe's commercial bankers. The IMF has also arranged an extension of the repayment period on \$140 million under previous drawings due to be repaid by 1962, while the United States has

car trim and interior panelling, furniture—both domestic and industrial—drum containers, ducting, and as a partitioning and panelling material in buildings. (It lines the walls of the "Travolator" at the Bank underground station in London.)

John Summers was the first British company to market plastic-coated steel, just over three years ago. Since then Richard Thomas and Baldwins, who produce it in the form of sheet but not in coil form, as does Summers, and several smaller companies who sell it as strip have come on to the market. Dorman Long hopes to produce plastic-coated sheet later this year. A certain amount is also imported, principally from the Phoenix company in Belgium and from Columbus in the United States, where it has taken on even more rapidly than here.

None of them is very anxious to say how much plastic-coated steel is now being bought in Britain. In sheer tonnage it can hardly be very significant yet. Even more understandably, they are reluctant to reveal exactly how the trick, of bonding the plastic to the steel, is done. The secret lies in the adhesive and the way the steel is prepared beforehand (when it is also galvanised) and "cooked," or processed, after the plastic layer has been applied. There is more than one way of doing it. Summers and RTB use a broadly similar method in that both marry the plastic, in sheet form, to the steel, whereas the technique developed by Dorman Long can be described best as rather like squeezing the plastic as if it were toothpaste on to the sheet, before rolling and bonding the two materials together.

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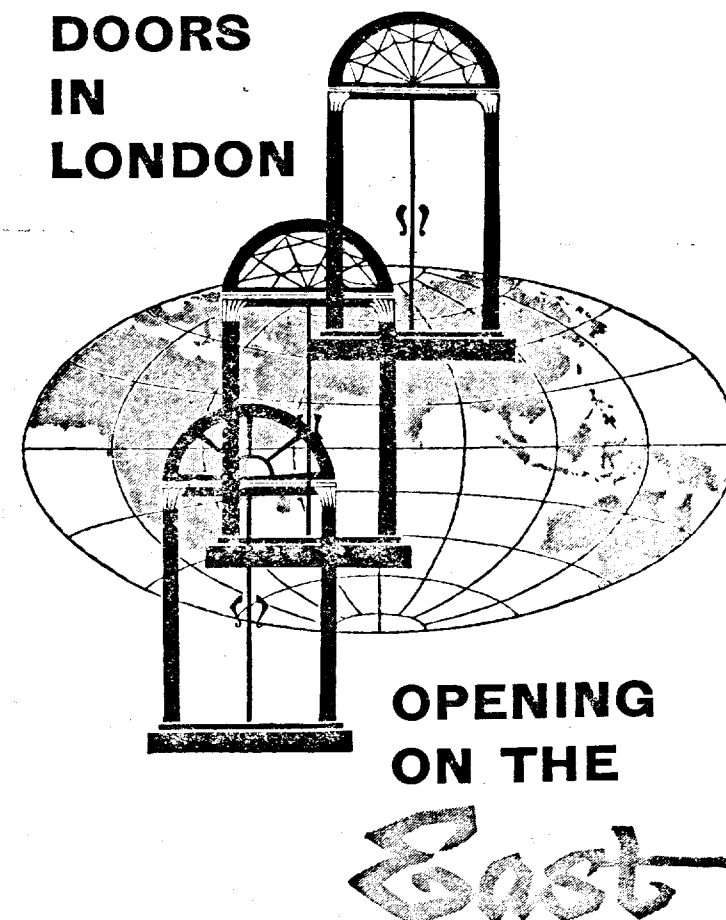
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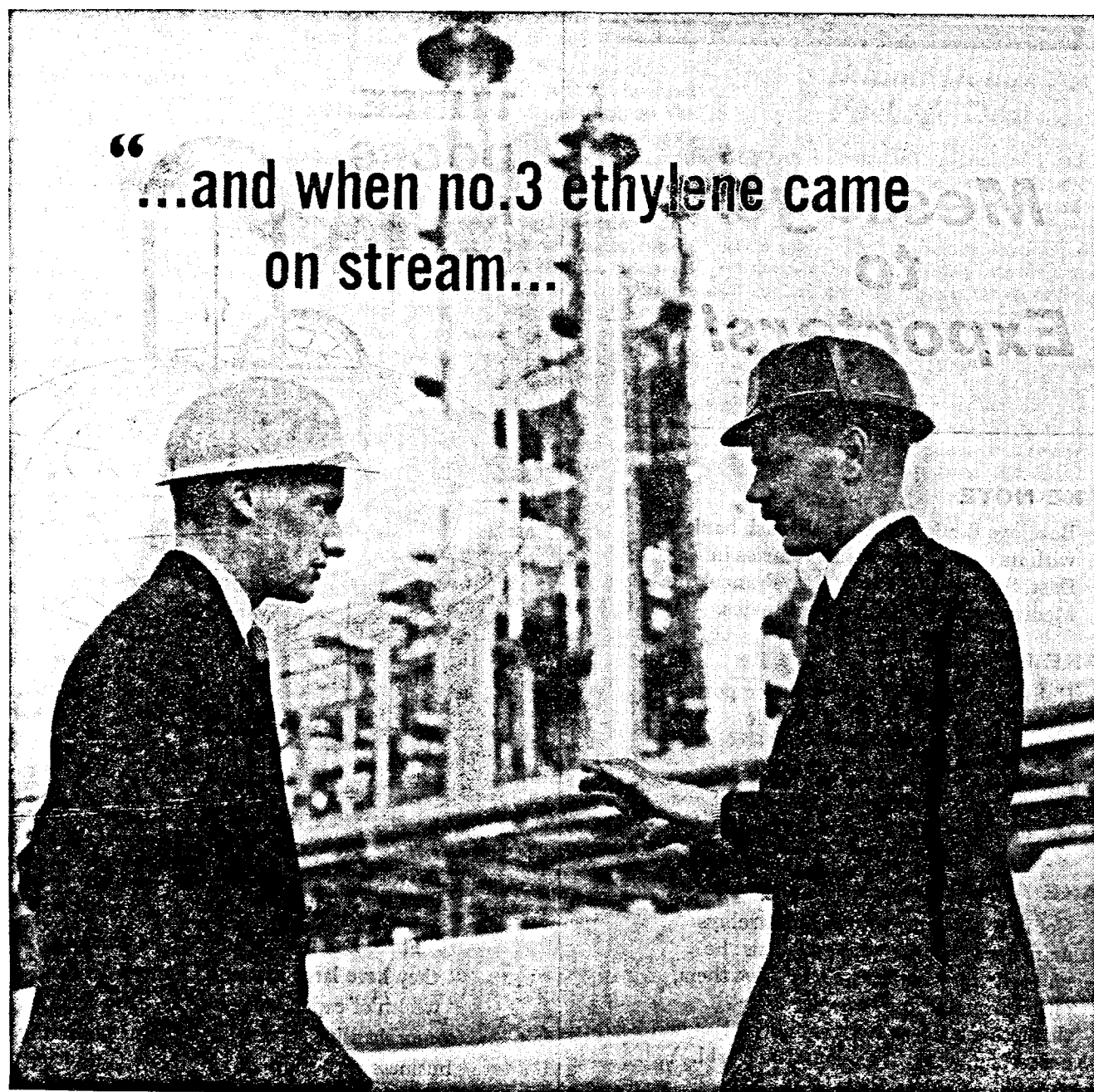
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Sounds impressive—but you were going to say what you do with all the ethylene now you've got it. . . .

It finishes up all over the place—about a third of it we turn into ethanol—industrial alcohol to you, and there's a whole chemical industry based on that. Two thirds ends up in plastics—polyethylene, polystyrene, and there'll be

p.v.c. as well when our ethylene dichloride unit comes in. And that's only part of the story—last year BHC made more than two hundred thousand tons of chemicals for industry.

That's something like production—you surely need big uses to keep pace with that.

Too true—and they're there all right as far as anyone can see. Increasing demands will keep us on our toes like this for years.



## British Hydrocarbon Chemicals Ltd

WORKS: Grangemouth, Stirlingshire & Baglan Bay, Glamorgan (under construction)  
HEAD OFFICE: DEVONSHIRE HOUSE · MAYFAIR PLACE · LONDON W1 · TEL: MAYFAIR 8867

TA-CI

agreed to postpone the repayment of \$305 million of Brazil's debt of \$530 million to the Export-Import Bank. Postponements are also expected on Brazilian debts to private European industry and the Brazilians are already negotiating along these lines on the \$200 million owed in commercial debts to United States industry. The re-scheduling of these credit repayments is designed to alleviate Brazil's crushing burden of overseas debt. This already totals \$3,802 million, and \$700 million of this originally fell due in 1961.

Brazil's acute exchange difficulties can be attributed to three factors: the fall in export earnings from coffee, the inflationary development programme of the previous President, Sr. Kubitschek, and the piling up of short-term debt to finance long-term development. The aid will be used to support Sr Quadros's measures to combat inflation and to achieve balance of payments equilibrium within the framework of a (slightly) simplified exchange system. The government's programme includes steps to reduce the enormous budget deficit, estimated at \$900 million for 1961—about as high as a previous estimate of total revenue. The Bank of Brazil is to restrain private credit, and government purchases of coffee under the price support system are to be financed by levies on coffee exporters.

### DISC BRAKES

#### Wanted—But Dear

FORD's decision to make Girling disc brakes a standard fitting on the front wheels of the Consul 375, Zephyr and Zodiac as well as the new Classic means that about a quarter of British car production will now be so equipped. But the cost of disc brakes seems to be taking a disappointingly long time to fall—which may be making other manufacturers hesitate before following Ford's example, and fitting these fade-free brakes to provide an extra margin of safety for those who drive their cars fast. Ford is adding £18 to the price of its cars that are now having disc brakes as a standard fitting, though these three models will be taking 2,500 disc brake sets of the same type a week, with 1,500 more of a different size for the Classic when its immediate production target is reached—and probably more later.

Brake manufacturers have argued in the past that discs are not inherently more expensive than drum brakes, and that the difference in cost is the result of lower production volume. But now that production is approaching that of drum brakes, the gap seems to remain wide. Part of this can be explained by the argument that the Consul and Zephyr are of the size in which disc brakes have the greatest difficulty in competing on price. They are just heavy enough for a servo system to be needed with disc brakes, while it was not needed with drums, and they are light enough to have

had relatively small drum brakes. The larger the size of brake, the easier it is to make the actual disc brake unit as cheaply as that of a drum. Another part of the explanation, no doubt, is the desire of the brake manufacturers to write off their development and tooling costs for disc brakes quickly which conflicts with the equal desire to widen the use of discs as fast as possible.

Car manufacturers are traditionally liable to scrimp on the cost of the brakes they fit, which explains why some popular models are still sold with brakes that can be made to fade. These manufacturers are unlikely to rush to adopt disc brakes if these are going to add substantially to costs, unless they feel that they are losing sales to competitors who have so equipped their cars. Ford has now put this fear into the minds of the makers of all but the smallest cars. Decisions about the next generation of new models will already have been taken one assumes—in knowledge of Ford's move—and if these have not been to use discs, their makers will soon be under pressure to change their minds.

### PEPPER

#### A Peck at Stability?

THE cult of price stabilisation schemes has caught up with producers of that hot commodity, pepper, and its reputed seven-year cycle. Exploratory talks have been held in Bangkok between Cambodia, India, Indonesia and Sarawak under the auspices of the United Nations' Economic Commission for Asia and the Far East. Not the least notable aspect of this assemblage, which came as a surprise to traders in London, is the absence of consumers, the slightly incongruous presence of Singapore and the reported non-representation of the host country and small exporter, Thailand. But this conference stems from an earlier discussion of inter-regional trade and does not have the pretensions of a major United Nations commodity study group.

Pepper price stabilisation must necessarily be discussed in the shade of shaky statistics and in the light of several practical lessons in propping up pepper demonstrated by Singapore's merchant princes. A white pepper syndicate ran the price up from 2s. 9d. to 8s. 9d. a lb last year; it made a fortune but still had more than enough pepper on its hands when prices crashed again. There is only one large market for pepper, and Singapore attracts most of the output of the surrounding producing areas, giving its merchants the opportunity to exploit a commodity peculiarly susceptible to price manipulation.

Fixed prices could sound the death knell of the trade in Singapore, but probably no such vigorous policy is contemplated. However, producers possibly have a genuine grievance in the fact that the price they receive bears a slender relationship to world prices. Sarawak has attempted to loosen Singapore's hold, which extends to financing

foreign producers, by starting its own finance and warehousing scheme. But this dash for independence was overtaken by last year's decline in prices. After its protracted fall, white Sarawak pepper has risen about 6d. to 4s. a lb., but the main influence on pepper prices is production; consumption shows an inexplicable lack of buoyancy despite rising living standards. Other areas can grow pepper besides the traditional oriental suppliers, and since Brazil entered the market two years ago, its production has already reached 6,000 tons, compared with a fairly static world consumption of about 60,000 tons of black and white pepper.

### SISAL

#### Unfashionable Growth Stocks

THOUGH guaranteed price farming has encouraged a mild profligacy in the amount of twine used for binding and baling too bountiful harvests, it does not detract from the remarkable consistency of the sisal industry's expansion. Trade in sisal has been growing steadily for the past seven years. For an agricultural product, prices have been untypically stable, and apart from the recent dip, have been rising gently over the past three years. Production in Tanganyika has risen to more than twice the prewar average. In Kenya, the advance has been even more striking; output has risen about 60 per cent in four years.

Already one of the cheapest fibres, sisal has few competitors on price or, in its principal use as agricultural twine, on convenience. Sisal quietly fades away when its tour of duty is done; wire litters farms with treacherous tangles. But last year brought the unhappy coincidence of too little rain in British East Africa, where the bulk of the crop is grown, and too much in Europe when the harvest was due. Stocks had been increased in anticipation of political trouble

| Company                 | Ord. earnings | Ord. dividend | Current price | Yield |
|-------------------------|---------------|---------------|---------------|-------|
| Bird & Co. (Africa) 5s. | 38.2          | 20            | 6/9           | 14.15 |
| Central Line Sisal 10s. | 42.2          | 27½           | 14/9          | 18.64 |
| Dwa Plantations 2s.     | 76.3          | 6*            | 4/3           | 2.82  |
| East African Sisal 10s. | 7.4           | 9*            | 7/-           | 12.41 |
| Kakuzi Fibrelands 5s.   | 33.3          | 35            | 6/-           | 27.50 |
| Kamva 2s.               | 37.2          | 37½           | 6/9           | 11.11 |
| Lewa Sisal Def. 1s. 8d. | 19.0          | 12½           | 2/-           | 10.42 |

\* Excluding capital distribution.

in Africa and they depressed prices this year at the time when the estates customarily sell forward a considerable part of their output. America's increased consumption of twine has been met mainly by imports from Europe, while the domestic spinning industry has been sliding into eclipse. The American industry recently failed to persuade its government to impose a 30 per cent duty on imported twine, but the stimulus given to purchases of sisal by European manufacturers was short-lived. So far this year sisal producers have sold less of their output than usual and the



recovery in prices that has lifted supplies of ordinary grade three sisal by £3 to £86 a ton seems to prove them right.

This year drought in British East Africa has delayed growth and temporarily stopped factories dependent on large quantities of water in the processing of sisal leaf. Production on the estates may fall by 10 per cent, but though that could bring the biggest reduction in output for many years, the extra quantities of leaf natives can pluck from the hedgerows they have been encouraged to plant with sisal could help to make good the deficiency. But politics have done far more damage than drought, curbing development and crumpling share prices, so that despite the industry's enviable record, yields are now astronomical.

#### IDA

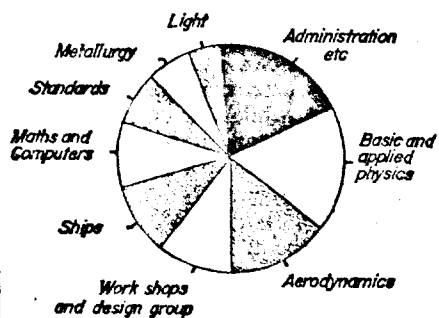
### Fifty Years, Interest Free

THE International Development Association, the latest addition to the world's lending institutions and under the administration of the World Bank, has granted its first development credit. The recipient is Honduras, with a credit of \$9 million to cover two-thirds of a highway development programme. The credit is for fifty years, is free of interest, and is repayable in foreign exchange by amortization to begin after a ten-year period of grace. Thereafter 1 per cent of the principal will be repayable annually for ten years and 3 per cent a year

#### THE NPL

The National Physical Laboratory is one of the most important of the DSIR's laboratories. One example of their aid to industry is the success of the bulbous bow which the ship division recommended to a firm of trawler owners. Work in hand includes hovercraft, a machine for translating Russian into English, optical masers and ultra-high-speed computers using cryotrons. Projects for the future include research into noise measurement, high polymer physics and a proposed nuclear reactor for standardisation work in nuclear physics. If the Weights and Measures Bill is passed by Parliament, the NPL will be instrumental in defining all derived units and standards in Great Britain.

#### DISTRIBUTION OF STAFF IN 1960



#### BUSINESS NOTES

will be repayable for the final thirty years. IDA's administrative costs will be covered by an annual service charge of three-quarters per cent on amounts withdrawn and outstanding. These generous terms do not necessarily set a fixed pattern for the future. But IDA is specifically designed to aid countries whose ability to borrow on conventional terms has been checked by lack of foreign exchange or the burden of existing debt.

IDA now has 42 member countries, initial

### SHORTER NOTES

Higher costs, the expense of trial running of new plant and the cost of promotional publicity of women's magazines cut the trading profit of the Daily Mirror group from £4,179,000 to £2,897,000 in the year to February 28th. The figures include a full year's dividend from Anglo-Canadian Pulp and Paper Mills, though the group sold its shares to A. E. Reed last year. Net profit fell from £3,479,000 to £2,961,000 but the ordinary dividend is raised from the equivalent of 13 per cent to 15 per cent.

Denmark has raised its Bank rate from 5½ to 6½ per cent, the highest level since the war. The central bank draws attention to the potential exchange strain arising from the large volume of commercial debts contracted abroad. It may also fear the effects of pay increases following the recent labour unrest.

The Comptroller-General of Patents has been able to report the first decrease for eight years in the number of patent specifications awaiting examination: though a fall of only 372 out of some 37,000, it came in a year when the number of new specifications received rose by 1,800. This improvement reflects an increase of twelve in the staff of examiners.

Clan Line was successful in its struggle with the South Georgia Company for control of Hector Whaling. Its offers of 26s. for the preferred shares and 10s. 6d. for the ordinary shares were accepted by holders of more than 50 per cent in each class.

British Aluminium is to build a 172-inch aluminium rolling mill at Falkirk as part of a £10 million expansion programme. The mill will be the widest of its kind in the world, and add about 100,000 tons a year to existing capacity. British Aluminium is jointly controlled by Tube Investments and Reynolds Metals of America.

#### THE ECONOMIST MAY 27, 1961

subscriptions equivalent to \$863 million, and a list of potential borrowing customers in Africa, the Middle East, Asia, the Far East as well as Latin America. Their needs are likely to be far greater than IDA's slim resources. The World Bank hopes that once IDA is well under way, members will agree to a substantial increase in subscriptions and that countries considering an expansion of their aid programmes may channel part of the additional funds through its new subsidiary.

The Moscow institutions that were recently asked to put up more capital for the Moscow Narodny Bank Limited can now enjoy some of the rewards of this bank's remarkable expansion in the London market. With net profits in 1960 almost doubled at £161,000, the dividend has been raised from 9 to 12 per cent—tax paid. So far there has been no call from Mr Khrushchev for dividend restraint.

Showerings, the maker of Babycham, has made a cash offer through its subsidiary, R. N. Coate, of Somerset, for the 233,750 £1 ordinary shares of William Gaymer and Son, the Norfolk cider-makers. The offer is 13s. per share and has been accepted by the directors of Gaymer, who together with the family hold over half the equity. The deal could make Coates and Gaymer the second largest cider producer in the world; the brands would retain their separate identity but there would be some rationalisation of distribution.

The Engineering Industries Association has produced a very useful *vade mecum* for small businessmen explaining the various ways in which a firm's growth may be financed and how to approach the financial institutions available. The booklet costs five shillings and covers pretty well every likely source of new money, from trade credit to machinery leasing, from the Amstel Club for export finance to government grants to assist the transfer of key workers.

#### COMPANY AFFAIRS

Comments on pages 946, 947 and 950 on:  
Hawker-Siddeley Cunard  
Anglo American Corp. Sears Holdings  
Imperial Chemical Inds. Royal Mail Lines  
Murrayfield Real Estate Simms Motor  
Head Wrighton Castrol  
Thomson Newspapers

#### LONDON AND NEW YORK

Stock prices, yields and security indices on pages 948 and 949

#### LONDON STOCK EXCHANGE

The week's movements reported on page 950

#### MONEY AND EXCHANGES

Money market report, exchange rates and public finance on page 951

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#### COMPANY MEETINGS

## SEARS HOLDINGS LIMITED

### ANOTHER PROSPEROUS YEAR

### DEVELOPMENT THROUGHOUT THE GROUP

| FINANCIAL STATISTICS—1954-60                |            |            |            |            |            |            |            |
|---------------------------------------------|------------|------------|------------|------------|------------|------------|------------|
|                                             | 1954<br>£  | 1955<br>£  | 1956<br>£  | 1957<br>£  | 1958<br>£  | 1959<br>£  | 1960<br>£  |
| TRADING:                                    |            |            |            |            |            |            |            |
| Trading Profits of Group Companies:         |            |            |            |            |            |            |            |
| Footwear .....                              | 1,019,000  | 1,504,000  | 2,843,000  | 3,086,000  | 3,208,000  | 4,436,000  | 5,774,000  |
| Engineering and other interests .....       | 2,212,000  | 2,816,000  | 3,475,000  | 3,623,000  | 3,916,000  | 4,460,000  | 4,642,000  |
| Interest on debenture stocks and loans .... | 3,231,000  | 4,320,000  | 6,318,000  | 6,709,000  | 7,124,000  | 8,896,000  | 10,416,000 |
| Profits before Taxation .....               | 49,000     | 110,000    | 198,000    | 231,000    | 226,000    | 226,000    | 210,000    |
| APPROPRIATION OF PROFITS:                   |            |            |            |            |            |            |            |
| Taxation .....                              | 3,182,000  | 4,210,000  | 6,120,000  | 6,478,000  | 6,898,000  | 8,670,000  | 10,206,000 |
| Pre-acquisition Profits .....               | 1,770,000  | 2,180,000  | 3,531,000  | 3,825,000  | 3,574,000  | 4,352,000  | 5,200,000  |
| Minority Shareholders' Interests .....      | 761,000    | 320,000    | 498,000    | 18,000     | 169,000    | 162,000    | 216,000    |
| Dividends .....                             | 132,000    | 105,000    | 163,000    | 257,000    | 278,000    | 1,438,000  | 2,101,000  |
| Retained Profits .....                      | 443,000    | 543,000    | 1,024,000  | 1,235,000  | 1,438,000  | 1,774,000  | 2,101,000  |
|                                             | 76,000     | 1,062,000  | 904,000    | 1,143,000  | 1,608,000  | 2,213,000  | 2,689,000  |
| CAPITAL EMPLOYED:                           |            |            |            |            |            |            |            |
| Fixed Assets .....                          | 3,182,000  | 4,210,000  | 6,120,000  | 6,478,000  | 6,898,000  | 8,670,000  | 10,206,000 |
| Net Current Assets .....                    | 10,227,000 | 10,998,000 | 23,382,000 | 24,458,000 | 22,981,000 | 25,774,000 | 26,737,000 |
|                                             | 5,236,000  | 6,323,000  | 9,825,000  | 11,027,000 | 14,982,000 | 15,935,000 | 19,843,000 |
|                                             | 15,463,000 | 17,321,000 | 33,207,000 | 35,485,000 | 37,963,000 | 41,709,000 | 46,580,000 |

### MR CHARLES CLORE'S REVIEW

The Annual General Meeting of Sears Holdings Limited will be held on June 12th at the Dorchester Hotel, London, W.1.

The following is an extract from the statement by the Chairman, Mr Charles Clore, circulated with the report and accounts for the year ended December 31, 1960:

#### TRADING RESULTS FOR 1960

The year 1960 was a prosperous one for the Sears group and once again I am pleased to be able to present accounts which clearly indicate a continuation of the progress which has been achieved every year since 1953, when I became Chairman of the Company.

The total sales of the group further increased in 1960. Whilst I do not believe that it is in the best interests of the Company or its shareholders to publish the amount of our sales, I am prepared to lift the curtain momentarily on this occasion in order to disclose that we can now regard ourselves as being in the £100 million class.

As a group we have done our utmost to answer the appeals of the Government and to assist the economic position of the nation by increasing our exports. Despite the fact that a large proportion of our turnover represents "over the counter" retail sales in shops, we calculate that our total export sales in 1960 approached 20 per cent of our total turnover.

The total trading profits of the group, after charging depreciation and all outgoings (other than interest amounting to £210,000 on Debenture Stocks and Loans) reached £10,416,000 in 1960. This was an increase of £1,520,000, or 17 per cent, over the corresponding profits of the previous year.

The following analysis of the trading profits

shows that, with the exception of the motor distribution business, the increased profits have been spread over all sections of the group:

|                                | 1960<br>£   | Percentage<br>of Total | 1959<br>£  | Percentage<br>of Total |
|--------------------------------|-------------|------------------------|------------|------------------------|
| British Shoe Corporation ..... | 5,774,000   | 55                     | 4,436,000  | 50                     |
| Sears Engineering .....        | 4,003,000   | 39                     | 3,790,000  | 42                     |
| Motor Distribution .....       | 295,000     | 3                      | 410,000    | 5                      |
| Mappin & Webb group .....      | 344,000     | 3                      | 260,000    | 3                      |
|                                | £10,416,000 | 100%                   | £8,896,000 | 100%                   |

In the later paragraphs of this statement I shall review the individual groups in detail, both as regards their trading and their development.

#### APPROPRIATION OF PROFITS AND DIVIDEND

Out of the trading profits of £10,416,000 shown above it has been necessary to provide for the ever present burden of taxation, amounting to no less than £5,200,000, interest, minority interests and the dividends payable on the preference shares of Sears Holdings Limited. This leaves £4,653,000 available for the ordinary shareholders.

The issued ordinary and "A" ordinary capital has been increased since last year by £2,137,805 as a result of the fully paid scrip issue made in June, 1960. Thus the total issued equity capital is now £12,826,828, represented by 51,307,312 shares. On this increased capital your Directors recommend a dividend of 25 per cent less income tax. This is equivalent to an increase of one-fifth compared with the dividend paid for 1959, when allowance is made for the increased capital. The proposed dividend will absorb £1,964,000, leaving £2,689,000 to be retained in

#### PROPOSED SCRIP ISSUE

Elsewhere in this review I shall explain that, despite the absence of any major acquisitions by the group during the past twelve months, we have major plans for the development and expansion of our various subsidiaries. The consequential capital expenditure and the additional working capital involved necessitate the retention of a substantial proportion of our net profits. It is this policy which will keep your Company in the growth class.

We feel we should recognise this retention of profits, and also demonstrate our confidence in the future, by making another fully paid scrip issue to the ordinary and "A" ordinary shareholders equivalent to approximately the amount which we are retaining out of profits; this also ensures that the issued capital is appropriately increased as the capital employed in the business increases. Your Directors, therefore, recommend that the balance of the Share Premium Account of £1,297,758 plus £1,267,607 out of the Retained Profits, shall be used to pay up in full 10,261,463 "A" Ordinary Shares of 5s. each, to be allotted to ordinary and "A" ordinary shareholders in the ratio of one new "A" Ordinary

Share for each five Ordinary or "A" Ordinary Shares held at the close of business on April 29, 1961.

I must again repeat what I have said in previous years about our dividend policy. It remains our intention to preserve a reasonable balance between profits retained in the business for expansion and profits paid to shareholders in the form of dividends. Therefore the amount of the recommended dividend on the Ordinary and "A" Ordinary Shares will be dependent on the amount of profits earned. Even on the basis of the 1960 profits and taking into account the higher rate of profits tax which will have to be borne out of the 1961 profits, however, a dividend of 25 per cent on the capital as increased by the scrip issue would be covered nearly twice. I can, therefore, safely forecast that, if nothing unforeseen occurs, we shall be in a position to recommend at least the same rate of dividend as for 1960, i.e., 25 per cent on the increased capital, when we come to consider this matter a year hence.

#### ORGANISATION OF THE GROUP

Each of our subsidiary holding companies—British Shoe Corporation; Sears Engineering; Scottish Motor Traction; and Mappin & Webb—are now groups of closely associated trading companies, enjoying the advantages both of autonomous management and of group co-operation. We have thus avoided the creation of the large and costly central head office organisation which is normally considered essential to service and to hold together a large number of more or less diverse businesses. It is our intention to develop our overall organisation on these general lines, so that Sears Holdings Limited will remain the parent of a series of substantial but largely self-contained subsidiary groups.

#### BRITISH SHOE CORPORATION

All Divisions of the group enjoyed substantial increases in sales in 1960 and, despite increased costs, the group was able to show a satisfactory improvement in profits.

The output from our factories has both increased in quantity and improved in quality. An all-out effort is being made to increase our export trade from these factories.

During 1960 we opened a considerable number of new branches and nearly fifty branches were completely modernised, usually with some extension being undertaken at the same time.

The total capital employed in the British Shoe Corporation has increased during the year by over £1 million, of which more than £600,000 represents the net increase in fixed assets, the balance being the net increase in working capital.

Our programmes for additional shops, extensions, modernisations and other developments in 1961 are likely to involve substantial further capital expenditure. Increased working capital, also, will be required to finance not only the additional trade at these new and extended branches, but also the increased trade which we anticipate will be enjoyed by our existing branches. The capital employed in the business in respect of both fixed and working capital will, therefore, again increase in 1961, but we are fully confident that a satisfactory return can be earned on this increased investment.

The magnitude of this expansion programme demonstrates our confidence in the future. Sales achieved so far in 1961 give us good reason for believing that I shall have another satisfactory story to tell a year hence and I believe

#### COMPANY MEETING REPORTS

there is still much scope for long-term expansion in the retail footwear trade, so long as we continue to improve both our efficiency and the values we offer to our customers and so long as the standard of living of the population is maintained.

#### SEARS ENGINEERING

The main Divisions of this important engineering group comprise:

(a) The Bentley Engineering hosiery knitting machinery group;

(b) Furness Shipbuilding, with its pipework subsidiaries;

(c) Findlay, of Motherwell, engaged in the fabrication and erection of structural steel;

(d) Pegson, manufacturers of quarry plant, pumps and a range of contractors' plant;

(e) Parmeko, makers of transformers and other electrical equipment.

#### (a) THE BENTLEY GROUP

As I forecast a year ago, our output of hosiery knitting machines has broken all previous records; so have the profits of the Bentley group, which, therefore, remains the largest contributor to the profits of Sears Engineering.

A larger proportion than ever before of the Bentley group's output was exported in 1960 and during the past year we have received substantial orders from the USSR, which, we believe, will soon become an important outlet for all the products of this group.

We are building a large new extension to our works at Loughborough. This and other expansions and developments in the Bentley group will result in our total expenditure on fixed assets exceeding £1 million during 1961.

Improved production methods have enabled us to absorb recent wage increases with only minor adjustments in the selling prices of some of our models, but it will not be possible for us to continue this policy indefinitely; and if further wage demands force us to raise our prices, our sales, particularly in export markets, are bound to be affected in the future. Nevertheless we have every confidence in the future of this progressive business and we already anticipate a further substantial increase in sales, both home and export, and a further improvement in profits in 1961.

#### (b) FURNESS SHIPBUILDING

During 1960 the Furness yard has again been fully occupied. Three large tankers were launched, whilst two tankers and one dry cargo vessel were completed and handed over to their owners. The yard will be fully occupied through 1961 and well into 1962 on existing orders including a recent contract for a floating dock for Poland.

Substantial sums are being spent on the re-equipment of the shipyard so that our facilities shall be kept in line with modern techniques. In particular heavy expenditure is being incurred in developing the steelwork fabrication facilities, which will be available to extend our trade in constructional steelwork. This will both fit into the pattern of our shipyard development and provide a further outlet for our labour and facilities.

#### (c) ALEXANDER FINDLAY

A year ago I referred to the fact that the outlook for constructional steel was uncertain

#### THE ECONOMIST MAY 27, 1961

and that competition was extremely severe. Despite this and for the reasons which I then indicated, Findlays have had another satisfactory year and continue to enjoy the advantages of their specialised skill and exceptional facilities. Competition remains severe, but our order book is satisfactory and we have no reason to fear that, so long as we continue to equip ourselves to handle the largest types of contract which are offered, we shall be short of reasonably profitable work. It is possible to forecast that 1961 will also be a busy year and profits should be at least maintained.

#### (d) PEGSON

This relatively small member of the engineering group has been fully occupied during the past year, thanks largely to our policy of maintaining the works in a high state of efficiency and to the unrelenting sales drive, particularly in overseas markets, of the management and sales representatives.

We are continuing a programme of steadily extending our production facilities so that we can improve our position as one of the leaders in the industry which we serve. The year 1961 has begun with a satisfactory order book and the capital expenditure we have incurred in recent years should be reflected in improved profits in the present year.

#### (e) PARMEKO

Parmeko have recovered from the effects of the falling off in demand for their principal products, to which I made reference in my statement relating to the accounts for the year ended December 31, 1958. During most of 1960 the works have been operating at full capacity, mainly on their traditional product, transformers, but to an increasing extent on magnetic amplifiers and other forms of electrical equipment developed in our own research laboratories.

Whilst the development of new products of this kind is a slow process we are confident of a growing demand for the types of industrial control equipment for which the Company is already becoming an established supplier. We are sufficiently confident of the long term prospects in these fields to have authorised, recently, the further extension of the Parmeko factories in order to provide capacity for increased output. Whilst these increased production facilities can only be partly remunerative in 1961, we believe that they will provide a useful increase in profits in due course.

#### (f) GENERAL

Reviewing the Sears Engineering group as a whole, the two features which stand out are, firstly, the increasing opportunities for profitable investment arising from the expansion of our existing businesses; and, secondly, the fulfilment of the forecast made a year ago, that any decline in our shipbuilding profits would be more than made good by increasing profits from other members of the group.

During the past year expenditure on buildings, plant and other capital equipment amounted to over £600,000, whilst expanding turnover, together with the incessant demand for longer and longer credit from our export customers, have necessitated an increase of more than £2 millions in the total amount of stocks and debtors. The plans to which I have referred above indicate that we shall continue to increase our investment in our engineering businesses and have confidence in the prospect of Sears

#### THE ECONOMIST MAY 27, 1961

Engineering Limited remaining a growth business.

#### MOTOR DISTRIBUTION

The year 1960 has been a difficult period for our subsidiaries engaged in motor distribution and servicing. During the early months of the year the high prosperity enjoyed in 1959 continued, but the position was reversed following the imposition of hire purchase restrictions and the increase in the Bank rate. During the second half of the year, turnover declined and losses were incurred as a result of the sudden drop in the value of used cars.

I am glad to report that since the turn of the year, sales generally have shown a tendency to improve and confidence in used car values has been restored. Whilst trading conditions in 1961 are likely to remain highly competitive, we believe that our profits in this present year will show an improvement.

#### MAPPIN & WEBB

It will be seen from the figures quoted earlier in this statement that the Mappin Group which includes Garrards, made progress during 1960.

Late in the year, the first Mappin & Webb provincial store was opened in Birmingham and we believe that this will prove to be the first step in the expansion of the retail trade of this famous business. We are spending considerable sums in modernising the Sheffield silver and silver plate factories, whose production in 1960 increased by about 20 per cent and will further increase as the re-equipment programme progresses.

The first stages in the development of this business into a growing member of the Sears group, have thus made satisfactory progress.

#### GENERAL

I have deliberately refrained from referring earlier in this statement to new acquisitions. We have not changed our views on this subject and will only add new businesses to the Sears group if they can be acquired on satisfactory terms and if either they can be conveniently integrated with our existing businesses or they are of sufficient magnitude, with adequate development prospects, to justify the effort and the employment of our capital resources. We have no need to acquire new businesses in order to maintain the growth character of Sears Holdings Limited.

During the past few years, the various businesses which we have acquired and brought together in Sears have clearly responded to the new potentialities with which we have sought to inspire them and they have demonstrated the real existence of these latent potentialities. Thus there can be no question but that the first call on our resources should be the expansion of our existing businesses; it is axiomatic that the deployment of capital in the well conceived expansion of a thriving well established business, will normally produce a better return than investment in a new venture, particularly if a high price, which largely discounts potentialities, has to be paid for such new business.

In my review of the affairs of the Sears group in 1960, I have stressed the fact that in almost every section we have substantial plans for development. I anticipate that total expenditure in 1961 on additional or more modern buildings, plant and equipment will exceed £5 millions and that the expansion of business which will

#### COMPANY MEETING REPORTS

result from this and from programmes instituted in previous years but which have not yet become fully effective, will necessitate the employment of several million pounds more in stocks, work-in-progress and book debts. It is very gratifying that the businesses should have demonstrated their growth potentials sufficiently to justify this additional investment.

Thus, whether or not Sears Holdings adds to its family, I look forward to being able to present this time next year another report which will show a continuation of the progress made in recent years.

#### 1953 TO 1961

At the beginning of this Statement I mentioned that I became Chairman of the Company in 1953. It may be of interest to remind shareholders that in April of that year holders of 'A' Ordinary Shares of 1s. each had the option of selling their shares at a price of 7s. 6d. each. Thus a holder of 1,000 'A' shares could choose between retaining his shares or accepting £375 in cash for them. If he retained them, he would now hold 2,250 'A' Ordinary Shares of 5s. each worth (on the basis of the Stock Exchange price at the time of writing this review) over £4,500; whilst including the dividend for 1960, his gross income over the same period would have been £545, equivalent to an average dividend yield of 21 per cent per annum.

#### STAFF

Once again I am glad to place on record the thanks that are due to our large staffs for their hard work, energy and enthusiasm. It is only as a result of their efforts that the plans and policy of management can be transformed from theory into practice.

## EDWARDS HIGH VACUUM

Specialists in high vacuum equipment for :  
INDUSTRY · RESEARCH · ATOMIC ENERGY · MEDICINE · EDUCATION

The 21st annual general meeting of Edwards High Vacuum Limited was held on May 24 in London, the Rt. Hon. Lord Wilmut of Selmeiston, P.C., J.P., presiding.

The following is an extract from his circulated statement:

It has been a year of record turnover with the trend established during the previous two or three years being well maintained. The Group trading profit after taxation has increased from £148,000 in 1959 to £176,000. Your Directors recommend a Final Dividend of 10 per cent on the Ordinary Shares making a total of 15 per cent for the year. This compares with 13 per cent for the previous year if allowance is made for the one-for-two scrip issue during July, 1960.

There has been a substantial increase in the total figure for Stock and Work in Progress, and this is some indication of the diversification of high vacuum equipment with further increases in our range.

The extensions to premises at Crawley are nearing completion and will come into operation during the second half of 1961. The research part of the extensions will contain some of the most advanced and comprehensive equipment for high vacuum techniques.

The Instrument Division has completed new premises of 5,000 sq. ft. on a new three acre site at Eastbourne, to be extended by a further 10,000 sq. ft. of production area later this year.

In order to secure facilities for the future production of essential components your Directors have negotiated the acquisition of the Issued Capital of J. H. Holmes & Son Limited. As a principal sub-contractor to our Company,

Head Office: Manor Royal, Crawley, Sussex.

CANADA · ITALY · GERMANY · U.S.A.

## ROYAL MAIL LINES

The Annual General Meeting of Royal Mail Lines will be held on June 14th in London.

The following is an extract from the statement of the Chairman, Mr H Leslie Bowes, CBE:

Difficulties arising from strikes in the United Kingdom and abroad, the loss of cargo due to the discriminatory practices of foreign governments, and uneconomic freight rates have combined to make 1960 a disappointing year. In view of the fall in profits and the urgent need to conserve cash resources, the Directors consider it necessary to reduce the rate of dividend from 8 per cent to 5 per cent.

"HIGHLAND MONARCH," "LOCH RYAN" and "TEVIOT" were sold in 1960. With the delivery of "ARAGON" and "ARLANZA" the Company's immediate building programme has been completed, and these two ships have joined "AMAZON" on the South American route.

The year 1960 will be remembered for the number of specially frustrating examples of unofficial and reckless strike action in the United Kingdom. Troubles in the field of industrial relations at home have not been the only problems with which we have had to contend, for our old enemy flag discrimination is on the increase, and in some of our trades has reached such a point as to make normal trading impossible. There is little a shipowner can do by himself to fight such discrimination and we feel that any improvement must be negotiated as between Governments.

Commenting on the outlook, the chairman said: Directors and management are alert to the constantly changing conditions and it may be confidently assumed that the fleets will always be employed to the best advantage.



## THE FINANCIAL NEWS LIMITED

### LORD ROBBINS REVIEWS YEAR OF FURTHER PROGRESS

Lord Poole resigned from the Chairmanship of the Company at the end of December and your Directors did me the honour of electing me as Chairman in his place. Lord Poole rendered signal services to the Company as Chairman, and we are extremely gratified that he has agreed to remain a member of the Board so that we may continue to enjoy the benefit of his wise judgment and wide experience.

We are happy to welcome as a member of the Board Mr R. A. Allan, M.P., who has rejoined the Group after ceasing to be a member of H.M. Government. Before Mr Allan joined the Government he concerned himself particularly with the management of the Investors Chronicle and The Banker and he has resumed these functions as well as undertaking other duties on behalf of the Company. In particular Mr Allan has been elected Chairman of British Telemeter Home Viewing Limited, a company to which I shall make reference later in my statement.

The accounts before you show that the Group as a whole has enjoyed another good year's trading. The profit of the Group for the year ended December 31, 1960, before charging taxation, amounted to £1,047,368 against £772,142 in the previous year. After taxation and taking credit for provisions no longer required, and after deducting the profit attributable to outside shareholders in The Financial Times Limited and its subsidiaries, the profit attributable to The Financial News is £327,497 compared with £263,505 in the previous year.

We are recommending a Final Dividend of 30 per cent which together with the Interim Dividend of 15 per cent already paid makes a total of 45 per cent for the year.

The Consolidated Balance Sheet reflects a general improvement in the overall financial position of the Group. You will see that there is an increase in the item Goodwill and Copyrights of the Company and its wholly owned subsidiaries from £127,660 to £266,009 and this increase arises from the purchase by The Practitioner Limited of the medical publishing business of E. & S. Livingstone Limited.

In accordance with our normal practice I will now give you some account of the activities of the various companies in the Group.

#### THE FINANCIAL TIMES AND ITS SUBSIDIARIES

A copy of the statement which is being circulated to stockholders in The Financial Times Limited is being sent to all shareholders in The Financial News Limited. A full discussion of the affairs of The Financial Times Limited is included in that statement to which I would refer you for an account of the development of that company during the year under review.

#### THE INVESTORS CHRONICLE

In the year under review the Investors Chronicle celebrated its 100th anniversary. It was a happy coincidence that the same year saw its greatest prosperity.

Though in the second half of the year circulation fell off slightly, I am glad to say that that loss has now been regained. The audited net

sales for the first half of this year are expected to be around 40,000.

An increasing number of companies are recognising the value of advertising in the Investors Chronicle and the paper now carries much prestige advertising. As a result the revenue continues to grow. Costs have risen too. Both in circulation and prestige the Investors Chronicle remains pre-eminent in its field, and we can look to a satisfactory profit in the current year, although it seems unlikely that last year's record will be attained.

#### THE SOUTHERN AFRICA FINANCIAL MAIL

The Southern Africa Financial Mail, which was launched by the Investors Chronicle in partnership with South African Associated Newspapers in March, 1959, has continued to maintain the high standard set by its first issues.

Originally published fortnightly, it became a weekly in July, 1960, and the rising trend in its circulation and revenue from advertisements indicates that it is meeting a need in South Africa; in spite of recent political developments there we have confidence in its future.

#### THE BANKER

The readership of The Banker continues to grow, particularly overseas. Fully one-third of its circulation is now accounted for by overseas readers—spread over no fewer than eighty countries.

Besides circulating widely among bankers and economists, it is read by industrialists, senior administrators, and institutional investors. The past year has provided ample opportunities for displaying its special blend of lively yet considered comment. These opportunities have been skillfully exploited by its distinguished editor and The Banker's high reputation has been further enhanced.

#### THE PRACTITIONER

The Practitioner, now in its 93rd year of publication, attained an all-time record in circulation during the year and its profit was well maintained. Although costs have risen, the necessity for increasing the subscription rate, which has remained at the same level for many years, has been avoided.

During the course of the year The Practitioner acquired the whole of the capital of the well-known firm of E. & S. LIVINGSTONE LIMITED, specialising in the publication of medical books. We are confident that the merger will be of benefit to both enterprises. Your directors considered that it was not practicable in 1960 to change the accounting date to correspond with that of the group. The Consolidated Balance Sheet, therefore, includes the assets and liabilities of E. & S. Livingstone Limited as at March 31, 1960, but no profit figures for the period to December 31, 1960 were available for inclusion in the Consolidated Profit and Loss Account. It is intended to change the accounting date to December 31 in 1961, and future group accounts will fully reflect the contribution of this new subsidiary to the profit of the group. In absolute terms this contribution will be relatively modest, but it will, we hope, reflect a very satisfactory return upon the capi-

tal that we have invested in this excellent company.

The present pre-eminence of E. & S. Livingstone Limited in the field of medical publishing is a tribute to the work of its Chairman, Mr Charles Macmillan and his team of full-time working Directors, all of whom continue to serve the Company in the same capacities as before. Mr Macmillan himself has joined the Board of The Practitioner, and we welcome him as a colleague.

E. & S. Livingstone Limited has continued to expand since our acquisition of the business, and profits for the year just ended are the highest on record. The expansion in the export of books to all parts of the world is particularly gratifying. Many important new books are scheduled to appear in the near future.

#### THE ECONOMIST

This Company owns 50 per cent of the share capital of The Economist Newspaper Limited. During the year the circulation of The Economist achieved a record level, as did the volume of advertising carried by the paper. Profits were extremely satisfactory. The Economist Intelligence Unit has fully maintained its unique position.

#### BRITISH TELEMETER HOME VIEWING

During the year, the Financial News Limited, in company with the Financial Times Limited, acquired a small interest in British Telemeter Home Viewing Limited. This is a British company formed to acquire the United Kingdom rights from the Paramount Pictures Corporation of a Pay Television system developed by Paramount in the United States under the name of Telemeter designed to enable viewers to buy programmes of their choice. The programmes are transmitted either over the air or through wire in a "scrambled" form. A particular device which can be attached to an ordinary television set "unscrambles" the picture on the insertion of coins in a meter. This system is operating in a suburb of Toronto where 6,000 subscribers are served.

Should the Government authorise the introduction of Pay Television in this country when it reviews the ITA and BBC charters, British Telemeter Home Viewing Limited should be able to play an important part in developing this new television medium. Our partners in the enterprise are British Lion Films Limited, Granada Group Limited, The Manchester Guardian and Evening News Limited, Paramount Pictures Corporation, Schlesinger Investments Limited (with whom Sir Michael Balcon is associated), and N. M. Rothschild & Sons.

#### PROSPECTS

It is too early for me to forecast the outcome of the current year's trading. In the aggregate, profits of the Group for the first four months show an improvement compared with 1960. But I should be hesitant to predict that the present high level of activity will continue. All I can say is that we have extremely able staffs throughout the organisation, and to the extent that the country continues to prosper your Company will continue to progress.

## THE FINANCIAL TIMES LIMITED

### SATISFACTORY RESULTS

#### LORD ROBBINS ON YEAR'S PROGRESS

The thirty-third annual general meeting of The Financial Times Limited will be held on June 13th at Bracken House, Cannon Street, London, E.C.

The following is the statement by the Chairman, Lord Robbins, CB, circulated with the report and accounts for the year ended December 31, 1960:

At the end of December Lord Poole resigned from the chairmanship of the Company and your Directors did me the honour of electing me as Chairman in his place. Lord Poole agreed to become Chairman when we were faced with the sudden loss of Lord Bracken in August, 1958, but he then indicated that pressure of other duties would allow him to remain in that position only until other arrangements could be made. We are grateful to him for his services to the Company as Chairman and are pleased that he remains a member of the board so that we continue to have the benefit of his advice and counsel.

#### PROFIT AND DIVIDEND

The accounts for the year to December 31, 1960, are drawn up in their usual full and informative way and I need not go over the figures again in detail. The consolidated profit for the year amounted to £873,088, compared with £649,990 in the preceding twelve months. After allowing for tax charges and adjustments, the interests of outside shareholders and providing for the loss of a subsidiary, the profit attributable to your Company for the year was £497,202 compared with £381,909, a satisfactory increase. Your Directors have given careful thought to the amount of the final dividend that they should recommend, having regard both to the figures before you and the general trend of the Company's progress over the past few years. They recommend a final payment of 30 per cent making a total of 45 per cent for the year compared with 35 per cent for 1959.

The balance sheet does not call for detailed comment, except to repeat with appropriately more emphasis the remark of the Chairman last year that it shows a sound position with ample cash resources available for developments in the future or to deal with any contingency that might arise in a business which is necessarily dependent on the ups and downs of the general economy. The item £68,878 advanced for the development of an associated company represents a payment to the exhibition company in which we have an interest, £39,000 of which has since been repaid.

The Financial Times again had a satisfactory year. The paper continued its expansion on a broad front and the results before you reflect the vigour and enterprise with which both the editorial and business affairs have been conducted during the year. That the paper has expanded in contents is obvious to any reader: the average size in 1960 was, in fact, 18.35 pages compared with 16.8 pages in 1959. The success of the editorial policy in appealing to an increas-

ing range of readers taking an intelligent interest in the business affairs of the world, is shown by the continued steady growth in sales. For the six months to December, 1960, the average daily net sale figure was 122,505 compared with 109,374 for the same period in 1959. Since the end of December the sales have shown a further advance.

#### GROWTH IN ADVERTISING

As the paper has expanded and the readership grown, so has its attractiveness to advertisers, and last year advertisement revenue from all sources showed an increase of 21.5 per cent—almost the same percentage increase as in the previous year, although the actual increase was, of course, higher.

The biggest increase was easily in revenue from industrial display advertising which last year in total accounted for about 58 per cent of all our advertising revenue. In the year 1938, the last complete pre-war year of the old Financial Times, this percentage was 17. Our appeal then was much more confined to financial or 'City' affairs and our sources of revenue were correspondingly restricted. The Financial Times remains pre-eminent as the paper for financial advertising but it is gratifying to record in this tangible way the success over the past fifteen years of the policy of broadening the appeal of the paper to a wider circle of readers.

There is another aspect of this matter. Newspaper costs, as the public has learnt from some tragic examples during the past year, have mounted relentlessly since the end of the war. We have had to face increases in successive years of the order of 20 per cent and more, and the rise still continues. Had the paper remained in the pattern of pre-war days, and dependent solely on its former sources of revenue, it would have had a hard struggle to survive. It is the success of this policy of expansion under the inspiring editorship of Mr Gordon Newton that has enabled it to reach out to new sources of advertisement revenue and thus surmount these rising costs and, at the same time, to find money for the post-war expansion and development. A Royal Commission is at present inquiring into the whole question of costs and other matters affecting the well-being of our industry and we await with interest such enlightenment as in due course its members can throw upon our problem.

#### ST CLEMENTS PRESS

Reference is made in the accounts to the trading loss of a subsidiary. This is our printing business, St Clements Press, in which we hold an 80 per cent interest. Although a trading loss was incurred, it was greatly reduced by comparison with 1959, but heavy non-recurring expenditure was incurred in the closing down of the former Speights division of its business. Some important plant and the freehold site in North Kensington have not yet been sold. We

expect to achieve an overall profit on the realisation. The Company has not yet filled to capacity the enlarged printing plant installed in Bracken House two years ago, but it has expanded the sales of its City Printing Service and its Service to Advertising Agents, the two sectors to which it must mainly look for its future prosperity.

#### HISTORY TODAY

History Today completed its 10th year of publication in December and had another year of unspectacular but steady progress. Under the joint editorship of Messrs. Peter Quennell and Alan Hodge, this monthly magazine has developed a gratifying net sale of 23,308. It has a widespread distribution both at home and overseas. During the year we were pleased to welcome back to the board of History Today, Mr John Rodgers, MP.

#### INDUSTRIAL AND TRADE FAIRS

Industrial and Trade Fairs, our associated company of exhibition organisers, is now well into its stride. Last year it ran the Photographic and the Engineering Materials and Design Exhibitions in London and the Factory Equipment exhibition in Manchester. Its biggest enterprise so far is the British Trade Fair in Moscow—a major event in the UK's export drive—the organising of which has called for quite extraordinary efforts and resourcefulness on the part of the staff of that company. It has also been actively concerned in the arrangements for the reciprocal Soviet exhibition in London this year. We are partners in this Company with the George Newnes Group, and our partners and ourselves, together with Beck & Pollitzer, jointly purchased towards the end of 1960 the business of F. W. Bridges & Sons Ltd., a well-established company of exhibition organisers. Industrial and Trade Fairs is also organising the International Construction Equipment exhibition at the Crystal Palace this summer.

The successful launching of Industrial and Trade Fairs and its development since has been largely due to Lord Drogheda, its Chairman, and Mr V. G. Sherren, its Managing Director and moving spirit. The Company traded at a profit last year.

#### CAPITAL PROPOSALS

I wish to say a few words in explanation of the proposals with regard to the capital of the company that are being submitted to an extraordinary general meeting following this meeting. The resolutions embodying these proposals may appear complex but in essence they are simple and, I trust, such as readily to commend themselves to you.

Over the past few years, an appreciable proportion of the profits has each year been retained in the business and added either to the general reserve or the balance of unappropriated profits. In the balance sheet before you these sums total

## IMPERIAL CHEMICAL INDUSTRIES

### MR S. P. CHAMBERS ON TAXATION PROPOSALS

The Thirty-fourth Annual General Meeting of Imperial Chemical Industries Limited was held on May 18th in London.

Mr S. P. Chambers, CB, CIP, the chairman, presided and, in the course of his speech, said:

I feel that the Press reports of what we are doing and propose to do at Rotterdam may inadvertently have led to some misunderstanding about the timetable of these developments. After a most thorough examination, we decided that it would be a good, long-term policy to establish ourselves as substantial manufacturers of chemicals within the European Economic Community. Holland is well placed both for manufacturing facilities, including raw materials, and for access to markets. We have therefore taken an option on a lease from the Port Authorities of Rotterdam with the intention of developing this site as opportunity offers in the years to come. As yet there are no cut and dried plans about the manufacturing plants to be erected but there is every reason to expect that this large site at Rotterdam will develop so that ultimately, which means over a period of a number of years, we shall have a complex of integrated chemical plants working efficiently in the European Economic Community which will be comparable in size to those already operating at Wilton and now in course of construction at Wernside. We have come to the conclusion that manufacture on this site is likely to prove sound and profitable whether Britain becomes more closely associated with the European Economic Community or not.

Nearly £40 million of capital expenditure was sanctioned during 1960; already in 1961 we have approved the expenditure of a further £45 million. This is some indication of the large developments which are now in hand although it will be some time before the expenditure on these new projects will be completed.

#### CURRENT POSITION

In the first half of 1960 our sales were particularly buoyant. So far sales in 1961 are about equal in volume to those in the corresponding period of 1960, but profit margins are likely to be kept down by competition both at home and overseas. Taking everything into account there is no evidence which would justify any modification of the statement made by the Directors when announcing the new capital issue in January of this year that we would hope to maintain on the increased capital the same total rate of dividend as is proposed for the year 1960.

The new capital issue of one share for every £20 of ordinary stock held was a most successful operation and the Company's capital and reserves have been increased as a consequence by a sum of £34 million.

I cannot let this opportunity pass without some reference to the taxation proposals in the Budget which the Chancellor introduced last month. The reliefs from surtax in respect of earned income have been long overdue and the starting point for surtax of £2,000 which had remained unchanged for 41 years, notwithstanding the fall in the value of money, was perhaps the greatest anomaly of our taxation system. The Chancellor's action in raising the effective starting point for surtax on earned income to

£5,000 is bold and imaginative. I believe it will go a long way towards solving the problems which arise from the difference between net earned income for business executives in Britain and those in competitive countries such as Germany and the United States. There are a number of ways in which this change in the taxation of the middle range of executives will act as a spur.

I am less happy about other proposals in this Budget. Profits tax, which is payable in addition to income tax and is not allowed as a deduction in arriving at the profits to be charged to income tax falls entirely upon the profits belonging to ordinary stockholders, and some of us have been campaigning for years for the abolition of this tax on enterprise. In the days of the Labour Government we were assisted in this struggle by Mr Selwyn Lloyd himself and can feel disappointed that he has so far fallen from grace now he is in office as to do the very opposite of what he advocated fourteen years ago. He then opposed the introduction of Profits Tax; today his increase of Profits Tax to 15 per cent puts British company taxation up to 53.75 per cent, which is above that in the United States and other countries, and above that which in 1948 he described as fantastic and which he considered would cause the lingering death of private enterprise in this country. Capital is as important for modern industry as labour, yet the reward for saving and investing in private enterprise continues to be singled out for special punishment not meted out to any other income.

#### FUEL OIL TAX—A BAD FEATURE

Another bad feature of this year's Budget is the tax on fuel oil. This tax, coming after Ministerial statements that they would let consumers, and particularly industrial consumers, have an unfettered choice of fuels and would not seek to protect the coal industry by taxing oil, has come as a surprise and a deep disappointment. Less than 10 per cent of this tax will fall upon private consumers and most of the rest will fall upon private industry or the cost of generating power.

At a time when British industry is being urged to reduce costs, this direct addition to costs will be a serious blow to the competitive power of substantial sections of British industry, both in its export trade and in the home market where the competitive power of British industry against foreign imports is just as important as exports. Ministerial statements about the need for exports and reducing costs sound rather insincere when the Government's own deliberate action adds substantially to manufacturing costs. To argue that there are one or two other countries which have imposed a tax of this kind is no answer in this country where the balance of payments position is critical and action putting up competitive costs seems rather irresponsible.

In spite of these tax changes, I believe that the Company's strength and technical developments at the present time are such that we can hold our own and make substantial further progress both at home and overseas in the rest of 1961 and in the years to come.

The report and accounts were adopted.

## CADBURY BROTHERS LIMITED

TOTAL SALES OF NEARLY £87M.

GRATIFYING EXPANSION OVERSEAS

COMPANY'S CONTRIBUTION TO WEST AFRICA'S PROSPERITY

### MR PAUL S. CADBURY ON THE COCOA MARKET

The sixty-second annual general meeting of Cadbury Brothers Limited will be held on June 12, 1961, at Bournville, Birmingham.

The following is a statement by the Chairman, Mr Paul S. Cadbury, which has been circulated with the report and accounts:

#### RAW COCOA

For fifty-two years we have been buying cocoa in West Africa. In the early years both the scope of our operations and the size of the whole cocoa industry were small. In the 1960-61 season the crop was an all time record. In Ghana alone the total crop is estimated at 430,000 tons, worth £80,000,000 on the world market. The amount bought by the Cadbury Fry Agency on behalf of the Cocoa Marketing Board was 61,000 tons and was also a record.

This is the last season, however, in which we shall be buying cocoa directly from Ghanaian farmers. Since the formation of the Cocoa Marketing Board during the war, we have only been able to buy cocoa as licensed buyers for the Marketing Board. Our factories have had to buy from the Board for their own requirements, and thus only a small proportion of the cocoa handled by our Buyers in Ghana has in fact been secured for our own use. The changes, therefore, are unlikely to make much difference to us. In spite of this we regret the severance of what has been a long and happy association. We have made many friends in Africa. As customers for the cocoa they grow we hope to retain these friendships.

Fifty years ago our staff consisted of European buyers with African drivers and storekeepers. Over the years we have increasingly trained and appointed Africans to positions of trust so that now there remain only a handful of Europeans and the main day to day responsibility for selection, grading and purchase of cocoa rests on our African supervisors and buyers. Cocoa must still be bought and I am glad that our trained African staff are being absorbed within the new Government-controlled buying organisations.

I should like to pay a warm tribute to the Europeans, who though few in numbers have for over 50 years ensured the success of our activities in West Africa. The presence of our buying agency has undoubtedly improved the standard and quality of cocoa produced on the Coast, and this in turn has contributed to the prosperity of West Africa. The policy which the Agency has followed of encouraging and trusting their African colleagues will ensure that this hand-over of responsibility will be achieved with great good will on both sides. The existence of trained African buyers will ensure the continuance of high standards of quality and integrity in the new conditions.

As I have already said, the Ghana crop is an all time record and crops have also been good in the other cocoa growing territories of West Africa. In the 1957-58 season Ghana produced

207,000 tons, Nigeria 81,000 tons, and what were then the French Territories of the Ivory Coast and Cameroons, 109,000 tons. It is estimated that the figures for this season will be 435,000, 185,000 and 165,000 tons. In only three years a serious world shortage has become a substantial surplus. In 1957-58 the spot price ranged between £272 and £407 per ton, and today the spot price is about £180 per ton. The effect of the shortage and the consequent high prices was a diminished use. The effect of the present surplus is inevitably a diminished price. In the long run this will ensure increased use, but in the short run stocks of cocoa will rise. Violent fluctuations are always bad both for the grower and the manufacturer.

As individual manufacturers we cannot influence the world market price. Nevertheless we are watching with interest the activities of the FAO Cocoa Study Group which has for some time been considering whether an international price stabilisation scheme is possible for this industry.

Our own operations are naturally affected by these violent fluctuations. We dislike high prices, as they reduce the value we can offer to our customers, but a steep fall in prices carries its own problems. The scale of our operations is so large that even though by holding large stocks we avoid the peaks, we cannot always wait for the valleys. I reported last year that at the end of 1959 we had followed our usual practice of writing down the value of our stock to its market value. We have followed the same practice this year.

#### TRADING EXPERIENCE, HOME AND EXPORT

Our group sales increased from £85,000,000 in 1959 to £86,700,000 in 1960. Sales on the home market were only slightly up, which in view of a cooler summer was disappointing. On the other hand export sales showed an encouraging increase of 10 per cent. This was shared by our two chief dollar markets, USA and Canada, and by our general exports to other parts of the world. Total sales of Cadbury products to these dollar markets were over 4,890,000 dollars, divided in the USA equally between block chocolate and chocolate biscuits. In Canada, where we manufacture block chocolate in our factory in Montreal, imports from this country are mainly chocolate biscuits and, to a lesser extent, chocolate assortments.

#### OVERSEAS FACTORIES

In Australia, New Zealand and Ireland our companies have all had a successful year's activity. In every case sales have increased and profits are satisfactory. Trading conditions in both South Africa and Canada have been difficult. Our operations in India are severely limited by the restrictions imposed on the importation of both machinery and raw cocoa. Nevertheless we have had a good year and sales have increased. At present we are manufactur-

ing in two small factories in Bombay. We are purchasing land outside the city, so that, if and when control regulations are relaxed, we shall be able to expand our output further and to develop an up to date factory on the site.

Since the war our trade in Western Germany has steadily increased. At first this was export trade. When it became clear to us in 1954 that exports must soon come to an end, we started what, for this Firm, was an entirely new venture. We appointed a German manufacturer, the Hanseaten-Schokoladen-Werke, as agents, to manufacture our goods locally in Western Germany. This firm has a well-equipped factory at Bremen. From September, 1955, Cadbury's Vollmilch and Cadbury's Bournville Chocolate were produced at Bremen under licence. This business grew, and by last year more than three-quarters of the output of the Hanseaten-Werke factory consisted of Cadbury goods, mostly block chocolate. Our Firm has now formed a company, registered in Germany in the name of Cadbury-Fry GmbH, which has taken over the whole of the Hanseaten-Werke firm and factory in Bremen, as well as the firm and organisation of Max Schierbeck in Hamburg who from the outset have handled the sales side of our German business.

I recently visited the factory in Bremen and the Firm's new offices in Hamburg and was impressed not only with the potential importance of this undertaking to our Group but with the ability and enthusiasm of the local Directors and Staff.

The combined sales of our overseas companies now exceed £17,800,000.

#### J. S. FRY AND SONS

Cadbury Brothers Limited and J. S. Fry and Sons Limited were amalgamated within the British Cocoa and Chocolate Company Limited 41 years ago. Although in buying, engineering, export, transport and some aspects of production the two Firms are very closely integrated, in the home selling field both the organisation and the good will have been developed as two separate entities. Fry's sales, home and export, at £12,200,000, are a record for the company and represent an increasingly important part of our group turnover.

#### FACTORY DEVELOPMENT

A large new manufacturing block was completed at the Fry Somerdale factory during the year and a start was made on the further developments at the Moreton Cadbury biscuit factory. At Bournville, where we have to pull down old buildings before we can build new ones, work on the first of the three phases of redevelopment started at the end of the year.

#### RESULTS

In 1959 results were affected by a large writing down in the value of our stocks of cocoa. As



I forecast a year ago, we recovered a large part of this during 1960. In spite of some further writing down at the end of the year the consolidated net profits are £4,954,431. Of this £3,000,000 has been transferred to Revenue Reserve and will be available to meet the com-

mitments of the Company for the future including the establishment of our Germany Company and the provision of new buildings at Bournville and Moreton to which I have already referred.

In conclusion I would like to thank all our

employees for their loyalty and enthusiasm. In business men and women are of greater importance than buildings and machinery and the continued progress of the Company depends very largely on the efforts of individuals within the organisation.

## THE CUNARD STEAM-SHIP COMPANY, LIMITED

### THE PRICE OF STRIKES

Sir John M. Brocklebank, Bart, Chairman of the Company, in a statement to stockholders for submission at the eighty-fourth Annual Meeting to be held on June 14th, says:

At this time last year all the evidence available led me to believe that our 1960 figures would show a modest improvement over 1959, but instead the operating surplus is down by £498,000. The seamen's unofficial strike and the strike of London tally clerks in 1960 cost the company nearly twice that amount. Cunard Eagle Airways came into the consolidated accounts for the first time and from a profit of about £100,000 in 1959 incurred a loss of approximately £100,000 in 1960. The valuation of aircraft at the year end of £1,030,651 features the main asset of our new venture. Since the year end further aircraft have been acquired and the fleet is now worth approximately £1,860,000. Port Line did slightly better than in 1959 but the drop in Brocklebank's profits was not wholly arrested as I had hoped a year ago. The year's surplus has fallen by £232,817 from £900,560 in 1959 to £667,743 in consequence of the reduced operating surplus and increased depreciation, compensated by the saving in taxation. The directors recommend a dividend of 6 per cent.

In fairness to all concerned, and particularly to the Management in view of the £498,000 drop in gross operating profit, I think you should know the following facts and figures. The strike of the London tally clerks cost the group £261,000. The seamen's unofficial strike, coming at the height of the passenger season, cost £398,000 in direct and accountable loss. This figure is only part of the damage because we undoubtedly lost many more passengers who failed to use our services because of the uncertainties of future sailings, caused by the strike. Statistics can mislead but over the years we have found that two-thirds or more of our passengers emanate from the USA and Canada and that our eastbound carryings in the first half of the year are usually a good indication of what we can expect westbound in the second half. Up to the strike which began in early July, profits were encouragingly up on the previous year but after early July our bookings both ways fell off alarmingly and we calculate that passengers who deviated to foreign ships or airlines account for another £250,000 loss of profit. This deviation of trade was not confined to passengers and we had on occasion the irritating and almost ridiculous experience of being asked by shippers to transfer cargo bookings from Cunard ships to a Swedish cargo ship on time charter in order to insure against the uncertainties attached to a ship manned by a British crew. How many more parcels of cargo we lost to foreign competitors for this reason is not known, but the amount must be considerable. You will see, therefore, that in gross operating profit the group lost,

as a result of these two strikes, not less than £909,000.

### INCREASED CREW COSTS

Most people are bored by repetition of the obvious but it is my duty to reiterate that unlike most other industries shipping has no home market and in the case of Cunard the majority of the competition both sea and air is foreign. In short, increased British crew costs can seldom be passed on to the customers. Last August wage increases raised the crew costs of one of our large units by 14 per cent. At the time of writing another wage demand is being negotiated which if granted in full would mean that the crew costs of our larger units would rise by approximately 48 per cent in under a year. I know of no comparable increase in any other industry. The goose that lays the golden eggs is not by any means dead but unless we have a period ahead of reasonable stability her actuarial expectation of life must inevitably be shortened.

Cunard Eagle Airways had a good year in 1959 and a disappointing one in 1960. This decline in profits in their first year in the Cunard Group is in the main accounted for by three factors. Firstly, their plans for 1960 were made before the terms of the Civil Aviation (Licensing) Act 1960 were known and for policy reasons it was deemed expedient to make certain changes in the 1960 programme which had to result in a short term loss. Secondly, we were faced with opposition on the Miami/Nassau shuttle service which was unforeseen as we were under the impression that it was beyond the terms of that particular competitor's licence. Negotiations are in progress which we hope will improve the profitability of the service. Thirdly, the whole of the Eagle headquarters including office buildings, maintenance facilities, equipment and spares had to be moved from Blackbushe to London Airport and all the costs of this move are included, although they are non-recurring. The hearing of our application for a passenger licence across the North Atlantic is scheduled for May 16th; the outcome is of tremendous importance to your Company.

We have always maintained that sea and air should be complementary and I think the far-seeing comments of the late Sir Percy Bates, 19 years ago will be of interest. "Then, too, we have the air. I think our Company will need to enter this element in one way or another even though given a fair field the sea can probably hold its own. But once the possibility exists it will be availed of, and in any case there will be a passenger traffic created out of nothing by the new possibility and not in itself competitive with the sea. The situation would change if air traffic were to be subsidised to an extravagant degree and there will be much pressure in this direction. I think we shall have to take to the air, or at the very least maintain a direct association with it."

### TENDERS FOR Q-3

On the replacement of the *Queen Mary*, the "Memorandum of Points of Agreement between The Cunard Steam-Ship Company Limited and Her Majesty's Government" have been printed as a White Paper together with the explanatory and financial memorandum on the North Atlantic Shipping Bill of March 22, 1961. There is no point in my elaborating on these two documents in view of the wide publicity given to them and at the time of writing the Bill has been through the second reading in the House of Commons and is now in the Committee stage. Invitations to tender for the new ship, together with detailed specifications have been sent out to the six yards capable of constructing a ship of this type (you will no doubt have read in the Press that for this venture Messrs Vickers and Messrs Swan Hunters are proposing to join forces), and we expect to receive the tenders at the end of July. For administrative convenience and in agreement with the Government it has been decided that the ship should be operated by a one-ship Company and for various reasons the Cunard White Star Company lent itself readily for this purpose.

### U.S. BUSINESS IMPROVEMENT

Last year has shown that it is difficult, if not impossible, to forecast the future. We have learnt from bitter experience that any recession in the American economy has an immediate effect on our business, but there are signs that American business in general is now tending to improve. Passenger business to and from Canada was disappointing in 1960 and there are no signs of improvement, understandable in view of the present high unemployment percentage. Over the years the Canadian passenger trade has always shown violent ups and downs but if one has faith in the future prosperity of the country which most of us have, bearing in mind the vast natural resources, it is reasonable to suppose that there will in the near future be another upsurge of immigration as Canada is unlikely to be able to make full use of its potentialities unless there is a sizeable increase in population. We have four modern ships built for the Canadian trade and are in a position to take full advantage of any increase in passenger movement. On the freight side there are faint indications that some freight rates are to be increased but the fact remains there are still too many ships for the cargo available which in turn means that tramp rates are unlikely to rise appreciably in the immediate future. Sooner or later this situation will alter but I can see no cause for short term optimism.

In conclusion, to all who loyally serve our Group, ashore, afloat and in the air, and to our worldwide agencies, I send our warmest thanks for their untiring efforts, hard work and achievements, more often than not in the face of adverse or frustrating circumstances.

## KOCKUMS MEKANISKA VERKSTADS AKTIEBOLAG

MALMÖ, SWEDEN

(Shipbuilding)

The Annual General Meeting of KOCKUMS MEKANISKA VERKSTADS AKTIEBOLAG was held in Malmö on April 27, and the following are details of the Report presented by the Board of Directors.

### SALES AND PRODUCTION

World economic developments have not resulted in any noticeable improvement in the freight market. Nevertheless, as the volume of laid-up tonnage fell considerably as a result of the extensive scrapping of older vessels, it appears that a gradual improvement of the freight market position can be expected. Despite the continued weak freight market, demand for new tonnage was stronger than during the last few years. It is felt that the world shipbuilding industry will find it difficult to ensure full utilisation of its facilities. Competition has become keener and profits on new orders are less satisfying. The demand for considerable long-term credits increased whilst capital for this purpose became scarce on the Swedish money market. Both the works and the engineering offices continued to find difficulties in recruiting adequately trained staff.

Rationalisation activities were further intensified in efforts to save costs and manpower.

Demand for repair and refitting contracts was moderate. The shipyard received new orders for merchant vessels which, in deadweight tonnage, slightly exceeded the year's deliveries. The rolling stock department received orders in sufficient quantities to ensure full employment during the present year.

A sales company AB KOCKUM-LANDS-VERK EXPORT COMPANY, was formed to capture a greater market for the products of the Company and of AB LANDSVERK.

Invoiced sales amounted to Kr. 274 million, as against Kr. 318 million for the previous year. The following nine merchant vessels were delivered.

| Name of Ship                                                          | Tonnage d.w. |
|-----------------------------------------------------------------------|--------------|
| M/S "AGNETA BILLNER" ...                                              | 19,960       |
| M/S "KAUPANGER" .....                                                 | 19,950       |
| T/T "ESSO BRUSSELS" .....                                             | 40,800       |
| T/T "TEXACO ALASKA" ...                                               | 41,050       |
| M/S "BLACK OSPREY" .....                                              | 8,650        |
| M/S "PEARL SEA" .....                                                 | 6,130        |
| M/S "CORAL SEA" .....                                                 | 6,130        |
| M/S "ALEPPO" .....                                                    | 15,350       |
| M/S "BONITA" .....                                                    | 15,300       |
| Two further ships were also delivered, following extensive refitting: |              |
| M/S "WORLD CAVALIER" ...                                              | 21,680       |
| M/S "WORLD CITIZEN" .....                                             | 21,680       |
| Total .....                                                           | 216,680      |

(Total d.w. Tonnage last year 206,180.)

The submarine *Uttarn* was delivered to the Royal Swedish Navy.

### PLANT

The plant for the rational handling, blasting and cutting of steel plates was put into commission. A new shop is under construction which will enable the Company to assemble larger ships' main engines.

### PERSONNEL

An average of 4,245 workers and 1,330 other staff was employed during the year compared with 4,320 workers and 1,257 other staff during previous year. Wages and salaries amounted to Kr. 53,567 million with Kr. 1,230 million going to the Board of Directors, Managing Director and other top executives, and Kr. 28,088 million to other officials.

### VALUATION OF THE COMPANY'S ASSETS

The value of buildings was reduced in accordance with the relevant depreciation policy. The book value of machines and equipment, which had increased as a result of renewals during the year, was depreciated by 30 per cent as before. Stocks of material and unfinished work as well as the price-reinsurance reserve have increased slightly.

### INVESTMENT FUND

A total of Kr. 3 million was set aside for the investment fund and Kr. 8,984 million was appropriated from previously allocated funds to an additional buildings depreciation provision.

### RESULTS

The Board of Directors proposed that the 1960 profits of Kr. 12.2 million, which together with the balance of Kr. 3.82 million brought forward from previous year produced a total of Kr. 16.02 million, be allocated as follows:

|                                                                                                                                  | Kr.        |
|----------------------------------------------------------------------------------------------------------------------------------|------------|
| To Reserve fund ... ..                                                                                                           | 1,240,000  |
| To Emergency fund ... ..                                                                                                         | 6,000,000  |
| To Distribution of Kr. 7 dividend on Preference Shares against Coupon No. 63 and on Ordinary Shares against Coupon No. 47 ... .. | 4,200,000  |
| Carried forward ... ..                                                                                                           | 4,580,000  |
| Total                                                                                                                            | 16,020,000 |

The report, the accounts, and the proposals put forward by the Board of Directors were adopted.

### BOARD OF DIRECTORS

Having completed 22 years on the Board, the Company's Chairman, Bank Director Ernst Cason Herslow, now wished to retire. He was replaced by Mr Stig Sahlin, Swedish Ambassador in Copenhagen. The other members of the Board are: Frans Kockum (Vice-Chairman); J. Malmros, Gösta Lundeqvist; Nils Holmström (Managing Director); Gunnar Kockum, E. Wikander, Einar Hansen, Ian D. Hamilton.

## THE HALIFAX BUILDING SOCIETY.

ONE HUNDRED AND EIGHTH ANNUAL MEETING

Statement by  
ALGERNON DENHAM, JP

The one hundred and eighth Annual Meeting of the Halifax Building Society will be held on May 29th, the President, Mr Algernon Denham, JP, presiding. The following are extracts from his statement:

Nineteen-sixty will probably be mainly remembered among building societies for the coming into effect on October 1st of the Building Societies Act, 1960. This was a comprehensive piece of legislation designed to provide additional safeguards to the investor, and with this object we are in full sympathy; indeed, it accords with what the Halifax has advocated over many years.

The clauses governing lending policy should do much to ensure that building society funds are not used for purposes other than those which were in the minds of the founders of the movement, while the additional powers conferred upon the Chief Registrar fulfil the hopes I expressed a year ago that he would be able to take effective action at a much earlier stage than was hitherto possible.

Much has been said and written recently on the question whether building societies tend to hold a larger proportion of their assets in readily realisable securities than is necessary and the Halifax has not been immune from such comment. Under the House Purchase and Housing Act, 1959, a ratio of liquidity of 7½ per cent to total assets is the minimum permissible if a Society is to enjoy Trustee status. In my view, however, any tendency to regard that percentage as a maximum as well as a minimum should be avoided. To begin with, the fact that a standard has been laid down below which a society wishing to retain Trustee status must not fall makes it most desirable to maintain a substantial cushion of liquid funds over and above that standard. Secondly, although, while the going is good and a society conducts its operations prudently, there should be no need for substantial inroads to be made upon liquidity, we must at all times be ready to guard against exceptional circumstances.

The Society's reserves, including the balance carried forward on revenue account, now stand at £17,236,853 or 3.51 per cent of total assets compared with £15,960,667 or 3.62 per cent in the preceding year. Last year I was happy to record that the reduction in the standard and composite rates of income tax in 1959 had enabled us to increase the surplus available for adding to reserves. In 1960, however, the composite rate was increased to 5s. 4d. from 5s. 1½d. in the £ while we also suffered from the increase in the rate of profits tax to 12½ per cent. These factors, added to rising costs and additional administrative expenditure caused by new legislation, make it increasingly difficult to place sufficient to reserves to enable the reserve percentage to keep pace with the growth in assets. The Government could, of course, make a valuable contribution by recognising that profits tax is totally inapplicable to an institution such as a building society working on mutual lines for the social benefits of the community. Our bill for profits tax in the year just past is £477,524, a figure which speaks for itself. The extra 2½ per cent proposed in the recent budget will on present figures cost us over £100,000 annually in future.

## BLOCK & ANDERSON LIMITED

### A VERY SUCCESSFUL YEAR

#### GROWTH OF EXPORTS

#### MR A. E. BLOCK'S STATEMENT

The thirtieth annual general meeting of Block & Anderson Limited, was held on May 24th at the registered office of the Company, Banda House, Cambridge Grove, Hammersmith, London, W., Mr A. E. Block, Joint Managing Director, presiding.

The secretary (Mr R. W. Finnemore) read the notice convening the meeting and the report of the auditors.

The following is the Review by the Chairman circulated with the report and accounts for the year ended November 30, 1960:

I am pleased to inform you that this year has been a very successful one for your Company.

The group profit of £317,861 before taxation compares with last year's figure of £242,043. In May of last year the one-for-one scrip issue increased the paid up Ordinary capital from £236,500 to £473,000, and in November an interim dividend of 7½ per cent was paid on this increased capital. Your Directors now propose a final dividend of 17½ per cent. This represents a total distribution, including Preference dividends, and before deduction of tax, of £124,250 this year as compared with £97,250 last year.

After absorbing £86,982 towards the scrip issue of shares, and allowing for the dividends, the balance of unappropriated profit of the

#### COMPANY MEETING REPORTS

Group to be carried forward amounts to £379,120 compared with £391,498 brought in.

#### TWO NEW PRODUCTS

As a result of our vigorous policy in development, during the last year we introduced two new products, namely the Bandatronic and the Bandaprint.

The Bandatronic is an Electronic Sterling Computer which calculates for as many as six typewriters used simultaneously. It was developed in co-operation with Messrs Pye Limited and will be available in the New Year.

The Bandaprint is a Diazo Systems machine designed to provide a simple, fast and efficient method of producing multiple copies of varying size from a translucent Master. It is of particular advantage for certain order and billing routine applications.

We shall continue our development efforts with a view to further increasing our range of products as well as keeping in the forefront with our present range.

#### LARGER PREMISES

Continuing our policy of expansion, we are in the process of obtaining larger premises on a freehold basis for several of our branches, and the capital commitment you see noted in the Balance Sheet is mostly in respect of these premises.

In March of this year we availed ourselves of the opportunity to occupy the remainder of our Hammersmith premises, representing more than 40,000 square feet floor space, which we had previously sub-let. This increases our total floor space at Hammersmith to approximately

#### THE ECONOMIST MAY 27, 1961

150,000 square feet and we are constructing a group of entirely new showrooms on the first floor of our main building. These should be completed this summer. Our previous London Showrooms at Kensington Church Street thereby became redundant and we consequently disposed of them.

#### SALES EXPANSION CONTINUING

Both our home and export sales continue to expand and the results of the year to date have been satisfactory. It is interesting to note that last year more than 70 per cent of our output of Banda Spirit Duplicators was exported. Our South African subsidiary continues to give excellent results and, whilst the economic situation in Canada gave rise to certain difficulties, energetic steps have been taken to deal with them.

It is with deep regret that I have to inform you of the death in March of my brother and co-Director Valentine H. Block, who joined the firm of W. Block and A. Anderson in 1929 and later became a Director of our Company. He was greatly esteemed by all who knew him and will be sadly missed by his colleagues and many friends.

Finally, on behalf of my co-Directors and myself, I wish to express our appreciation and thanks to all the management and staff both at home and abroad, and to our agents and suppliers for their valued services and co-operation.

The report and accounts were unanimously adopted and the proposed dividend was approved.

The retiring director, Mr W. Crosskey, FCWA, was re-elected and the remuneration of the auditors, Messrs Peat, Marwick, Mitchell & Company, was fixed.

#### THE ECONOMIST MAY 27, 1961

#### COMPANY MEETING REPORTS

## BRITISH ROPES

### The World's largest manufacturers of wire, rope and cordage

Extracts from the Report and Accounts for 1960 and from Mr Harry Smith's statement to the Stockholders.

|                           | 1960   | 1959        | 1958   |
|---------------------------|--------|-------------|--------|
|                           |        | £ thousands |        |
| Issued Capital ... ..     | 11,061 | 5,455       | 4,599  |
| Group Net Assets ... ..   | 20,462 | 17,773      | 13,840 |
| Group Profit—gross ... .. | 2,701  | 2,543       | 2,015  |
| Profit after Tax ... ..   | 1,349  | 1,311       | 912    |
| Dividends ... ..          | 629    | 581         | 393    |

**TRADING CONDITIONS.** Narrowing profit margins were offset by a 10 per cent increase in turnover of the UK factories and by improvements in plant and techniques. There is evidence that expanding road and bridge construction, railway modernisation and building will bring substantially increased requirements for our wire, which the Company is now well placed to meet.

The benefits of a major plant reconstruction in the Hood Haggie Group should begin to be felt in the last quarter of this year and its results should then progressively improve.

**OVERSEAS.** Total exports from the UK factories amounted to £5 million. Since 1955 the parent company's exports have increased by over 40 per cent in spite of the increase in the number and size of our overseas manufacturing units.

**PROSPECTS.** Profit is becoming more and more dependent upon efficiency of methods, and in future, will depend increasingly on an active and vigorous research and development effort. The increased level of Profits Tax and the threat of a pay-roll tax reduce the money available in industry to finance expansion and, together with the tax on fuel oil, will serve to increase costs and make competitive selling in export markets more difficult.

The Directors' Report  
and Accounts are  
obtainable from:



The Secretary,  
British Ropes Ltd.,  
Doncaster, England.

# THE NATIONAL BANK OF GREECE

## and the Implementation of the Five-Year Development Programme of the Greek Government

The address of Mr. D. E. Helmis, Governor of the Bank, to the Shareholders' General Meeting of 30th March, 1961

### THE ACTIVITIES OF THE BANK IN 1960

Presenting the Report of the Administration of the Bank for the year 1960 Mr Helmis stressed the favourable perspective created for Greece's economic future by the implementation of a rational development programme.

The fact, he said, that the acceleration of the increase in national income is attained without any disturbance in the stability of currency and foreign exchange conditions, proves that the systematic efforts made by the Government in order to give the country's economy a wider and stronger basis have been successful.

The outlook for developments in the near future is favourable. There are many indications that under the pressure of an increasing domestic demand, a further advancement in the economic growth of the country

will be achieved. Not only the increase in incomes already obtained, but also an enlarged programme of public investments will contribute to the expansion of economic activity.

The real capital of the country is continuously increased by the construction of new public infrastructure works, as well as by the establishment of productive units through private initiative.

The efforts to make Greek economy more self-supporting have been planned and realised with a view to the imminent close cooperation of this country with the highly developed industrial countries of the West.

1960 has been the first year of implementation of the Greek Five-Year Development Programme. The results obtained so far, thanks to the systematic and rational activity

displayed by the Greek Government, prove that the goals set out in the Five-Year Programme have been attained in due time.

As regards the development of the operations of the National Bank of Greece, the Governor emphasised the favourable results realised during 1960, which permit the distribution of a dividend of 80 Drachmae per share as in the years 1958 and 1959.

The following figures (in million Drachmae) show the evolution of the Bank's business:

| End of year | Total Loans and Advances | Total Deposits |
|-------------|--------------------------|----------------|
| 1954 .....  | 4,560.1                  | 2,762.2        |
| 1955 .....  | 4,550.4                  | 3,076.2        |
| 1956 .....  | 5,532.8                  | 4,344.6        |
| 1957 .....  | 7,243.2                  | 6,616.2        |
| 1958 .....  | 8,667.1                  | 8,080.6        |
| 1959 .....  | 9,875.0                  | 9,911.0        |
| 1960 .....  | 11,387.1                 | 11,159.9       |

## THE LONDON ASIATIC RUBBER & PRODUCE COMPANY, LIMITED

and its Subsidiaries

### ISSUED CAPITAL £1,628,934 in 2s. shares

Directors: Sir Eric Macfadyen, R. O. Jenkins, M.C., J. Sands, A. W. Porter.

Secretaries and Agents: Harrisons & Crosfield, Limited.

TOTAL ASSETS ..... £5,089,581

#### PROFIT AND DIVIDEND FOR 1960

|                                     |          |
|-------------------------------------|----------|
| Profit after tax .....              | £926,493 |
| Replanting .....                    | £265,386 |
| New-planting .....                  | £159,013 |
| Dividend for year—45 per cent. .... | £448,975 |

NET CURRENT ASSETS ..... £749,333

| CROPS               | 1960           | Estimate 1961  |
|---------------------|----------------|----------------|
| Rubber .....        | 28,056,500 lb. | 29,500,000 lb. |
| Palm products ..... | 1,605 tons     | 1,750 tons     |

| ESTATES               | Acres         |
|-----------------------|---------------|
| Planted: Rubber ..... | 52,649        |
| Oil Palms .....       | 3,728         |
|                       | <u>56,377</u> |

|                                        |       |
|----------------------------------------|-------|
| Replanted or new-planted in 1960 ..... | 3,049 |
| Programme for 1961 .....               | 1,300 |

A.G.M. at 19, Fenchurch Street, London, E.C.3, on 19th June, 1961, at 11.30 a.m.

## BAIRNS-WEAR LIMITED

### FACTORS AFFECTING RESULTS

#### MR C. L. O'CALLAGHAN'S

### CONDEMNATION OF TAKE-OVER RUMOURS

The 26th annual general meeting of Bairns-Wear Limited was held on May 19 at Notting-ham, Mr Clement L. O'Callaghan, FCA (the chairman), presiding.

The following is an extract from his circulated statement:

Although sales in 1960 showed a small increase on the previous year it has not been possible to maintain the same level of profit. The principal factors affecting our results were the writing-down of wool stocks by £50,000, our inability to make and deliver all late orders for the spring and autumn seasons, and an increase in the charge for maintenance and repairs. The tendency for the retail trade to order later and in smaller quantities continues and shortage of labour in certain sections aggravated our difficulties. The labour situation is being remedied by a continuous training programme, the cost of which has also had an effect upon profits.

The repairs include a sum of £27,000 expended in 1960 on our Workshop premises, being part of a course of expenditure necessitated there in circumstances which are the subject of pending proceedings for recompense brought by the Company in the High Court. It is inappropriate at this stage for me to give any estimate of the total cost of the further repairs which are necessary.

The Accounts now submitted show a Net Trading Profit for the year of £189,392 as compared with £303,424 in the previous year. The charge for taxation has been reduced by bringing back provisions made in previous years which are now unfrozen following agreement with the Inland Revenue as to the basis of valuation of our stocks so that Net Profit after taxation is £136,366 against £153,348. Your Directors recommend a final dividend of 7½ per cent (less income tax) on the Ordinary shares and a cash bonus of 2½ per cent (less income tax) making with the interim dividend of 2½ per cent already declared, a total distribution of 12½ per cent for the year. They also recommend the transfer of £65,000 to Plant and Buildings Reserve and £15,000 to Stock Reserve Account.

#### THE OUTLOOK

The Company's Accounts are published too early for me to venture on any forecast of the prospects for 1961. I will only say that sales to date are maintained and wool prices have shown a small rise since the turn of the year. We shall, however, in the current year feel the full effect of the reduction in the working week from 45 to 42½ hours and also the increase in productive wages. Taking a longer view competition is becoming even keener and its effect upon profit margins is noticeable. The emphasis of direction in our export trade will undoubtedly be affected by the European Common Market. Rising costs on the one hand and marketing problems on the other can only be surmounted satisfactorily by increased efficiency and productivity and the Board has these objectives constantly in mind.

Although this paragraph may perhaps be thought to go beyond the matters normally dealt



with in the Chairman's Statement, it affects the interests of the shareholders and I make no apology for it. In April 1960 the Stock Exchange quotation of the Company's Ordinary Shares was 8s. to 10s. Throughout 1960 small advances occurred which were accelerated in December and by March 1961 the price had reached 17s. I take this opportunity of announcing that I know of no special reason for this rise in market price which I can only attribute to what I regard as the unhealthy "chasing" of a possible subject of acquisition. I have no knowledge of any prospective "bid" and should one be made the fact would be published immediately and communicated to the shareholders as soon as there was anything to report. The vague rumours which appear to have been rife in recent weeks unsettle the Company's management, staff and workpeople and are a hindrance to efficient production. They should, in my opinion, be condemned in the strongest possible terms.

The report and accounts were adopted.

## EQUITABLE LIFE ASSURANCE SOCIETY

MR JOHN H. BEVAN'S SPEECH

The 199th Annual General Meeting of The Equitable Life Assurance Society was held on May 24 in London.

The following are extracts from the speech of the President, Mr John H. Bevan:

When we met here twelve months ago, I referred to the retirement from the Board, just prior to the meeting, of Mr J. N. Buchanan and Sir George Cooper, both of whom over a long period of years rendered great services to the Society. It is with deep regret that I have to record that Sir George died last January. The first of the vacancies on the Board has been filled by the appointment of Mr J. L. Lowther.

I am pleased to be able to report that new life assurance business for the aggregate net sum of £8,425,000 was written during 1960, a figure which exceeded the previous record established in 1958.

The ratio of expenses to premium income actually fell from 7 per cent for 1959 to 6.7 per cent for 1960.

The rates of interest earned on the funds of the Society, gross and net after deduction of tax, both improved, the former to 6½ per cent and the latter to nearly 5 per cent per annum.

An item in the balance sheet to which I should draw your attention is our holding of ordinary shares: a considerable part of the new money available for investment has gone into them.

Arrangements have been made for the opening of a new branch at Albion Street, Leeds; we hope thus to provide an improved service in Yorkshire and North-Eastern England for our members.

I turn now to a matter which is very much in our thoughts, the celebration in 1962 of the 200th anniversary of the foundation of the Society. I said last year that this event will be unique, for it will mark not only our own bicentenary but the bicentenary of the foundation of scientific life assurance itself. We are to have a number of gatherings, formal and informal in character, to mark the occasion.

## THE THARSIS SULPHUR AND COPPER COMPANY, LIMITED

IMPROVED TRADING RESULTS

MR W. P. RUTHERFORD'S REVIEW

The Annual General Meeting of The Tharsis Sulphur and Copper Company, Limited, was held on May 19th at the Registered Office of the Company, 136, West George Street, Glasgow, C2.

Mr W. P. Rutherford, Chairman of the Company, who presided, said:

I propose, if you agree, to take the Report and Accounts posted on April 25th as read.

I shall supplement the Report in the following review.

### SHIPMENTS

Last year, our shipments of pyrites showed an increase of 71,101 tons over the previous year with a total of 708,884 tons. In a rather dull market, I consider this increase fairly satisfactory. We also shipped from our old heaps at Calañas Mine pyrites residues of high quality as an iron ore, a welcome addition to our revenue.

### MARKETS AND PRICES

As regards the European market for pyrites, I have spoken of the competition from sulphur on former occasions. I must emphasise that pyrites hardly ranks as a competitor to sulphur, although the reverse is certainly the case. Under the onslaught of the internecine sulphur competition, however, pyrites producers have required to defend their market by successive reductions of price. Sulphur, which unlike pyrites has no defence from by-products, has suffered greatly from price reductions, lowering the price to a level very substantially below its former rightful standard. There are signs that this situation is being remedied. It is to be hoped that the upward movement of sulphur prices towards the end of last year, reversing the downward trend for several years past, will continue until the price reaches its proper level. It is not to be expected that works that have left pyrites and expensively converted to sulphur burning will reverse the process. While pyrites was forced to fall in line with the price reductions of sulphur, it cannot follow the upward trend so long as the acid makers continue to replace their pyrites burning plant by the less costly sulphur burning equipment, but an end to the recent price war will be very welcome, and in the long run must be beneficial to both sides of the trade. The demand for sulphur material is fairly active generally. In Spain, the fertiliser season was poor due to climatic conditions, but the Spanish chemical trade is expansionist.

I regret to say that the price of pyrites fixed in Spain remains much too low, and this continued control is unexpected after the financial reforms of 1959, and puts too heavy a burden on the mines.

### MINES

It was an uneventful year at our mines. At Tharsis, the principal activity is the removal of overburden in the opencasts. This is performed by diggers loading into dumpers—an efficient method. Interruptions are caused by rainy periods, when the slate, which composes the overburden, is churned into clay by the heavy vehicles. In the drought of summer the dust

is also a handicap, but on the whole the climatic conditions are favourable to opencast working. The earth moving equipment is expensive and a heavy item of expenditure.

In view of the progressive silting of the Port of Huelva, the Government placed an order for a dredger in Holland. This was delivered towards the end of last year, and in conjunction with the existing equipment it is expected that the river and bar will be brought up ultimately to the full requirements of a modern port. As we loaded last year 187 ships, and this number will, we hope, increase, this is favourable news and should help our chartering.

On the social side, which looms so large in our enterprise, all went smoothly. In conjunction with the neighbouring mines, we have in recent years invited our Buyers to visit our respective mines. We have already received our principal Buyers from Germany, and last year we had visits from our Belgian and French Buyers. These visits have been highly successful in allowing our friends to see "where the pyrites comes from," and the suppliers to make friendly contacts.

### ACCOUNTS

The net profit of £196,705 is higher this year by £40,818, due to our heavier shipments of pyrites, and particularly to a sharp increase in our production of cupreous mineral. In addition, the shipments of calcined residues were higher by over 50 per cent. Although the sales price of pyrites remained steady throughout the year, there was a fall in the average price due to the reduction in the last quarter of 1959 about which I spoke a year ago. On the other hand, I am pleased to state that we have managed to maintain the mining costs at the same level for the third successive year, but it must be recognised that the greater production was an important factor in this connection. You will have observed that the amount written off Property and Plant has been increased by £26,253 in continuance of the conservative policy of your Directors and in recognition of the ever-increasing cost of new buildings and equipment. We have allocated £100,000 to General Reserve and if the recommended dividend of 12½ per cent is agreed there will be a carry forward to 1961 of £218,138. Turning to the Balance Sheet, it will be observed that our affairs are in a satisfactory liquid position and that the heavy bank overdraft has been extinguished.

### GENERAL

I desire at this meeting to say a word of praise of the services of our Manager and Staff in Spain, as also our Staff on this side, who have served us so well.

Last year, we suffered the loss of our Auditor, Mr Hugh Cowan-Douglas, by sudden death. He was a distinguished Accountant with wide industrial interests in the West of Scotland. We extend our sympathy to his widow.

I now propose that the Directors' Report and Statement of Accounts for the year ended December 31, 1960, be and are hereby approved and adopted and that a dividend of 12½ per cent on the capital of the Company be now declared,

payable, less Income Tax on and after Friday, May 26, 1961.

The report and accounts were adopted, the retiring directors, Mr Hugh Hogarth and Mr Neil Rutherford, were re-elected, and the re-

## LONDON AND MANCHESTER ASSURANCE COMPANY LIMITED

RECORD NEW BUSINESS AND RECORD BONUSES

PREMIUM INCOME NOW EXCEEDS £8 MILLIONS

The Ninety-second Annual General Meeting of London and Manchester Assurance Company Limited was held on May 10th in London.

The Right Hon Lord Grantchester, OBE, MA, FCI, the chairman, who presided, said:

### RECORD NEW BUSINESS AND RECORD BONUSES

The Directors' Report and Accounts for the year ended December 31, 1960, have been in your hands for some time, and I presume that, following the usual procedure, you will allow me to take them as read.

I am pleased to be able to report that, in the year under review, we wrote a record amount of new business in both life branches, and the total figure of new sums assured at £17,600,000 exceeded that of the previous year by more than £2½ millions.

The total premium income in the two branches advanced by £500,000 and exceeded £8 millions.

The premium income of our special Investment Trust Retirement Annuity business continues to expand and the fund now stands at over £1½ million.

The rate of reversionary bonus allocated to Ordinary Branch with profits policies is £2 10s. 0d. per cent, the highest in the history of the Company, and the bonuses granted to

## E. POLLARD & CO. LIMITED

IMPROVING CURRENT TRENDS

The forty-ninth annual general meeting of E. Pollard & Co. Ltd., was held on May 24th in London.

Mr H. Edward Pollard (chairman and managing director) presided and, in the course of his speech, said:

The Net Profit of the Group after providing for Taxation is £101,000 as compared with £176,500 for the previous year.

The depression in our Shopfitting and Building Sections which started during 1959 continued into 1960. The reorganisation that was carried out to meet this situation has been extended, and now our orders are improving and the Shopfitting factories are working at a more economical level of production.

Our Engineering Factories had a busy year but prices became increasingly competitive especially in the Haskins Steel Shutter section.

The Hammond & Champness Electric and

muneration of the auditors, Messrs Brown, Fleming & Murray, CA, was fixed.

The proceedings terminated with a very cordial vote of thanks to the Chairman, proposed by Mr Robert Ogilvie.

Industrial Branch policyholders are also the best we have ever declared. For the first time the cost of the normal annual bonuses granted to Ordinary and Industrial Branch policyholders exceeds £2 millions.

### INVESTMENTS

Investments increased during the year by over £6 millions. This included an increase of £1,340,000 in mortgages on property, and £470,000 in mortgages on shares. This latter reflects the growth of the Company's unique Endowment Share Purchase Plan which we are glad to see is being well supported. Fixed interest securities increased by rather more than £4 millions, including an increase of £1 million in first-class debentures and preference shares.

The selection of investments has continued to be based upon the merits and suitability of each individual security. The market value of stock exchange securities at December 31, 1960, considerably exceeded their book value, though to a less marked extent than last year.

The gross rate of interest earned on the funds again shows a reasonable increase and reviewing our investment portfolio I think we may confidently expect that the rate earned will increase considerably in the next few years.

### DIVIDEND

When the capitalisation was approved at our last annual meeting, the Directors forecast an amount available for dividend this year at least equal to last year's transfer to Profit and Loss Account, plus interest earned on the increased capital. The amount we have been able to transfer this year exceeds this forecast and enables us to recommend a distribution for the year of 2s. 8.25d. per share, free of tax, which compares with the equivalent of 2s. 4.5d. per share paid last year.

The report and accounts were adopted.

Oilraulic Lift business had a good year. Orders and production again increased in spite of the shortage of skilled labour and the substantial Wage increases which add considerable difficulties to the fixing of long-term priced contracts in this industry.

The Morris Singer Company found orders for Architectural Bronze Metal Work steady and at reasonable selling prices, but in the Steel Case-section orders showed a decrease. This, however, had been anticipated and a good deal of development work was put into stainless steel curtain walling. As a result this company is now carrying out a number of large orders for this type of work.

As regards the future, prospects remain much the same. We are faced with substantial increases in Labour rates, and even higher Overhead Expenses, but we started 1961 with our Work in Progress standing at over £1 million. Shopfitting enquiries are improving and providing we can maintain orders for the Group at their present level, I hope 1961 will be a better year.

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

## THE YORKSHIRE INSURANCE COMPANY

LORD MIDDLETON'S REVIEW

The Annual General Meeting of The Yorkshire Insurance Company, Ltd., was held on May 24th at York.

The Right Honourable Lord Middleton, KG, MC, LL.D, the chairman, said:

*Life and Annuity Account.*—Again the volume of new business transacted by this Department constitutes a record. Total new sums assured amounted to £50½ millions, compared with £45½ millions in 1959. The number of new policies issued was also a record.

*Fire Account.*—Operations in the Overseas field as a whole again produced satisfactory results. There has been a welcome further increase in home premium income.

*Accident Account.*—In the year the Accident and General Account has shown marked expansion. The volume of premium income has risen by £751,276 to £9,274,820.

*Marine Account.*—The total premiums in 1960 amounted to £2,213,986 compared with £2,249,809 for the previous year. Our Marine Fund now stands at £3,424,204 which represents 155 per cent of the premiums in account compared with 143 per cent at the close of 1959.

The Directors have recommended a final dividend of 2s. 6d. per share, making 4s. 2d. per share for the year compared with 3s. 8d. for the previous year. The total assets are now in excess of £82 millions compared with £75 millions in the previous year.

The report and accounts were adopted.

## GEORGE MALLINSON AND SONS

INCREASED PROFIT

The Twenty-fourth Annual General Meeting of George Mallinson and Sons Limited was held on May 25th at Leeds.

The following is an extract from the circulated statement of the Chairman, Mr Wilfred Wagstaff, for the 52 weeks to February 18, 1961:

The Accounts show a net Profit of £128,712, an increase of £9,926 on the previous year. The directors recommend a final dividend of 22½ per cent, making a total of 27½ per cent for the year.

Liquid Assets exceed Current Liabilities by £875,458, a decrease of £165,309. We consider this most satisfactory in view of the repayment of Preference Share Capital, the amount spent on New Machinery, and the additional amount required for Taxation.

During the year, new machinery of the most modern type has been installed. Orders for further machinery have been placed, but the delivery will be spread over the next two years due to the makers' extended order book. Plant and Equipment have been maintained in good order and we consider the depreciation written off is adequate.

Demand for our products has been good, orders on hand will ensure high activity for several months ahead, and if this continues we can look forward with confidence to satisfactory trading.

I should like to take this opportunity of thanking all our Directors, Executives and employees for another year of loyal and able service.

## GILL & DUFFUS LIMITED

### RECORD TURNOVER

#### MR J. I. MURRAY'S STATEMENT

The Annual General Meeting of Gill & Duffus Ltd. will be held on June 15 at the offices of the company, 23, St Dunstan's Hill, London, EC.

The following is the Statement by the Chairman, Mr J. I. Murray, circulated with the report and accounts for the year ended December 31, 1960:

The results now presented have not been achieved without a great deal of hard work and once again I would like to pay tribute to my colleagues, the Managing and Executive Directors and all those in the employment of our Company both at home and abroad and to tender to them on your behalf our sincere thanks for their valuable services.

I am sorry to have to report the decision of Mr W. Huysman not to seek re-election at the Annual General Meeting on account of his health. While we greatly regret Mr Huysman's decision and still more the reason for it, we have no alternative but to respect his wishes. In all his long association with our Company he has been a most loyal friend and a most respected colleague. Fortunately his unrivalled knowledge of the cocoa manufacturing industry will not be lost to us as he will be available for consultation and in his son we have on the Board a most worthy successor.

#### TURNOVER

Under the influence of larger crops the price of cocoa remained relatively stable throughout the past year. Lower prices tended to stimulate consumption with the result that in spite of reduced values the group turnover rose from £37.5 million in 1959 to £42 million in 1960. The turnover was easily a record in the history of the Company both on a value and a tonnage basis and is, I am sure you will agree, no mean achievement having regard to the physical effort involved in putting through such a volume of business in one year.

The produce department had a satisfactory year's trading but £60,000 of development and other expenditure on its new project, to which I shall refer in more detail later, was written

off out of revenue and this, of course, affected the overall result. The Subsidiary Companies according to their various circumstances all earned reasonable profits but in total these were on a somewhat reduced scale as compared with 1959.

#### INCREASED GROUP PROFIT

Taking these factors into account the group profit for the year was £624,758 as compared with £534,526 in 1959—an increase of £90,232. The provision for taxation requires £251,186 and after deducting this and the profit attributable to minority shareholders there remains a consolidated net profit applicable to members of £363,690. The preference dividend requires £7,718 and the ordinary dividend of 27½ per cent, of which 7½ per cent was paid in December takes £138,960 leaving as surplus revenue for the year £217,012. Deducting the amounts retained in and capitalised by Subsidiary Companies there remains to be carried forward to next year a balance of £1,155,666. Of this sum £643,438 is attributable to the Parent Company and £512,228 is retained by subsidiaries.

#### A STRONG BALANCE SHEET

Ever since the Company became a public one in 1949 it has been the policy of the Board to plough back a substantial part of each year's earnings. As a result a very strong balance sheet has been built up over the years. Fixed assets have been very substantially written down. As at December 31st last current assets less current liabilities amounted to £2,878,605 represented by readily realisable assets in the form of stock, debtors and cash. As I explained last year, we require substantial bank overdrafts, particularly at the end and beginning of each financial year when we are taking up new crop merchandise, but as the Company's own resources are built up year by year the need to depend on bank facilities for our normal trading tends to diminish. At December 31st last bank advances outstanding amounted to £1,655,114 as compared with £2,504,745 at December 31, 1959—a decrease

vision requires to be made for tax, and after bringing in the balance from last year, there was £28,522 for allocation. Your Directors recommend a dividend for the year of 15 per cent, less tax at the standard rate, requiring £13,781 net and leaving £14,741 to be carried forward to the current financial year.

As stockholders were advised in the circular dated August 8, 1960 improving conditions permitted the restarting of the dredge and operations recommenced on September 22, 1960. As anticipated, the returns were poor in the first three months of operations, only 48½ tons of tin being produced during the quarter October/December 1960 but, in January of this year, 57½ tons were produced and the figures for February and March were 25 tons and 89½ tons respectively. The dredge is now working

on the year of £849,631. Furthermore, earnings retained and depreciation charged in last year's accounts amounted to £331,148. In the light of these facts we hope that in future a more liberal dividend policy will be justified.

#### CAPITALISATION OF RESERVES

From the Directors' Report it will be seen that a resolution will be put to the Annual General Meeting proposing to increase the Authorised Capital to £1,750,000 by the creation of £350,000 of unclassified shares of 5s. An amount of £206,250 will be required for the capitalisation issue of one new stock unit of 5s. for every four held as already announced leaving a balance of £218,750 available in the form of unclassified shares of 5s. When we announced the dividend and the proposed capitalisation issue we said it was our intention to increase the Authorised Capital to £2,000,000 but since we have at present no projects in view requiring the issue of additional capital we decided after further consideration that it would be preferable to restrict the Authorised Capital for the time being to £1,750,000.

#### CURRENT YEAR

The current year has started well and subject to any sudden change in the outlook which is not at the moment foreseen I would anticipate that profits for 1961 will be similar to those of 1960. Bearing in mind my remarks earlier in this statement on the subject of a more liberal dividend policy such results should allow us to maintain a dividend of 27½ per cent on the ordinary capital as increased.

I now turn to the new project mentioned in my Statement last year. This is an automatic plant for shelling cashew nuts and for the extraction of the valuable liquid contained in the shells. Like our Brazil nut shelling plant developed five years ago, it is an entirely new process and although now in production, there is still a lot of development work to be done. We can only expect, therefore, a modest contribution from this plant during the current year.

I referred last year to the position of West African Mills at Takoradi. I am glad to say that negotiations with the Ghana Government have been brought to a satisfactory conclusion resulting in a long term agreement for the supply of cocoa beans, which would enable the Mills to work at full capacity. We are indebted to the Ghana Government for their understanding of the Mills' problems and look forward to a continuation of the existing close co-operation.

to full capacity and it is hoped that a satisfactory average rate of production will be maintained during the remainder of the current financial year. It should be borne in mind, however, that the nature of the once-dredged ground through which the dredge will be operating for the next few years is less predictable as to recoveries than virgin ground would be, and considerable variations in outputs from month to month must be expected.

In view of the limited remaining life of the mine by dredging methods, the project to develop an open-cast mine in the northern portion of the company's property is of special interest. Careful planning is essential and detailed proposals from the General Managers for consideration by the Board are awaited.

The report was adopted.

## MAPLE & COMPANY LIMITED

### SUBSTANTIALLY INCREASED SALES

The 71st annual general meeting of Maple & Company Limited was held on May 25th in London, Mr G. R. Holman, President of the Company, presided.

The following is an extract from his circulated statement:

You were informed last year that our main premises had just been completed, and that it was hoped to derive great benefit from the modern spacious showrooms which had been planned and equipped especially for our requirements. This forecast has, I am glad to say, proved correct and a substantial increase of sales in London has been reflected in the general improvement of our year's trading, which is now set before you. Every department in the House has shown an increase in turnover and as a proportion of our overheads is static, this increase has, as we hoped, been directly responsible for the enhanced profitability of your company.

The Balance Sheet demonstrates a position of considerable strength.

Fixed Assets during the course of the year have increased by just over £439,000 reflecting your Board's policy of further expansion into the Provinces.

#### PROFIT AND DIVIDEND

After the proposed transfer of £160,000 to Revenue Reserve, the latter stands in the Balance Sheet at the very satisfactory figure of over £2 million. The Profit and Loss Account shows that the net profit for the period after payment of Debenture Interest, has increased from £527,000 to £717,000, or 36 per cent, and

## SINGER & FRIEDLANDER LIMITED

### CONTINUED STEADY PROGRESS

The twenty-seventh annual general meeting of Singer & Friedlander Limited was held on May 24th in London, Sir George Rendel, KCMG (the chairman), presiding.

The following is an extract from his circulated statement:

During the accounting period covered by this statement we have continued to make steady progress. To this our American subsidiary has made a useful contribution.

The proposed Final dividend of 6½ per cent

without this year's exceptional Subsidiary profits of £50,000 by over 26 per cent. It is proposed to pay a final ordinary dividend of 12 per cent, making a total of 17 per cent for the year, with a Capital Distribution of 3d. per £1 unit of Ordinary Stock in addition.

The fact that these satisfactory results have been achieved has been made possible by reason of the substantially increased turnover, which has had the effect of enhancing the gross profit on trading by over £½ million. In a year when the furniture trade has been quoted generally as being in the doldrums, these highlights in the Accounts are assuredly pleasing.

This satisfactory trading has not occurred only in London but, on the contrary, nearly all sections of our Group have recorded steady progress. Never has our claim to be "the largest and most attractive furnishing establishment in the world" been better demonstrated than is the case today.

Having reviewed in detail the progress of the branches of the Parent Company and the retail subsidiary companies in the United Kingdom and overseas and of the manufacturing subsidiary companies, the President continued:

Exports.—For this trading period last year's satisfactory figure has been maintained and again we have exported to no less than 72 different countries.

Lastly, I know you would wish me to say something of the future. In the face of constantly rising costs, any forecast made at such an early stage of any year must necessarily be hazardous: I think I can only say that since the year-end, the volume of sales has continued to be reasonably satisfactory, and providing there are no untoward political or international upheavals, I look to the future with measured optimism.

The report was adopted.

makes, with the interim dividend of 2½ per cent paid in October last, a total dividend of 9 per cent on the Ordinary share capital in respect of the year 1960.

The Consolidated Balance Sheet total is again substantially higher. It now stands at £13,350,992, which is an increase of £2,912,805 over the amount shown at December 31, 1959.

For the first time since 1937 your Company is making an issue of Ordinary Shares otherwise than by the Capitalisation of Reserves. During the intervening period our Consolidated Net Assets have risen from £330,000 to £2,689,544. The main purpose of the proposed rights issue is of course to bring our resources more into line with the growth of our business and to improve the relationship between them and the total of our liabilities.

## ASSOCIATED FISHERIES

The annual general meeting of Associated Fisheries Limited was held on May 19th in London, Sir Hugh Fraser, Bt, DL, JP (the chairman), presiding.

In the course of his circulated statement the chairman said that the total production from Distant Water Fishing Ground continued to fall but that deficiency was more than made good from other sources. The average price realised rose by one-third of a penny to practically 7d. per lb. resulting in the average daily earnings of trawlers showing a slight increase which more than compensated for a rise in catching cost. For similar reasons, their own fleet produced an improvement on last year's contribution to the Group net profit.

The chairman continued: The national consumption of frozen foods increased by approximately 20 per cent during the year under review while our sales rose by more than double this figure resulting in an increase in our "Eskimo" brand share of the total markets.

The total turnover of the Group rose during the year by over £1,080,000 to a record total in excess of £14,000,000. After covering all costs, including Depreciation, the profits remaining out of every 20s. of income is 10.1d. of which taxation will absorb 2.9d. Of the remaining 7.2d., the net Dividend recommended for the year will account for 3.6d., leaving a similar amount retained to assist in financing development of the Group undertakings.

In the opening months of the current year, the earnings of the Group are ahead of the comparable figures for last year and in the absence of unforeseen circumstances, there seems no reason why this improvement to date should not be held.

The report was adopted.

The results achieved during the first three months of the current year are gratifying and augur well for 1961. Activity in all sections of our business continues at a high level. I am glad to report that our experience in Leeds, where we opened an office six months ago, is very encouraging.

There are strong indications that the mild recession in the USA has run its course and that, if there is no political setback, world trade should again expand. This and certain developments which may ultimately lead to a substantial increase in international liquidity, should make it easier for the authorities in this country not to be unduly sensitive to temporary adverse movements in the Balance of Trade.

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

## HONGKONG TIN

### MR ADDINSELL'S STATEMENT

The thirty-second annual general meeting of Hongkong Tin, Ltd., was held in London on May 23. The following is from the circulated statement of the Chairman, Mr Jack Addinsell:

During the year under review the Company's quota of permissible sales of tin ore, under the Malayan Tin Control Regulations, continued to be produced within the General Managers' Group of Companies on a profit-sharing basis. The Company's share yielded £51,515 over the twelve months, and after taking account of interest and sundry receipts, and charging mining expenditure and overheads, there was a profit of £14,602. By virtue of previous losses no pro-

vision requires to be made for tax, and after bringing in the balance from last year, there was £28,522 for allocation. Your Directors recommend a dividend for the year of 15 per cent, less tax at the standard rate, requiring £13,781 net and leaving £14,741 to be carried forward to the current financial year.

As stockholders were advised in the circular dated August 8, 1960 improving conditions permitted the restarting of the dredge and operations recommenced on September 22, 1960. As anticipated, the returns were poor in the first three months of operations, only 48½ tons of tin being produced during the quarter October/December 1960 but, in January of this year, 57½ tons were produced and the figures for February and March were 25 tons and 89½ tons respectively. The dredge is now working

to full capacity and it is hoped that a satisfactory average rate of production will be maintained during the remainder of the current financial year. It should be borne in mind, however, that the nature of the once-dredged ground through which the dredge will be operating for the next few years is less predictable as to recoveries than virgin ground would be, and considerable variations in outputs from month to month must be expected.

In view of the limited remaining life of the mine by dredging methods, the project to develop an open-cast mine in the northern portion of the company's property is of special interest. Careful planning is essential and detailed proposals from the General Managers for consideration by the Board are awaited.

The report was adopted.

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| Europe      | £6 0s.  | —           | Israel           | £7 15s. | —           | Pakistan    | £9 0s.  | —           | West Indies       | £9 0s.  | —           |

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# COMPANY AFFAIRS

## Hawker-Siddeley

TO the usual problem of comparing results following the change in a company's financial year, Hawker-Siddeley's results for the 17 months to December 31st offer the additional difficulty that three new companies, de Havilland, Blackburn and Folland, were brought in during the period. The accounts include the results of de Havilland and Folland for 15 months and of Blackburn Aircraft for nine months.

The bulk of the increase in profits has been absorbed by writing off £15½ million on design and development expenditure on aircraft projects. This charge, the directors explain, covers expenditure on the Armstrong Whitworth Argosy, the Avro 748, the de Havilland Trident and the same com-

|                               | Year to<br>July 31,<br>1959<br>£ | 17 months<br>to Dec. 31,<br>1960<br>£ |
|-------------------------------|----------------------------------|---------------------------------------|
| <b>British Group:—</b>        |                                  |                                       |
| Trading profit*               | 8,951,646                        | 22,569,659                            |
| Special development           | 2,965,720                        | 15,648,977                            |
| Taxation                      | 4,496,774                        | 5,001,376                             |
| Net profit                    | 1,489,152                        | 3,176,075                             |
| Prior year's credits          | 3,536,257                        | 5,142,413                             |
| Net balance                   | 5,018,200                        | 8,307,981                             |
| <b>Canadian Group:—</b>       |                                  |                                       |
| Trading profit*               | 4,071,990                        | 2,023,076                             |
| Taxation                      | 2,196,117                        | 2,285,405                             |
| Net loss                      | Cr. 1,875,873                    | 262,329                               |
| Profit on sale of investments | 712,145                          | —                                     |
| Minority interests            | 1,355,261                        | Cr. 274,506                           |
| Net balance                   | 1,232,757                        | Dr. 536,835                           |
| <b>Cons. Net Earnings:—</b>   |                                  |                                       |
| Net profit                    | 6,250,957                        | 7,771,146                             |
| Dividends                     | 1,755,376                        | 3,739,485                             |
| Retained profits              | 4,036,683                        | 4,031,661                             |

\* After depreciation.

pany's Canada Caribou and Gnome engine. To all of these the directors ascribe a promising future, though some might think this expectation a little early for the Trident. At any rate, such heavy charges should not be incurred again in the immediate future. Further, the directors report that companies on both the aircraft and industrial side are fully occupied, while in Canada, where the results of the A. V. Roe subsidiary suffered an expected sharp setback, there are some slight signs of a recovery in business.

The results and the optimistic undertone of the preliminary statement pleased the market and the £1 ordinary shares rose by 1s. 9d. to 32s. to yield 6.6 per cent on the scaled down equivalent of 10.6 per cent for the dividend.

## Anglo American Corporation

WHATEVER else closes in South Africa next week (and present indications are that almost all offices and works may be shut by the stay-at-home strike of non-Europeans) the gold mines will continue

working normally. This illustrates the unique position held by gold (and other) mines in South Africa; the gold mining industry forms a vital part of the South African economy, but many of the mines and their employees are pretty well isolated from the rest of the country.

While the mines remain virtually undisturbed by the present political tension, its effect is clearly seen in the latest report of Anglo American Corporation of South Africa, the biggest of the mining finance houses. In 1960, its income from investments, which cover the whole range of mining and industrial activity in Southern Africa, rose from £7.1 million to £8.2 million, but this was offset by the £1.2 million needed to write down many of the Corporation's investments. This action followed the sharp falls in share prices sparked off by the Sharpeville riots, which cut the market value of Anglo American's portfolio from £130 million to just under £100 million at December 31st, though the book value rose by £1 million to £55 million after writing down.

These end year valuations have again been outdated by events and principally by the decision to leave the Commonwealth when South Africa becomes a republic next week. Gold shares as measured by the *Financial Times* index have fallen so far this year by over 20 per cent. Anglo American's investments include a large stake in diamonds—here De Beers shares have fallen by 27 per cent and in copper, where an improvement has put Rhokana and similar shares above their end-year level.

Despite a rally this week, Anglo American ros. shares at 122s. 6d. have fallen by about

|                                                        | 1959<br>£'000s | 1960<br>£'000s |
|--------------------------------------------------------|----------------|----------------|
| <b>Income and dividends:—</b>                          |                |                |
| Interest, royalties, etc.                              | 3,957          | 5,540          |
| Investment income                                      | 7,053          | 8,159          |
| Net loss on realisation of investments                 | Cr. 414        | 1,190          |
| Loan interest                                          | 2,250          | 3,381          |
| Gross profit                                           | 8,929          | 8,665          |
| Taxation                                               | 907            | 573            |
| Net profit                                             | 7,731          | 7,844          |
| Ordinary dividend                                      | 4,739          | 4,763          |
| Retained profits                                       | 3,216          | 2,939          |
| <b>Consolid. balance sheet:—</b>                       |                |                |
| Investments—                                           |                |                |
| Quoted*                                                | 44,818         | 44,908         |
| Unquoted                                               | 9,197          | 10,266         |
| Debentures                                             | 2,227          | 3,029          |
| Gilt-edged, etc.                                       | 1,817          | 137            |
| Loans to associated companies                          | 13,413         | 14,008         |
| Loans by associated companies                          | 67,572         | 81,960         |
| Debentures and Loan Stock                              | 10,246         | 9,160          |
| Capital reserves                                       | 12,794         | 13,785         |
| Revenue reserves                                       | 29,774         | 32,713         |
| Ordinary capital                                       | 5,224          | 5,294          |
| * Market value:—1959, £127,166,549; 1960, £97,491,449. |                |                |

a quarter this year and now yield 7½ per cent. On the mining side, the prospects suggest a much smaller advance in profits: income from gold mining should continue to rise, particularly from the newer OFS

mines; copper profits are certain to be lower on the cutback in production; profits from diamonds and coal are likely to be no more than maintained. Further writing down of investments may well be necessary this year and events in the next few days and weeks could be decisive in determining whether investors' confidence in South Africa can be revived. Mr Harry Oppenheimer's speech to shareholders in a couple of weeks' time will also be closely watched.

## Cunard

LAST year Cunard Steamship again ran into heavy weather; for the fourth consecutive year profits went down and the dividend was trimmed, this time from 8 to 6 per cent. The operating surplus fell from £5 to £4½ million and net profit was down to £668,000 compared with £901,000. There is little to lighten the gloom in the picture that Sir John Brocklebank paints. The prime causes of the slump in the operating surplus were the strikes of seamen and the London tally clerks; these cost £659,000 directly and are estimated to have frightened away sufficient potential customers to lose another £250,000 in profits. Eagle Airways showed a loss of £100,000 compared with a profit of that amount in 1959; but most of the factors behind the fall seem likely to be non-recurrent though the chairman makes no prediction for the current year's profits. These losses, combined with the effect of a wage increase in August cut sharply into receipts.

Against this background, shareholders might have looked for an improvement in the current year. But Sir John effectively kills any such hopes. Freight rates are still depressed with no sign of appreciable improvement in the immediate future. The Canadian passenger trade seems likely to remain at a disappointing level. Last year's figures showed only a foretaste of the impact of wage increases which at the higher rate will affect the whole of 1961 and not a mere four months; what is more, current negotiation could mean an increase in the crew costs of larger units of 48 per cent within a year. The balance sheet shows the effect of falling profits; net liquid assets fell from £6 million to under £2½ million.

The profit margin which the group earned on its equity assets last year was less than 1½ per cent, which underlines the importance of Cunard's new ventures. But it is not clear whether the replacement for the *Queen Mary*, in spite of its excellent pedigree, will prove a good earner; on the most optimistic assumption it can only earn 7 per cent for Cunard—though on present performance such a rate of return would be extremely welcome. Eagle's application to buy two Boeing 707 airliners is a forward-looking move but it has encountered opposition from critics of the new subsidised liner and opposition from BOAC, and has yet to be approved. In view of the results and the uncertainty surrounding its own and the shipping industry's future it is not surprising that the £1 ordinary shares at 16s. 6d. yield 7½ per cent.

## Imperial Chemical Industries

THE general tone of Mr S. P. Chambers's speech to the shareholders of ICI was optimistic:

I believe that the company's strength and technical developments at the present time are such that we can hold our own and make substantial further progress both at home and overseas in the rest of 1961 and in the years to come.

But this statement did not attract the market. Against the background of several disappointing profit statements, it fastened on the warning that profit margins were likely to be kept down by competition at home and overseas. Yet Mr Chambers demonstrated some of the ways in which ICI is combating declining profit margins. It is building an oil refinery and planning to replace coal by oil in its fertiliser and chemicals plants. Mr Robens cannot have been pleased with this passage:

This changeover from coal to oil is in line with a worldwide trend and is not to be attributed to the high cost of coal; the particular new processes which we have worked out are technically so much more efficient that we would adopt them and abandon coal as a raw material even if the coal cost us nothing. ICI is now taking a larger stake in Europe and Mr Chambers looks for further increases in sales there:

There is every indication that the increase in sales to Europe both East and West will continue and that these markets will give the security and resilience in our exports as a whole which would be absent if we had too great a concentration on the Commonwealth and the Americas.

On the Rotterdam project there are as yet apparently no "cut and dried plans"; development will be spread over a number of years and whether Britain goes into the common market or not, manufacture there should prove "sound and profitable."

Already £45 million of capital expenditure has been approved for 1961 compared with £40 million in 1960. This bears out the directors' warning in the full report that capital expenditure would return to the high levels ruling before 1958. The directors hope to maintain the present 13½ per cent dividend on the capital as increased by the 5 per cent scrip issue. On this basis, the £1 shares at 79s. yield 3½ per cent.

## Sears Holdings

ON the take-over front, 1960 was a particularly quiet year for Sears Holdings although not for its chairman Mr Charles Clore who was heavily engaged elsewhere in property mergers and take-overs. But Sears was far from idle—£1½ million was added to fixed assets and £860,000 was put into investments which now stand at £1,042,000 in the books and were worth £1.2 million at December 31st. These holdings are shrouded in secrecy but Mr Clore says they are regarded partly in the nature of trade investments which might mean stepping boards to further acquisitions.

Mr Clore still insists that new businesses will be added to the Sears group only if they can be acquired on satisfactory terms. The substantial development plans he outlines follow his principle that there is "no need to acquire new businesses in order to maintain the growth character of Sears Holdings." They include over £5 million for new buildings and plant, with several million pounds more for working capital as business expands further.

This expansion will mean the retention of a substantial proportion of net profits but Mr Clore confidently forecasts at least the present dividend of 25 per cent on the capital after it is increased by the one for five scrip issue. This confidence is based not only on the group's strong financial position with a cash flow of £4 million backed by liquid assets of £7½ million but

|                    | 1959<br>£ | %<br>of<br>total | 1960<br>£  | %<br>of<br>total |
|--------------------|-----------|------------------|------------|------------------|
| Gross profits:—    |           |                  |            |                  |
| British Shoe Corp. | 4,436,000 | 50               | 5,774,000  | 55               |
| Sears Engineering  | 3,790,000 | 42               | 4,003,000  | 39               |
| Motor Distribut.   | 410,000   | 5                | 295,000    | 3                |
| Mappin & Webb      | 260,000   | 3                | 344,000    | 3                |
| Total              | 8,896,000 |                  | 10,416,000 |                  |

on the trading prospects of the various divisions in the group where total sales now exceed £100 million. Sales of the British Shoe Corporation showed a substantial increase in 1960 and results so far in 1961 suggest another good year. A further improvement should come from Bentley Engineering which has received good orders from Russia for its knitting machinery. From behind the iron curtain has also come a Polish order for a floating dock; this and other orders should keep the Furness shipyard fully occupied well into 1962. After last year's setback, profits of the motor distribution subsidiaries are expected to regain at least some lost ground while the newest member of the Sears group, Mappin and Webb, is making satisfactory progress. The past record of growth and Mr Clore's confident assessment of the future justify the present return of 3½ per cent on Sears 5s. "A" shares at 43s. 7½d. on the forecast dividend.

## Thomson Newspapers

THE weakness of Thomson Newspapers' capital structure was clearly shown at the time of the proposed merger with Odhams Press. The scheme for a reverse bid with Odhams offering its shares for Thomson Newspapers proved vulnerable to a straight and more attractive bid for Odhams shares from the Daily Mirror. The capital reorganisation scheme now proposed should give much greater strength to Mr Roy Thomson's arm in any further take-over bids.

Holders of the present 5s. preferred ordinary units will exchange their holdings into 30 per cent cumulative preference units and will receive in addition one ordinary 5s. unit for every two preferred ordinary. Further, in compensation for giving up their present voting rights for those more usually

conferred on preference shares, holders will receive a scrip issue in preference shares on a one for ten basis. Of the 10 million units in issue 4 million are held by Mr Thomson's own Thomson Scottish Investments, which also holds all the 8 million deferred ordinary 5s. units. These units are to be converted into 9.4 million ordinary 5s. units.

After the reorganisation Thomson Newspapers will be left with an ordinary capital of £5.6 million held as to 77.7 per cent by the present deferred ordinary holders and to 22.3 per cent by the preferred ordinary holders. The latter stand to gain considerably in income; at present they are entitled to a cumulative 30 per cent dividend and a quarter of the remaining profits after deferred holders have received 15 per cent. Thus for 1960 holders are to receive 35 per cent as forecast at the time of the proposed merger. Profits last year rose by a third to £4.1 million and a further improvement is expected in the current year to cover twice a forecast ordinary dividend of 24 per cent. Thus the income of the present preferred ordinary holders from both preference and ordinary shares is effectively raised from 35 to 45 per cent. The preferred ordinary shares now stand at 30s.

## Murrayfield Real Estate

THE latest amalgamation into the City Centre Property group of Mr Cotton and Mr Clore has been on the cards ever since 1959 when Murrayfield Real Estate and City Centre (then ex Clore) exchanged shares. Murrayfield sold its City Centre shares at a loss to finance the acquisition of a 75 per cent interest in Whitehall Court; the remaining 25 per cent is held by City Centre which as a result of the exchange already owns one third of Murrayfield's 4½ million 4s. shares.

Now Mr Cotton and Mr Clack, the managing director of Murrayfield, have agreed that the two companies should merge completely. For the 1.4 million shares owned by Mr Clack and his associates, City Centre has made an offer of three 5s. units for every seven Murrayfield shares and for holders of the remaining 1.6 million shares a slightly better offer of one 5s. unit for every two Murrayfield shares. With City Centre standing at 59s. 6d. the offers value Murrayfield shares at 25s. 6d. and 29s. 3d. respectively and are worth in all about £4½ million. Murrayfield, whose shares fell back by 1s. 9d. to 28s. 6d. on news of the merger, owns properties in a number of cities in Britain and also in Paris.

## Royal Mail

AT the meeting last June, the retiring chairman of Royal Mail Lines said that revenue for 1960 might show an improvement over 1959 if the more settled state of affairs in South America continued. However this has not been the case and the group has also suffered from several of the influences which affected Cunard.

Continued on page 950

## LONDON AND NEW

| Prices, 1961 |         | BRITISH FUNDS AND GUARANTEED STOCKS |  | Price, May 17, 1961 | Price, May 24, 1961 | Net Yield, May 24, 1961 | Gross Yield, May 24, 1961 | Prices, 1961 |         | Last Two Dividends (a) (b) (c) | ORDINARY STOCKS              |  | Price, May 17, 1961 | Price, May 24, 1961 | Yield, May 24, 1961 | Cover |
|--------------|---------|-------------------------------------|--|---------------------|---------------------|-------------------------|---------------------------|--------------|---------|--------------------------------|------------------------------|--|---------------------|---------------------|---------------------|-------|
| High         | Low     |                                     |  |                     |                     |                         |                           | High         | Low     |                                |                              |  |                     |                     |                     |       |
| 92 1/2       | 89 1/2  | Savings Bonds 3%.....1955-65        |  | 92 1/2              | 92 1/2              | 3 14 10                 | 3 0 11 1/2                | 65/9         | 65/9    | %                              | BANKS, DISCOUNT & HP         |  | 93/3                | 93/6                | 2.78                | ...   |
| 100 1/2      | 99 1/2  | Conversion 4 1/2%.....1962          |  | 100 1/2             | 100                 | 2 1 9                   | 4 9 8                     | 74/3         | 74/3    | %                              | Barclays.....£1              |  | 98/3                | 100/3               | 3.19                | ...   |
| 96 1/2       | 95 1/2  | Exchequer 3%.....1962-63            |  | 96 1/2              | 96 1/2              | 3 12 5                  | 4 15 7                    | 80/1         | 80/1    | %                              | District.....£1              |  | 77/1                | 74/1                | 2.94                | ...   |
| 101 1/2      | 100 1/2 | Treasury 5 1/2%.....1962            |  | 101 1/2             | 101 1/2             | 2 10 11                 | 4 14 1                    | 26 1/4       | 18 7/2  | %                              | Lloyds.....£1                |  | 77/1                | 74/1                | 2.94                | ...   |
| 93 1/2       | 92 1/2  | Exchequer 2 1/2%.....1963-64        |  | 93 1/2              | 93 1/2              | 3 15 2                  | 4 15 6                    | 137/6        | 92/1    | %                              | Marine.....£1                |  | 25/6                | 25 1/4              | 2.96                | ...   |
| 99 1/2       | 98 1/2  | Conversion 4 1/2%.....1963          |  | 99 1/2              | 99 1/2              | 3 5 10                  | 5 1 10                    | 97/3         | 73/1    | %                              | Midland.....£1               |  | 137/6               | 135/9               | 3.21                | ...   |
| 98 1/2       | 96 1/2  | Conversion 4 1/2%.....1964          |  | 98 1/2              | 97 3/4              | 3 9 7                   | 5 5 3                     | 95/6         | 58/9    | %                              | Nat. Provincial.....£1       |  | 97/1                | 94/9                | 2.96                | ...   |
| 101 1/2      | 98 1/2  | Exchequer 5 1/2%.....1966           |  | 101 1/2             | 99 3/4              | 3 6 8                   | 5 11 2                    | 44/9         | 37/3    | %                              | Westminster 'B'.....£1       |  | 95/6                | 94/3                | 2.83                | ...   |
| 83 1/2       | 81 1/2  | Funding 3%.....1959-69              |  | 83 1/2              | 81 1/2              | 4 13 5                  | 6 0 0                     | 52/1         | 47/1    | %                              | Australia & N.Z. £1 p.p.     |  | 43/1                | 44/6                | 5.39                | ...   |
| 89 1/2       | 87 1/2  | Funding 4%.....1960-90              |  | 89 1/2              | 87 1/2              | 4 13 5                  | 6 0 0                     | 52/1         | 47/1    | %                              | Bk. Lond. & S. Amer. £1      |  | 51 1/4              | 49 1/8              | 4.02                | ...   |
| 79 1/2       | 77 1/2  | Savings Bonds 2 1/2%.....1964-67    |  | 79 1/2              | 79 1/2              | 4 13 7                  | 5 1 1                     | 30 1/2       | 27 1/2  | %                              | Bank of Montreal.....£10     |  | £24 1/2             | £24 1/2             | 3.08                | ...   |
| 72 1/2       | 70      | Savings Bonds 3%.....1965-75        |  | 72 1/2              | 72 1/2              | 4 11 4                  | 6 0 0                     | 61/9         | 48/1    | %                              | Bank of New S. Wales £20     |  | 29/1                | 29/1                | 3.08                | ...   |
| 83 1/2       | 81 1/2  | Funding 3%.....1966-68              |  | 83 1/2              | 83 1/2              | 4 13 6                  | 6 0 0                     | 91/1         | £21     | %                              | Barclays D.C.O. £1           |  | 41/3                | 40/6                | 4.94                | ...   |
| 97 1/2       | 93 1/2  | Victory 4%.....1920-76              |  | 97 1/2              | 97 1/2              | 2 18 8                  | 4 11 6                    | 70/6         | 53/3    | %                              | Chartered.....£1             |  | 60/6                | 59/1                | 5.08                | ...   |
| 85 1/2       | 83 1/2  | Conversion 3 1/2%.....1969          |  | 85 1/2              | 85 1/2              | 4 10 2                  | 6 1 2                     | £29 1/2      | £25 1/2 | %                              | Hongkong & Shang. £25        |  | £18 1/2             | £18 1/2             | 4.05                | ...   |
| 93 1/2       | 90 1/2  | Conversion 5%.....1971              |  | 93 1/2              | 93 1/2              | 4 0 11                  | 6 3 8                     | 119/6        | 96/3    | %                              | Nat. Com. Bk. Scot. £10      |  | 70/6                | 69/1                | 2.39                | ...   |
| 95 1/2       | 92      | Conversion 5 1/2%.....1974          |  | 95 1/2              | 93 1/2              | 3 17 1                  | 5 19 3                    | 40/3         | 34/6    | %                              | Royal Bk. Canada.....£10     |  | £28 1/2             | £27 1/2             | 3.10                | ...   |
| 73 1/2       | 70 1/2  | Treasury 3 1/2%.....1977-80         |  | 73 1/2              | 71 1/2              | 4 7 0                   | 6 0 4                     | 165/1        | 95/1    | %                              | Royal Bk. of Scotland.....£1 |  | 119/6               | 119/1               | 3.11                | ...   |
| 72 1/2       | 69 1/2  | Treasury 3 1/2%.....1979-81         |  | 72 1/2              | 71 1/2              | 4 6 7                   | 6 1 0                     | 89/6         | 59/6    | %                              | Stand. Bk. S. Africa.....£1  |  | 34/9                | 34/6                | 8.12                | ...   |
| 97 1/2       | 94 1/2  | Funding 5 1/2%.....1982-84          |  | 97 1/2              | 97                  | 3 12 11                 | 5 18 0                    | 60/6         | 50/3    | %                              | Hambros.....£1 f.p.          |  | 157/6               | 150/1               | 3.00                | ...   |
| 59 1/2       | 57 1/2  | Redemption 3%.....1986-96           |  | 59 1/2              | 57 1/2              | 4 3 7                   | 6 5 8                     | 27 1/2       | 18 1/2  | %                              | Schroders.....£1             |  | 81/6                | 80/6                | 1.86                | ...   |
| 88 1/2       | 85 1/2  | Treasury 5%.....1986-89             |  | 88 1/2              | 86 1/2              | 3 17 2                  | 6 0 6                     | 23/6         | 17/9    | %                              | United Discount.....£1       |  | 60/6                | 60/6                | 4.13                | ...   |
| 63 1/2       | 61 1/2  | Funding 3 1/2%.....1999-2004        |  | 63 1/2              | 62 1/2              | 3 16 1                  | 6 3 3                     | 207/6        | 155/1   | %                              | Bowmaker.....£1              |  | 24/6                | 23/6                | 3.83                | 1 1/4 |
| 94 1/2       | 90 1/2  | Treasury 5 1/2%.....after Feb. 1957 |  | 94 1/2              | 91 1/2              | 3 18 3                  | 6 8 9                     | 97/1         | 70/6    | %                              | Lombard Banking.....£1       |  | 23/6                | 22/6                | 4.22                | 1 1/4 |
| 65 1/2       | 63 1/2  | War Loan 3 1/2%.....after 1952      |  | 65 1/2              | 63 1/2              | 3 17 0                  | 6 5 9                     | 97/1         | 70/6    | %                              | Mercantile Credit.....£1     |  | 20 1/2              | 20 1/2              | 3.23                | 1 1/4 |
| 59 1/2       | 55 1/2  | Treasury 3 1/2%.....after Apr. 1961 |  | 59 1/2              | 55 1/2              | 3 17 5                  | 6 6 9                     | 42/1         | 31/1    | %                              | United Domin. Tst.....£1     |  | 205/1               | 207/6               | 2.55                | 2 1/2 |
| 50 1/2       | 47 1/2  | Treasury 3 1/2%.....after Apr. 1966 |  | 50 1/2              | 48 1/2              | 3 17 5                  | 6 6 9                     | 42/1         | 31/1    | %                              | BREWERY, Etc.                |  | 29/1                | 28/3                | 3.54                | 2     |
| 44 1/2       | 41 1/2  | Consols 2 1/2%.....1971             |  | 44 1/2              | 41 1/2              | 3 13 9                  | 6 0 9                     | 26/9         | 13/1    | %                              | Bass.....£1                  |  | 22/1                | 22 1/2              | 2.26                | 2     |
| 43 1/2       | 40 1/2  | Treasury 2 1/2%.....after Apr. 1975 |  | 43 1/2              | 40 1/2              | 3 16 1                  | 6 4 7                     | 60/6         | 51 1/4  | %                              | Distillers.....£1            |  | 41/10               | 40/6                | 3.09                | 2 1/2 |
| 91 1/2       | 89 1/2  | British Electric 4 1/2%.....1967-69 |  | 91 1/2              | 91 1/2              | 4 3 2                   | 6 1 10 1/2                | 24/6         | 20/3    | %                              | Flowers.....£1               |  | 22/1                | 22 1/2              | 2.26                | 2     |
| 75 1/2       | 73 1/2  | British Electric 3 1/2%.....1968-73 |  | 75 1/2              | 74 1/2              | 4 13 0                  | 6 1 11                    | 96/9         | 76/9    | %                              | Guinness.....£1              |  | 56/9                | 56/6                | 3.89                | 2     |
| 70 1/2       | 68 1/2  | British Electric 3%.....1974-77     |  | 70 1/2              | 70 1/2              | 4 10 7                  | 6 0 11                    | 96/9         | 76/9    | %                              | Ind. Cooper.....£1           |  | 23 1/2              | 23 1/2              | 3.78                | 2 1/2 |
| 81 1/2       | 80 1/2  | British Electric 4 1/2%.....1974-79 |  | 81 1/2              | 81 1/2              | 4 1 7                   | 5 19 9                    | 135/1        | 106/6   | %                              | Teacher (Distillers).....£1  |  | 38/1                | 38/6                | 3.25                | 2 1/2 |
| 73 1/2       | 71 1/2  | British Electric 3 1/2%.....1976-79 |  | 73 1/2              | 72 1/2              | 4 6 9                   | 6 0 11                    | 96/9         | 76/9    | %                              | Walker Mann.....£1           |  | 96/9                | 96/9                | 3.72                | 2 1/2 |
| 84 1/2       | 82 1/2  | British Gas 4 1/2%.....1969-72      |  | 84 1/2              | 84 1/2              | 4 5 9                   | 6 1 6                     | 96/9         | 70/3    | %                              | Whitbread 'A'.....£1         |  | 134/1               | 135/1               | 4.00                | 1 3/4 |
| 81 1/2       | 79 1/2  | British Gas 3 1/2%.....1969-71      |  | 81 1/2              | 81 1/2              | 4 9 2                   | 6 0 8                     | 28 1/2       | 23/7    | %                              | BUILDING, PAINT, Etc.        |  | 96/3                | 93/9                | 2.35                | 3 1/4 |
| 59 1/2       | 56 1/2  | British Gas 3%.....1990-95          |  | 59 1/2              | 58 1/2              | 4 5 3                   | 6 0 3                     | 26 1/2       | 18/3    | %                              | Associated Portland.....£1   |  | 25/10               | 25/6                | 4.90                | 2 1/4 |
| 75 1/2       | 73 1/2  | British Transport 4%.....1972-77    |  | 75 1/2              | 74 1/2              | 4 13 0                  | 6 1 11                    | 96/9         | 76/9    | %                              | British Plaster Bd.....£1    |  | 25/10               | 24/7                | 3.25                | 2 1/4 |
| 80 1/2       | 78 1/2  | British Transport 3%.....1978-88    |  | 80 1/2              | 79 1/2              | 4 4 2                   | 5 19 10                   | 105/1        | 85/1    | %                              | Richard Costain.....£1       |  | 25/10               | 24/7                | 3.25                | 2 1/4 |
| 61 1/2       | 59 1/2  | British Transport 3%.....1978-88    |  | 61 1/2              | 59 1/2              | 4 7 10                  | 6 0 6                     | 105/1        | 85/1    | %                              | Critical Mfg.....£1          |  | 11/9                | 11/9                | 6.67                | 2     |

| Prices, 1961 |        | DOMINION AND CORPORATION STOCKS          |  | Price, May 17, 1961 | Price, May 24, 1961 | Yield, May 24, 1961 |
|--------------|--------|------------------------------------------|--|---------------------|---------------------|---------------------|
| High         | Low    |                                          |  |                     |                     |                     |
| 82 1/2       | 79 1/2 | Australia 3 1/2%.....1965-69             |  | 82 1/2              | 81 1/2              | 2 1/2               |
| 101 1/2      | 99 1/2 | Australia 4 1/2%.....1974-76             |  | 101 1/2             | 99 1/2              | 2 1/2               |
| 72 1/2       | 70 1/2 | Ceylon 4%.....1973-75                    |  | 72 1/2              | 70 1/2              | 7 10 0              |
| 101 1/2      | 98 1/2 | New Zealand 6%.....1976-80               |  | 101 1/2             | 99 1/2              | 6 1 6               |
| 81 1/2       | 79 1/2 | Rhodesia and Nyasaland 6%.....1978-81    |  | 81 1/2              | 79 1/2              | 8 18 0              |
| 59 1/2       | 56 1/2 | Southern Rhodesia 4 1/2%.....1965-72     |  | 59 1/2              | 56 1/2              | 8 12 0              |
| 94 1/2       | 91 1/2 | Agricultural Mortgage 5 1/2%.....1980-85 |  | 94 1/2              | 91 1/2              | 6 1 0               |
| 89 1/2       | 86 1/2 | Birmingham 4 1/2%.....1971-73            |  | 89 1/2              | 86 1/2              | 6 1 0               |
| 90 1/2       | 87 1/2 | Bristol 5%.....1971-73                   |  | 90 1/2              | 87 1/2              | 6 1 0               |
| 91 1/2       | 88 1/2 | Corporation of London 5 1/2%.....1976-79 |  | 91 1/2              | 88 1/2              | 6 1 0               |
| 83 1/2       | 80 1/2 | L.C.C. 3%.....after 1920                 |  | 83 1/2              | 80 1/2              | 6 1 0               |
| 89 1/2       | 86 1/2 | L.C.C. 3%.....1980-83                    |  | 89 1/2              | 86 1/2              | 6 1 0               |
| 93 1/2       | 90 1/2 | Middlesex 5 1/2%.....1980                |  | 93 1/2              | 90 1/2              | 6 1 0               |

## NEW YORK PRICES AND INDICES

| May 17                 |         | May 24 |                       | May 17  |         | May 24                |           | May 17    |          | May 24   |          |
|------------------------|---------|--------|-----------------------|---------|---------|-----------------------|-----------|-----------|----------|----------|----------|
| \$                     |         | \$     |                       | \$      |         | \$                    |           | \$        |          | \$       |          |
| Atch. Topeka .....     | 26 1/2  | 25 1/2 | Boeing .....          | 46 1/2  | 46 1/2  | Int. Harvester .....  | 54 1/2    | 53 1/2    | 36/9     | 36/9     | 36/9     |
| Can. Pacific .....     | 25 1/2  | 26 1/2 | Celanese .....        | 35      | 34 1/2  | Inter. Nickel .....   | 80        | 80 1/2    | 39/6     | 39/6     | 39/6     |
| Pennsylvania .....     | 15 1/2  | 15 1/2 | Chrysler .....        | 44 1/2  | 44      | Inter. Paper .....    | 36 1/2    | 33 1/2    | 72/9     | 72/9     | 72/9     |
| Union Pacific .....    | 34      | 33 1/2 | Col. Palmolive .....  | 41 1/2  | 41 1/2  | Kennecott .....       | 93 1/2    | 89 1/2    | 52/3     | 52/3     | 52/3     |
| Amer. Electric .....   | 66 1/2  | 66 1/2 | Crown Zeller .....    | 57 1/2  | 58 1/2  | Monsanto .....        | 48 1/2    | 50 1/2    | 63/1     | 63/1     | 63/1     |
| Amer. Tel. & Tel. .... | 126 1/2 | 122    | Distillers Seag. .... | 40      | 40 1/2  | Nat. Distillers ..... | 28 1/2    | 28 1/2    | 36/9     | 36/9     | 36/9     |
| Cons. Edison .....     | 81 1/2  | 80 1/2 | Douglas .....         | 33 1/2  | 33 1/2  | Pan-American .....    | 19 1/2    | 19 1/2    | 48/9     | 48/9     | 48/9     |
| Int. Tel. & Tel. ....  | 57 1/2  | 58 1/2 | Dow Chemical .....    | 78 1/2  | 79      | Procter Gamble .....  | 81        | 79 1/2    | 36/9     | 36/9     | 36/9     |
| Standard Gas .....     | 5 1/2   | 5 1/2  | Du Pont .....         | 212 1/2 | 209 1/2 | Radio Corp. ....      | 63 1/2    | 63 1/2    | 8 1/2    | 8 1/2    | 8 1/2    |
| United Corp. ....      | 8 1/2   | 8 1/2  | East. Kodak .....     | 114 1/2 | 113 1/2 | Sears Roebuck .....   | 60 1/2    | 62        | 33/9     | 33/9     | 33/9     |
| Western Union .....    | 47 1/2  | 47 1/2 | Ford Motor .....      | 90 1/2  | 88 1/2  | Shell Oil .....       | 44 1/2    | 43 1/2    | 17 1/2   | 17 1/2   | 17 1/2   |
| Alcoa .....            | 73 1/2  | 74 1/2 | Gen. Electric .....   | 67 1/2  | 65 1/2  | Socony-Mobil .....    | 48        | 47 1/2    | 12 1/2   | 12 1/2   | 12 1/2   |
| Aluminium .....        | 38 1/2  | 36 1/2 | General Foods .....   | 79 1/2  | 79 1/2  | Stand. Oil Ind. ....  | 54        | 52 1/2    | 33/7 1/2 | 33/7 1/2 | 33/7 1/2 |
| Amer. Can. ....        | 41 1/2  | 40 1/2 | General Motors .....  | 48 1/2  | 44 1/2  | Stand. Oil N.J. ....  | 47        | 45 1/2    | 79/9     | 79/9     | 79/9     |
| Amer. Smelting .....   | 72      | 70 1/2 | Goodyear .....        | 41 1/2  | 41 1/2  | Union Carbide .....   | 142       | 142 1/2   | 10 1/2   | 10 1/2   | 10 1/2   |
| Am. Viscose .....      | 47 1/2  | 49 1/2 | Gulf Oil .....        | 39 1/2  | 39 1/2  | U.S. Steel .....      | 91        | 89        | 11 1/2   | 11 1/2   | 11 1/2   |
| Anaconda .....         | 64 1/2  | 62 1/2 | Heinz .....           | 58 1/2  | 58 1/2  | West. Electric .....  | 140       | 142 1/2   | 11 1/2   | 11 1/2   | 11 1/2   |
| Beth. Steel .....      | 48 1/2  | 47 1/2 | Int. Bus. Mach. ....  | 455     | 458 1/2 | Woolworth .....       | 74 1/2    | 75 1/2    | 11/8     | 11/8     | 11/8     |
|                        |         |        |                       |         |         | 15/5 1/2              | 15/10 1/2 | 12/11 1/2 | 4 1/2    | 9 1/2    | 9 1/2    |
|                        |         |        |                       |         |         | 16/10 1/2             | 16/11 1/2 | 10/14 1/2 | 7 1/2    | 7 1/2    | 7 1/2    |
|                        |         |        |                       |         |         | 14/6 1/2              | 11/4 1/2  | 54/10 1/2 | 23 1/2   | 23 1/2   | 23 1/2   |
|                        |         |        |                       |         |         | 52/1                  | 42/1      | 12 1/2    | 12 1/2   | 12 1/2   | 12 1/2   |
|                        |         |        |                       |         |         | 38/1                  | 25/9      | 3         | 5        | 8        | 8        |
|                        |         |        |                       |         |         | 40/6                  | 32/3      | 3         | 7        | 7        | 7        |
|                        |         |        |                       |         |         | 39/9                  | 29/6      | 3         | 8        | 8        | 8        |
|                        |         |        |                       |         |         | 72/9                  | 47/1      | 48 1/2    | 7 1/2    | 7 1/2    | 7 1/2    |
|                        |         |        |                       |         |         | 38/6                  | 38/6      | 20        | 25       | 25       | 25       |
|                        |         |        |                       |         |         | 63/1                  | 45/3      | 20        | 25       | 25       | 25       |
|                        |         |        |                       |         |         | 38/1                  | 25/9      | 3         | 5        | 8        | 8        |
|                        |         |        |                       |         |         | 40/6                  | 32/3      | 3         | 7        | 7        | 7        |
|                        |         |        |                       |         |         | 39/9                  | 29/6      | 3         | 8        | 8        | 8        |
|                        |         |        |                       |         |         | 72/9                  | 47/1      | 48 1/2    | 7 1/2    | 7 1/2    | 7 1/2    |
|                        |         |        |                       |         |         | 38/6                  | 38/6      | 20        | 25       | 25       | 25       |
|                        |         |        |                       |         |         | 63/1                  | 45/3      | 20        | 25       | 25       | 25       |
|                        |         |        |                       |         |         | 38/1                  | 25/9      | 3         | 5        | 8        | 8        |
|                        |         |        |                       |         |         | 40/6                  | 32/3      | 3         | 7        | 7        | 7        |
|                        |         |        |                       |         |         | 39/9                  | 29/6      | 3         | 8        | 8        | 8        |
|                        |         |        |                       |         |         | 72/9                  | 47/1      | 48 1/2    | 7 1/2    | 7 1/2    | 7 1/2    |
|                        |         |        |                       |         |         | 38/6                  | 38/6      | 20        | 25       | 25       | 25       |
|                        |         |        |                       |         |         | 63/1                  | 45/3      | 20        | 25       | 25       | 25       |
|                        |         |        |                       |         |         | 38/1                  | 25/9      | 3         | 5        | 8        | 8        |
|                        |         |        |                       |         |         | 40/6                  | 32/3      | 3         | 7        | 7        | 7        |
|                        |         |        |                       |         |         | 39/9                  | 29/6      | 3         | 8        | 8        | 8        |
|                        |         |        |                       |         |         | 72/9                  | 47/1      | 48 1/2    | 7 1/2    | 7 1/2    | 7 1/2    |
|                        |         |        |                       |         |         | 38/6                  | 38/6      | 20        | 25       | 25       | 25       |
|                        |         |        |                       |         |         | 63/1                  | 45/3      | 20        | 25       | 25       | 25       |
|                        |         |        |                       |         |         | 38/1                  | 25/9      | 3         | 5        | 8        | 8        |
|                        |         |        |                       |         |         | 40/6                  | 32/3      | 3         | 7        | 7        | 7        |
|                        |         |        |                       |         |         | 39/9                  | 29/6      | 3         | 8        | 8        | 8        |
|                        |         |        |                       |         |         | 72/9                  | 47/1      | 48 1/2    | 7 1/2    | 7 1/2    | 7 1/2    |
|                        |         |        |                       |         |         | 38/6                  | 38/6      | 20        | 25       | 25       | 25       |
|                        |         |        |                       |         |         | 63/1                  | 45/3      | 20        | 25       | 25       | 25       |
|                        |         |        |                       |         |         | 38/1                  | 25/9      | 3         | 5        | 8        | 8        |
|                        |         |        |                       |         |         | 40/6                  | 32/3      | 3         | 7        | 7        | 7        |
|                        |         |        |                       |         |         | 39/9                  | 29/6      | 3         | 8        | 8        | 8        |
|                        |         |        |                       |         |         | 72/9                  | 47/1      | 48 1/2    | 7 1/2    | 7 1/2    | 7 1/2    |
|                        |         |        |                       |         |         | 38/6                  | 38/6      | 20        | 25       | 25       | 25       |
|                        |         |        |                       |         |         | 63/1                  | 45/3      | 20        | 25       | 25       | 25       |
|                        |         |        |                       |         |         | 38/1                  | 25/9      | 3         | 5        | 8        | 8        |
|                        |         |        |                       |         |         | 40/6                  | 32/3      | 3         | 7        | 7        | 7        |
|                        |         |        |                       |         |         | 39/9                  | 29/6      | 3         | 8        | 8        | 8        |
|                        |         |        |                       |         |         | 72/9                  | 47/1      | 48 1/2    | 7 1/2    | 7 1/2    | 7 1/2    |
|                        |         |        |                       |         |         | 38/6                  | 38/6      | 20        | 25       | 25       | 25       |
|                        |         |        |                       |         |         | 63/1                  | 45/3      | 20        | 25       | 25       | 25       |
|                        |         |        |                       |         |         | 38/1                  | 25/9      | 3         | 5        | 8        | 8        |
|                        |         |        |                       |         |         | 40/6                  | 32/3      | 3         | 7        | 7        | 7        |
|                        |         |        |                       |         |         | 39/9                  | 29/6      | 3         | 8        | 8        | 8        |
|                        |         |        |                       |         |         | 72/9                  | 47/1      | 48 1/2    | 7 1/2    | 7 1/2    | 7 1/2    |
|                        |         |        |                       |         |         | 38/6                  | 38/6      | 20        | 25       | 25       | 25       |
|                        |         |        |                       |         |         | 63/1                  | 45/3      | 20        | 25       | 25       | 25       |
|                        |         |        |                       |         |         | 38/1                  | 25/9      | 3         | 5        | 8        | 8        |
|                        |         |        |                       |         |         | 40/6                  | 32/3      | 3         | 7        | 7        | 7        |
|                        |         |        |                       |         |         | 39/9                  | 29/6      | 3         | 8        | 8        | 8        |
|                        |         |        |                       |         |         | 72/9                  | 47/1      | 48 1/2    | 7 1/2    | 7 1/2    | 7 1/2    |
|                        |         |        |                       |         |         | 38/6                  | 38/6      | 20        | 25       | 25       | 25       |
|                        |         |        |                       |         |         | 63/1                  | 45/3      | 20        | 25       | 25       | 25       |
|                        |         |        |                       |         |         | 38/1                  | 25/9      | 3         | 5        | 8        | 8        |
|                        |         |        |                       |         |         | 40/6                  | 32/3      | 3         | 7        | 7        | 7        |
|                        |         |        |                       |         |         | 39/9                  | 29/6      | 3         | 8        | 8        | 8        |
|                        |         |        |                       |         |         | 72/9                  | 47/1      | 48 1/2    | 7 1/2    | 7 1/2    | 7 1/2    |
|                        |         |        |                       |         |         | 38/6                  | 38/6      | 20        | 25       | 25       | 25       |
|                        |         |        |                       |         |         | 63/1                  | 45/3      | 20        | 25       | 25       | 25       |
|                        |         |        |                       |         |         | 38/1                  | 25/9      | 3         | 5        | 8        | 8        |
|                        |         |        |                       |         |         | 40/6                  | 32/3      | 3         | 7        | 7        | 7        |
|                        |         |        |                       |         |         | 39/9                  | 29/6      | 3         | 8        | 8        | 8        |
|                        |         |        |                       |         |         | 72/9                  | 47/1      | 48 1/2    | 7 1/2    | 7 1/2    | 7 1/2    |
|                        |         |        |                       |         |         | 38/6                  | 38/6      | 20        | 25       | 25       | 25       |
|                        |         |        |                       |         |         | 63/1                  | 45/3      | 20        | 25       | 25       | 25       |
|                        |         |        |                       |         |         | 38/1                  | 25/9      | 3         | 5        | 8        | 8        |
|                        |         |        |                       |         |         | 40/6                  | 32/3      | 3         | 7        | 7        | 7        |
|                        |         |        |                       |         |         | 39/9                  | 29/6      | 3         | 8        | 8        | 8        |
|                        |         |        |                       |         |         | 72/9                  | 47/1      | 48 1/2    | 7 1/2    | 7 1/2    | 7 1/2    |
|                        |         |        |                       |         |         | 38/6                  | 38/6      | 20        | 25       | 25       | 25       |
|                        |         |        |                       |         |         | 63/1                  | 45/3      | 20        | 25       | 25       | 25       |
|                        |         |        |                       |         |         | 38/1                  | 25/9      | 3         | 5        | 8        | 8        |
|                        |         |        |                       |         |         | 40/6                  | 32/3      | 3         | 7        | 7        | 7        |
|                        |         |        |                       |         |         | 39/9                  | 29/6      | 3         | 8        | 8        | 8        |
|                        |         |        |                       |         |         | 72/9                  | 47/1      | 48 1/2    | 7 1/2    | 7 1/2    | 7 1/2    |
|                        |         |        |                       |         |         | 38/6                  | 38/6      | 20        | 25       | 25       | 25       |
|                        |         |        |                       |         |         | 63/1                  | 45/3      | 20        | 25       | 25       | 25       |
|                        |         |        |                       |         |         | 38/1                  | 25/9      | 3         | 5        | 8        | 8        |
|                        |         |        |                       |         |         | 40/6                  | 32/3      | 3         | 7        | 7        | 7        |
|                        |         |        |                       |         |         | 39/9                  | 29/6      | 3         | 8        | 8        | 8        |
|                        |         |        |                       |         |         | 72/9                  | 47/1      | 48 1/2    | 7 1/2    | 7 1/2    | 7 1/2    |
|                        |         |        |                       |         |         | 38/6                  | 38/6      | 20        | 25       | 25       | 25       |
|                        |         |        |                       |         |         | 63/1                  | 45/3      | 20        | 25       | 25       | 25       |
|                        |         |        |                       |         |         | 38/1                  | 25/9      | 3         | 5        | 8        | 8        |
|                        |         |        |                       |         |         | 40/6                  | 32/3      | 3         | 7        | 7        | 7        |
|                        |         |        |                       |         |         | 39/9                  | 29/6      | 3         | 8        | 8        | 8        |
|                        |         |        |                       |         |         | 72/9                  | 47/1      | 48 1/2    | 7 1/2    | 7 1/2    | 7 1/2    |
|                        |         |        |                       |         |         | 38/6                  | 38/6      | 20        | 25       | 25       | 25       |
|                        |         |        |                       |         |         | 63/1                  | 45/3      | 20        | 25       | 25       | 25       |
|                        |         |        |                       |         |         | 38/1                  | 25/9      | 3         | 5        | 8        | 8        |
|                        |         |        |                       |         |         | 40/6                  | 32/3      | 3         | 7        | 7        | 7        |
|                        |         |        |                       |         |         | 39/9                  | 29/6      | 3         | 8        | 8        | 8        |
|                        |         |        |                       |         |         | 72/9                  | 47/1      | 48 1/2    | 7 1/2    | 7 1/2    | 7 1/2    |
|                        |         |        |                       |         |         | 38/6                  | 38/6      | 20        | 25       | 25       | 25       |
|                        |         |        |                       |         |         | 63/1                  | 45/3      | 20        | 25       | 25       | 25       |
|                        |         |        |                       |         |         | 38/1                  | 25/9      | 3         | 5        | 8        | 8        |
|                        |         |        |                       |         |         | 40/6                  | 32/3      | 3         | 7        | 7        | 7        |
|                        |         |        |                       |         |         | 39/9                  | 29/6      | 3         | 8        | 8        | 8        |
|                        |         |        |                       |         |         | 72/9                  | 47/1      | 48 1/2    | 7 1/2    | 7 1/2    | 7 1/2    |
|                        |         |        |                       |         |         | 38/6                  | 38/6      | 20        | 25       | 25       | 25       |
|                        |         |        |                       |         |         | 63/1                  | 45/3      | 20        | 25       | 25       | 25       |
|                        |         |        |                       |         |         | 38/1                  | 25/9      | 3         | 5        | 8        | 8        |
|                        |         |        |                       |         |         | 40/6                  | 32/3      | 3         | 7        | 7        | 7        |
|                        |         |        |                       |         |         | 39/9                  | 29/6      | 3         | 8        | 8        | 8        |
|                        |         |        |                       |         |         | 72/9                  | 47/1      | 48 1/2    | 7 1/2    | 7 1/2    | 7 1/2    |
|                        |         |        |                       |         |         | 38/6                  | 38/6      | 20        | 25       | 25       | 25       |
|                        |         |        |                       |         |         | 63/1                  | 45/3      | 20        | 25       | 25       | 25       |
|                        |         |        |                       |         |         | 38/1                  | 25/9      | 3         | 5        | 8        | 8        |
|                        |         |        |                       |         |         | 40/6                  | 32/3      | 3         | 7        | 7        | 7        |
|                        |         |        |                       |         |         | 39/9                  | 29/6      | 3         | 8        | 8        | 8        |
|                        |         |        |                       |         |         | 72/9                  | 47/1      | 48 1/2    | 7 1/2    | 7 1/2    | 7 1/2    |
|                        |         |        |                       |         |         | 38/6                  | 38/6      | 20        | 25       | 25       | 25       |
|                        |         |        |                       |         |         | 63/1                  | 45/3      | 20        | 25       | 25       | 25       |
|                        |         |        |                       |         |         | 38/1                  | 25/9      | 3         | 5        | 8        | 8        |
|                        |         |        |                       |         |         | 40/6                  | 32/3      | 3         | 7        | 7        | 7        |
|                        |         |        |                       |         |         | 39/9                  | 29/6      | 3         | 8        | 8        | 8        |
|                        |         |        |                       |         |         | 72/9                  | 47/1      | 48 1/2    | 7 1/2    | 7 1/2    | 7 1/2    |
|                        |         |        |                       |         |         | 38/6                  | 38/6      | 20        | 25       | 25       | 25       |
|                        |         |        |                       |         |         | 63/1                  | 45/3      | 20        | 25       | 25       | 25       |
|                        |         |        |                       |         |         | 38/1                  | 25/9      | 3         | 5        | 8        | 8        |
|                        |         |        |                       |         |         | 40/6                  | 32/3      | 3         | 7        | 7        | 7        |
|                        |         |        |                       |         |         | 39/9                  | 29/6      | 3         | 8        | 8        | 8        |
|                        |         |        |                       |         |         | 72/9                  | 47/1      | 48 1/2    | 7 1/2    | 7 1/2    | 7 1/2    |
|                        |         |        |                       |         |         | 38/6                  | 38/6      | 20        | 25       | 25       | 25       |
|                        |         |        |                       |         |         | 63/1                  | 45/3      | 20        | 25       | 25       | 25       |
|                        |         |        |                       |         |         | 38/1                  | 25/9      | 3         | 5        | 8        | 8        |
|                        |         |        |                       |         |         | 40/6                  | 32/3      | 3         | 7        | 7        | 7        |
|                        |         |        |                       |         |         | 39/9                  | 29/6      | 3         | 8        | 8        | 8        |
|                        |         |        |                       |         |         | 72/9                  | 47/1      | 48 1/2    | 7 1/2    | 7 1/2    | 7 1/2    |
|                        |         |        |                       |         |         | 38/6                  | 38/6      | 20        | 25       | 25       | 25       |
|                        |         |        |                       |         |         | 63/1                  | 45/3      | 20        | 25       | 25       | 25       |
|                        |         |        |                       |         |         | 38/1                  | 25/9      | 3         | 5        | 8        | 8        |
|                        |         |        |                       |         |         | 40/6                  | 32/3      | 3         | 7        | 7        | 7        |
|                        |         |        |                       |         |         | 39/9                  | 29/6      | 3         | 8        | 8        | 8        |
|                        |         |        |                       |         |         | 72/9                  | 47/1      | 48 1/2    | 7 1/2    | 7 1/2    | 7 1/2    |
|                        |         |        |                       |         |         | 38/6                  | 38/6      | 20        | 25       | 25       | 25       |
|                        |         |        |                       |         |         | 63/1                  | 45/3      | 20        | 25       | 25       | 25       |
|                        |         |        |                       |         |         | 38/1                  | 25/9      | 3         | 5        | 8        | 8        |
|                        |         |        |                       |         |         | 40/6                  | 32/3      | 3         | 7        | 7        | 7        |
|                        |         |        |                       |         |         | 39/9                  | 29/6      | 3         | 8        | 8        | 8        |
|                        |         |        |                       |         |         | 72/9                  | 47/1      | 48 1/2    | 7 1/2    | 7 1/2    | 7 1/2    |
|                        |         |        |                       |         |         | 38/6                  | 38/6      | 20        | 25       | 25       | 25       |
|                        |         |        |                       |         |         | 63/1                  | 45/3      | 20        | 25       | 25       | 25       |
|                        |         |        |                       |         |         | 38/1                  | 25/9      | 3         | 5        | 8        | 8        |
|                        |         |        |                       |         |         | 40/6                  | 32/3      | 3         | 7        | 7        | 7        |
|                        |         |        |                       |         |         | 39/9                  | 29/6      | 3         | 8        | 8        | 8        |
|                        |         |        |                       |         |         | 72/9                  | 47/1      | 48 1/2    | 7 1/2    | 7 1/2    | 7 1/2    |
|                        |         |        |                       |         |         | 38/6                  | 38/6      | 20        | 25       | 25       | 25       |
|                        |         |        |                       |         |         | 63/1                  | 45/3      | 20        | 25       | 25       | 25       |
|                        |         |        |                       |         |         | 38/1                  | 25/9      | 3         | 5        | 8        | 8        |
|                        |         |        |                       |         |         | 40/6                  | 32/3      | 3         | 7        | 7        | 7        |
|                        |         |        |                       |         |         | 39/9                  | 29/6      | 3         | 8        | 8        | 8        |
|                        |         |        |                       |         |         | 72/9                  | 47/1      | 48 1/2    | 7 1/2    | 7 1/2    | 7 1/2    |
|                        |         |        |                       |         |         | 38/6                  | 38/6      | 20        | 25       | 25       | 25       |
|                        |         |        |                       |         |         | 63/1                  | 45/3      | 20        | 25       | 25       | 25       |
|                        |         |        |                       |         |         | 38/1                  | 25/9      | 3         | 5        | 8        | 8        |
|                        |         |        |                       |         |         | 40/6                  | 32/3      | 3         | 7        | 7        | 7        |
|                        |         |        |                       |         |         | 39/9                  | 29/6      | 3         | 8        | 8        | 8        |
|                        |         |        |                       |         |         | 72/9                  | 47/1      | 48 1/2    | 7 1/2    | 7 1/2    | 7 1/2    |
|                        |         |        |                       |         |         | 38/6                  | 38/6      | 20        | 25       | 25       | 25       |
|                        |         |        |                       |         |         | 63/1                  | 45/3      | 20        | 25       | 25       | 25       |
|                        |         |        |                       |         |         | 38/1                  | 25/9      | 3         | 5        | 8        | 8        |
|                        |         |        |                       |         |         | 40/6                  | 32/3      | 3         | 7        | 7        | 7        |
|                        |         |        |                       |         |         | 39/9                  | 29/6      | 3         | 8        | 8        | 8        |
|                        |         |        |                       |         |         | 72/9                  | 47/1      | 48 1/2    | 7 1/2    | 7 1/2    | 7 1/2    |
|                        |         |        |                       |         |         | 38/6                  | 38/6      | 20        | 25       | 25       | 25       |
|                        |         |        |                       |         |         | 63/1                  | 45/3      | 20        | 25       | 25       | 25       |
|                        |         |        |                       |         |         | 38/1                  | 25/9      | 3         | 5        | 8        | 8        |
|                        |         |        |                       |         |         | 40/6                  | 32/3      | 3         | 7        | 7        |          |



| Effective Limits                  |                  | Market Rates: Spot |                    |                    |                    |                    |                  |
|-----------------------------------|------------------|--------------------|--------------------|--------------------|--------------------|--------------------|------------------|
|                                   |                  | May 24             | May 18             | May 19             | May 20             | May 23             | May 24           |
| United States \$                  | 2-78-2-82*       |                    | 2-79 1/4-3         | 2-79 1/4-3         | 2-79 1/4-3         | 2-79 1/4-3         | 2-79 1/4-3       |
| Canadian \$                       |                  | 2-75 1/4-76 1/4    | 2-75 1/4-76 1/4    | 2-75 1/4-76 1/4    | 2-75 1/4-76 1/4    | 2-75 1/4-76 1/4    | 2-75 1/4-76 1/4  |
| French Fr.                        | 13-622-14-027    | 13-68 3/4-3        | 13-68 3/4-3        | 13-68 3/4-3        | 13-68 3/4-3        | 13-68 3/4-3        | 13-68 3/4-3      |
| Swiss Fr.                         | 11-94-12-54 1/2  | 12-09-09 1/4       | 12-08 1/2-3        | 12-08 1/2-3        | 12-09 1/4-3        | 12-09 1/4-3        | 12-09 1/4-3      |
| Belgian Fr.                       | 137-96-142-05    | 139-55-60          | 139-50-55          | 139-50-55          | 139-50-55          | 139-50-55          | 139-55-60        |
| Dutch Gld.                        | 9-99-10-29       | 10-03 3/4-3        | 10-03 3/4-3        | 10-03 3/4-3        | 10-03 3/4-3        | 10-03 3/4-3        | 10-03 3/4-3      |
| W. Ger. D-Mk.                     | 11-04-11-36      | 11-09-09 1/4       | 11-08 3/4-3        | 11-08 3/4-3        | 11-08 3/4-3        | 11-08 3/4-3        | 11-09-09 1/4     |
| Portug. Esc.                      | 79-003-82-00 1/2 | 80-15-25           | 80-15-25           | 80-15-25           | 80-15-25           | 80-15-25           | 80-15-25         |
| Italian Lire                      | 1725-1775        | 1733-33 1/2        | 1732 1/2-33        | 1732 1/2-33        | 1733 1/2-33 1/2    | 1733 1/2-33 1/2    | 1733 1/2-33 1/2  |
| Swedish Kr.                       | 14-27-14-70      | 14-40 1/2-41 1/2   | 14-39 1/4-40 1/4   | 14-39 1/4-40 1/4   | 14-39 1/4-40 1/4   | 14-40 1/2-41 1/2   | 14-40 1/2-41 1/2 |
| Danish Kr.                        | 19-06 1/2-19-62  | 19-35 3/4-35 3/4   | 19-35 1/4-35 1/4   | 19-35 1/4-35 1/4   | 19-35-35 1/4       | 19-35-35 1/4       | 19-34 3/4-35     |
| Norwegian Kr.                     | 17-71-20-20 1/2  | 20-00 3/4-3        | 20-00 1/4-2        | 20-00 1/4-2        | 20-00 1/4-2        | 20-00 1/4-2        | 20-00 1/4-2      |
| * Official Limits                 |                  |                    |                    |                    |                    |                    |                  |
| <b>One Month Forward Rates</b>    |                  |                    |                    |                    |                    |                    |                  |
| United States \$                  |                  | 7 1/8-1 1/8c. pm   | 7 1/8-1 1/8c. pm   | 7 1/8-1 1/8c. pm   | 7 1/8-1 1/8c. pm   | 7 1/8-1 1/8c. pm   | 7 1/8-1 1/8c. pm |
| Canadian \$                       |                  | 1 1/2-1 1/2c. pm   | 1 1/2-1 1/2c. pm   | 1 1/2-1 1/2c. pm   | 1 1/2-1 1/2c. pm   | 1 1/2-1 1/2c. pm   | 1 1/2-1 1/2c. pm |
| French Fr.                        |                  | 1 1/2-1 1/2c. pm   | 1 1/2-1 1/2c. pm   | 1 1/2-1 1/2c. pm   | 1 1/2-1 1/2c. pm   | 1 1/2-1 1/2c. pm   | 1 1/2-1 1/2c. pm |
| Swiss Fr.                         |                  | 3 1/2-3 1/2c. pm   | 3 1/2-3 1/2c. pm   | 3 1/2-3 1/2c. pm   | 3 1/2-3 1/2c. pm   | 3 1/2-3 1/2c. pm   | 3 1/2-3 1/2c. pm |
| Belgian Fr.                       |                  | 17-12c. pm         | 17-12c. pm         | 17-12c. pm         | 17-12c. pm         | 17-12c. pm         | 16-11c. pm       |
| Dutch Gld.                        |                  | 3 1/2-2 1/2c. pm   | 3 1/2-2 1/2c. pm   | 3 1/2-2 1/2c. pm   | 3 1/2-2 1/2c. pm   | 3 1/2-2 1/2c. pm   | 3-2 1/2c. pm     |
| W. German D-Mk.                   |                  | 3-2 1/2p.f. pm     | 3 1/2-2 1/2p.f. pm | 3 1/2-2 1/2p.f. pm | 3 1/2-2 1/2p.f. pm | 3 1/2-2 1/2p.f. pm | 3-2 1/2p.f. pm   |
| <b>Three Months Forward Rates</b> |                  |                    |                    |                    |                    |                    |                  |
| United States \$                  |                  | 1 1/8-1 1/8c. pm   | 1 1/8-1 1/8c. pm   | 1 1/8-1 1/8c. pm   | 1 1/8-1 1/8c. pm   | 1 1/8-1 1/8c. pm   | 1 1/8-1 1/8c. pm |
| Canadian \$                       |                  | 1 1/2-1 1/2c. pm   | 1 1/2-1 1/2c. pm   | 1 1/2-1 1/2c. pm   | 1 1/2-1 1/2c. pm   | 1 1/2-1 1/2c. pm   | 1 1/2-1 1/2c. pm |
| Swiss Fr.                         |                  | 9 1/2-9c. pm       | 9 1/2-9c. pm       | 9 1/2-9c. pm       | 9 1/2-9c. pm       | 9 1/2-9c. pm       | 9 1/2-9c. pm     |
| W. German D-Mk.                   |                  | 9-8 1/2p.f. pm     | 9-8 1/2p.f. pm     | 9-8 1/2p.f. pm     | 9-8 1/2p.f. pm     | 9-8 1/2p.f. pm     | 9-8 1/2p.f. pm   |
| <b>Gold Price at Fixing</b>       |                  |                    |                    |                    |                    |                    |                  |
| Price (s. d. per fine oz.)        |                  | 251/1              | 251/03             | ...                | 251/1              | 251/0              | 251/0            |
| (\$)                              |                  | 35-06              | 35-06              | ...                | 35-06              | 35-06              | 35-06            |

# Manpower and Output

Labour figures relate to Great Britain and production figures to United Kingdom unless otherwise stated.  
M = Monthly averages or calendar months.  
W = Weekly averages.

| Unit                                                       | Mid-year or averages |        |        | 1960   |        |        | 1961   |        |        |
|------------------------------------------------------------|----------------------|--------|--------|--------|--------|--------|--------|--------|--------|
|                                                            | 1958                 | 1959   | 1960   | Feb.   | Mar.   | April  | Dec.   | Jan.   | Feb.   |
| <b>TOTAL MANPOWER</b>                                      |                      |        |        |        |        |        |        |        |        |
| <b>Working population:</b>                                 |                      |        |        |        |        |        |        |        |        |
| Total                                                      | 24,070               | 24,145 | 24,401 | 24,306 | 24,295 | 24,296 | 24,557 | 24,532 | 24,521 |
| Men                                                        | 16,160               | 16,137 | 16,191 | 16,208 | 16,203 | 16,153 | 16,295 | 16,293 | 16,288 |
| Women                                                      | 7,910                | 8,008  | 8,210  | 8,098  | 8,092  | 8,143  | 8,262  | 8,239  | 8,233  |
| Armed Forces                                               | 614                  | 565    | 518    | 529    | 526    | 521    | 503    | 500    | 494    |
| <b>Civil employment:</b>                                   |                      |        |        |        |        |        |        |        |        |
| Total                                                      | 23,080               | 23,197 | 23,593 | 23,360 | 23,370 | 23,420 | 23,711 | 23,682 | 23,695 |
| Manufacturing industries (1)                               | 9,147                | 9,169  | 9,834  | 9,724  | 9,734  | 9,790  | 9,897  | 9,911  | 9,903  |
| Manufacturing industries (old basis) (1)                   | ...                  | ...    | ...    | ...    | ...    | ...    | ...    | ...    | ...    |
| Employees (1):                                             | ...                  | ...    | ...    | ...    | ...    | ...    | ...    | ...    | ...    |
| in engineering (2)                                         | 3,544                | 3,732  | 3,700  | 3,704  | 3,718  | 3,781  | 3,781  | 3,788  | 3,787  |
| in consumer goods industries (3)                           | 3,102                | 3,183  | 3,127  | 3,145  | 3,162  | 3,172  | 3,172  | 3,176  | 3,170  |
| <b>UNEMPLOYMENT</b>                                        |                      |        |        |        |        |        |        |        |        |
| <b>By duration:</b>                                        |                      |        |        |        |        |        |        |        |        |
| All durations—total                                        | 457.4                | 475.2  | 360.4  | 450.0  | 413.2  | 391.2  | 365.1  | 418.9  | 389.7  |
| Temporary or under 2 weeks                                 | 141.0                | 120.8  | 90.0   | 99.5   | 87.5   | 90.3   | 110.2  | 144.5  | 119.9  |
| Over 8 weeks                                               | 197.7                | 243.4  | 187.6  | 237.4  | 231.6  | 222.1  | 166.2  | 184.1  | 180.8  |
| <b>By regions (4):</b>                                     |                      |        |        |        |        |        |        |        |        |
| Great Britain                                              | 2.1                  | 2.2    | 1.6    | 2.0    | 1.9    | 1.8    | 1.6    | 1.9    | 1.7    |
| London and South Eastern                                   | 1.3                  | 1.3    | 0.9    | 1.2    | 1.1    | 1.0    | 0.9    | 1.3    | 1.1    |
| Eastern                                                    | 1.7                  | 1.5    | 1.2    | 1.6    | 1.4    | 1.4    | 1.4    | 1.7    | 1.6    |
| Southern (5)                                               | 1.6                  | 2.2    | 1.7    | 2.2    | 2.0    | 1.9    | 1.7    | 1.8    | 1.7    |
| South Western (5)                                          | 2.2                  | 2.2    | 1.7    | 2.2    | 2.0    | 1.9    | 1.7    | 1.8    | 1.7    |
| Midland                                                    | 1.6                  | 1.5    | 1.0    | 1.0    | 0.9    | 0.9    | 1.0    | 1.1    | 1.0    |
| North Midland                                              | 1.6                  | 1.5    | 1.1    | 1.4    | 1.2    | 1.2    | 1.0    | 1.1    | 1.0    |
| East and West Ridings                                      | 1.9                  | 1.9    | 1.2    | 1.5    | 1.4    | 1.3    | 1.0    | 1.1    | 1.0    |
| North Western                                              | 2.7                  | 2.8    | 1.9    | 2.4    | 2.3    | 2.2    | 1.5    | 1.7    | 1.6    |
| Northern                                                   | 2.4                  | 3.3    | 2.8    | 3.5    | 3.3    | 3.0    | 2.6    | 2.8    | 2.6    |
| Scotland                                                   | 3.8                  | 4.4    | 3.6    | 4.7    | 4.3    | 4.0    | 3.3    | 3.7    | 3.5    |
| Wales                                                      | 3.8                  | 3.8    | 2.7    | 3.3    | 3.0    | 2.9    | 2.8    | 3.1    | 2.9    |
| <b>VACANCIES</b>                                           |                      |        |        |        |        |        |        |        |        |
| Unfilled vacancies notified to Employment Exchanges: Total | 198                  | 224    | 314    | 257    | 267    | 306    | 294    | 281    | 290    |
| <b>INDUSTRIAL PRODUCTION</b>                               |                      |        |        |        |        |        |        |        |        |
| <b>Index:</b>                                              |                      |        |        |        |        |        |        |        |        |
| All industries                                             | 106                  | 113    | 120    | 123    | 126    | 128    | 119    | 120    | 124    |
| Seasonally adjusted                                        | ...                  | ...    | ...    | ...    | ...    | ...    | ...    | ...    | ...    |
| Mining and quarrying                                       | 94                   | 92     | 89     | 96     | 97     | 88     | 87     | 90     | 91     |
| Construction                                               | 105                  | 111    | 118    | 115    | 117    | 117    | 121    | 120    | 120    |
| Gas, electricity and water                                 | 119                  | 123    | 133    | 154    | 146    | 127    | 160    | 167    | 156    |
| Manufacturing, total                                       | 107                  | 114    | 123    | 125    | 129    | 129    | 120    | 126    | 127    |
| Seasonally adjusted                                        | ...                  | ...    | ...    | ...    | ...    | ...    | ...    | ...    | ...    |
| Engineering and electrical goods                           | 111                  | 118    | 127    | 128    | 137    | 123    | 138    | 123    | 134    |
| Shipbuilding                                               | 109                  | 101    | 92     | 96     | 94     | 92     | 93     | 92     | 93     |
| Vehicles                                                   | 118                  | 131    | 139    | 149    | 157    | 148    | 123    | 132    | 133    |
| Chemical trades                                            | 115                  | 131    | 145    | 147    | 149    | 146    | 142    | 146    | ...    |
| Textiles, leather and clothing                             | 91                   | 98     | 102    | 107    | 107    | 101    | 95     | 98     | 106    |
| <b>BASIC MATERIALS</b>                                     |                      |        |        |        |        |        |        |        |        |
| <b>Production of:</b>                                      |                      |        |        |        |        |        |        |        |        |
| Coal (7) (1)                                               | 4,150                | 3,963  | 3,725  | 4,095  | 4,105  | 3,665  | 3,657  | 3,761  | 3,849  |
| Pig iron                                                   | 245                  | 242    | 303    | 302    | 312    | 311    | 306    | 309    | 302    |
| Steel, ingots and castings                                 | 369                  | 380    | 467    | 432    | 485    | 478    | 451    | 478    | 485    |
| Sulphuric acid                                             | 186.8                | 202.3  | 225.1  | 217.4  | 239.5  | 221.8  | 238.8  | 229.7  | 210.2  |
| Newsprint                                                  | 11.81                | 12.87  | 14.25  | 14.56  | 14.69  | 14.10  | 13.57  | 14.61  | 14.39  |
| Electricity (1)                                            | 8,208                | 8,764  | 9,904  | 10,991 | 11,023 | 9,155  | 12,654 | 13,266 | 11,033 |
| <b>MANUFACTURING</b>                                       |                      |        |        |        |        |        |        |        |        |
| <b>Textile production:</b>                                 |                      |        |        |        |        |        |        |        |        |
| Cotton yarn, single                                        | 14.77                | 14.58  | 14.44  | 15.43  | 15.47  | 14.02  | 13.65  | 14.21  | 14.47  |
| Worsted yarn                                               | 17.18                | 19.34  | 20.40  | 20.66  | 22.90  | 18.81  | 19.70  | 21.43  | 20.23  |
| Rayon and synthetic fibres                                 | 35.18                | 42.89  | 49.33  | 50.28  | 54.64  | 49.29  | 47.10  | 48.45  | 43.13  |
| Cotton cloth, woven                                        | 27.0                 | 25.7   | 24.9   | 26.9   | 25.7   | 24.9   | 24.3   | 25.1   | 25.2   |
| Wool fabrics, woven                                        | 29.1                 | 30.4   | 30.6   | 32.0   | 33.0   | 25.9   | 29.4   | 21.3   | 22.4   |
| <b>Engineering production:</b>                             |                      |        |        |        |        |        |        |        |        |
| Passenger cars and chassis                                 | 19.84                | 22.88  | 26.01  | 28.60  | 32.00  | 30.17  | 15.36  | 14.95  | 15.11  |
| Commercial vehicles and chassis                            | 5.90                 | 7.13   | 8.81   | 8.34   | 9.28   | 8.60   | 9.10   | 9.54   | 10.03  |
| Internal combustion engines                                | 378                  | 463    | 577    | 554    | 595    | 574    | 649    | 615    | ...    |
| Metal-working machine tools                                | 6,993                | 6,564  | 7,911  | 7,797  | 8,963  | 6,435  | 8,662  | 9,169  | ...    |
| <b>BUILDING ACTIVITY (10)</b>                              |                      |        |        |        |        |        |        |        |        |
| <b>Permanent houses completed:</b>                         |                      |        |        |        |        |        |        |        |        |
| Total                                                      | 20.13                | 20.78  | 22.44  | 19.13  | 22.14  | 22.37  | 24.07  | 18.72  | 20.42  |
| For local housing authorities                              | 9.43                 | 8.29   | 8.60   | 7.89   | 10.09  | 8.27   | 9.71   | 6.23   | 6.95   |

(1) Current statistics of employment by industry, based on the 1958 Standard Industrial Classification, go back only to May, 1959. Manufacturing employment for earlier dates is shown on the old basis (1948 SIC). (2) Engineering and electrical goods, shipbuilding and marine engineering, vehicles, metal goods. (3) Textiles, leather goods, number of employees. (4) Dorset (excluding Poole) was transferred from the Southern to the South Western Region on May 12, 1958. (5) Average for first quarter. (6) Great Britain. (7) Excluding all screening losses normally amounting to around 5,000 tons a week. (8) Average for fourth quarter. (9) Average for second quarter. (10) England and Wales.

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

| BRITISH             |           |                    |           |
|---------------------|-----------|--------------------|-----------|
| Prices and Wages    | May 20th  | External Trade     | Apr. 8th  |
| Manpower and Output | This week | Industrial Profits | Apr. 29th |
| OVERSEAS            |           |                    |           |
| Western Europe      | Apr. 15th | United States      | May 6th   |

## APPOINTMENTS

### Technical Secretary for The Eurochemic Company

Interesting and challenging position with the European Company for the Chemical Processing of Irradiated Fuels, one of the international joint undertakings of the O.E.E.C. European Nuclear Energy Agency, which is now building at Mol, near Antwerp in Belgium, an experimental pilot plant for separating fission products and extracting plutonium and uranium from used nuclear fuel elements.

**Main responsibilities:** Editing Technical Reports, Progress Reports, Company's Annual Report, a quarterly Newsletter and various other publications.

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Write to: General Manager, Eurochemic Company, 35 rue Belliard, Brussels.

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Professorship of Political Economy and National Economics of Ireland. Applications are invited by the Governing Body of University College, Dublin for the post of Professor of Political Economy and National Economics of Ireland. The holder of the post will be responsible for the teaching of the subject in the University of Dublin. The salary will be £1,000 p.a. plus £1,475 (bar); £1,475 x £5 = £1,850 p.a. Further particulars may be obtained from J. P. MacHale, Secretary and Bursar, University College, Earlsfort Terrace, Dublin.

### THE LONDON SCHOOL OF ECONOMICS AND POLITICAL SCIENCE

Applications are invited for appointment to Research Fellowships in the Economics of America. The Fellow appointed will be required to pursue a view to publication, research in that subject. Salary within the range £2,000-£3,000 a year with superannuation rights and family allowances. Tenure for three years in the first instance, but with the possibility of renewal for a maximum of seven years in all. Provision has been made for any necessary travel and research expenses of the Research Fellow and for secretarial assistance. Further particulars should be obtained from the Secretary, London School of Economics and Political Science, Houghton Street, London, W.C.2, by whom applications should be received later than June 8, 1961.

**THE ECONOMIST INTELLIGENCE UNIT LTD.** has to appoint an economic and financial journalist to the staff of its Press Department. This Department is concerned with the production of the press and other bodies and with the publication of current affairs. The successful candidate should have a good honours degree in economics, some experience in this kind of work and a bent for administration. The salary is £575 x £30 = £7,275. Applications should be sent to the Bursar, The Economist Intelligence Unit, 25 Abchurch Lane, London, E.C.4. Copies of full particulars, including present salary, should be addressed to "Press," EIU, 25 Abchurch Lane, London, E.C.4.

### UNIVERSITY OF READING DEPARTMENT OF AGRICULTURAL ECONOMICS

Applications are invited for the post of Assistant Lecturer in the Department of Agricultural Economics. The successful candidate will be required to teach the subject in the Department of Agricultural Economics. The salary is £575 x £30 = £7,275. Applications should be sent to the Bursar, The University of Reading, Whiteknights, Reading, RG2 2AA. Copies of full particulars, including present salary, should be addressed to "Agricultural Economics," The University of Reading, Whiteknights, Reading, RG2 2AA.

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**APPLICATIONS:** Forms obtainable from the Recruitment Officer, Australia House, Strand, London, W.C.2.

Closing date: June 17, 1961.

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Applications are invited for the above-mentioned position. Applicants should have a good honours degree or its equivalent with a specialisation in industrial or public administration. The holder of the post will be responsible for the teaching of the subject in the University of Melbourne. The salary will be £2,000 p.a. plus £1,475 (bar); £1,475 x £5 = £1,850 p.a. Further particulars may be obtained from the Secretary, Association of Universities of the British Commonwealth, 36, Gordon Square, London, W.C.1. Applications close, in Australia and London, on July 15, 1961.

### UNIVERSITY OF BRISTOL

Applications are invited for two posts of Tutor for the newly established School of Management Studies. The appointments will be full-time for a period of not more than six years in the first instance and will date from August 1st or as soon after this date as possible. Initial salary within the scale £1,050 x £50 = £1,400 x £75 = £1,475 (bar); £1,475 x £5 = £1,850 p.a. Further particulars may be obtained from the Registrar, University, Bristol 8. Applications should be submitted by June 10th.

### UNIVERSITY OF BRISTOL

Applications are invited for two Lectureships (Grade II) in Economics. Candidates should have particular interests in one or more branches of applied economics including the internal and external economic problems of private and public enterprises, industrial economics, the economics of marketing and distribution, labour economics. The appointments will be full-time posts tenable from August 1st. Initial salary within the scale £1,050 x £50 = £1,400 x £75 = £1,475 (bar); £1,475 x £5 = £1,850 p.a. Further particulars may be obtained from the Registrar, University, Bristol 8. Applications should be submitted by June 10th.

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(4) RESEARCH APPOINTMENTS. Applications are invited for Research Officer in the Marine Resources Research Unit involving the study of the economics of the fishing industry and fish marketing. The appointments will commence on September 1, 1961, duration being either two or three years. The work is directed to the attainment of Ph.D. or M.Sc. degrees.

For six hours' lecturing weekly, approximately £750. Applicants should possess an Honours Degree in economics or commerce, but consideration may be given provisionally to those taking final examinations this summer.

Further particulars and forms of application, to be returned as early as possible, may be obtained by sending a stamped addressed foolscap envelope to the Registrar, College of Technology, Park Road, Portsmouth.

### THE UNIVERSITY OF MANCHESTER

Applications are invited for the post of LECTURER IN GOVERNMENT (with special reference to international relations). Salary scale £1,050 to £1,850 per annum, initial salary according to qualifications and experience. Membership of F.R.S.S. and Children's Allowance Scheme. Applications should be sent not later than July 3, 1961, to the Registrar, The University, Manchester, 13, from whom further particulars and forms of application may be obtained.

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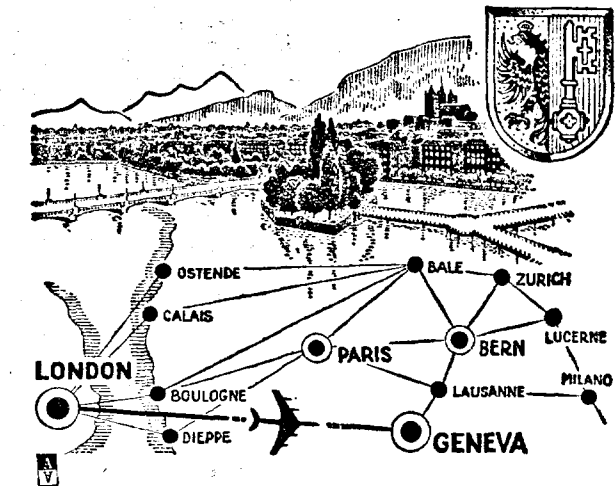
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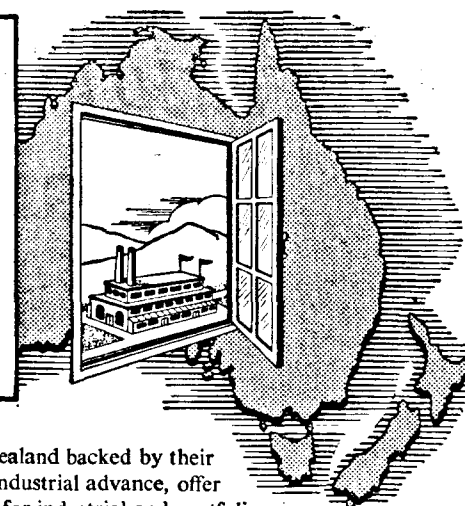
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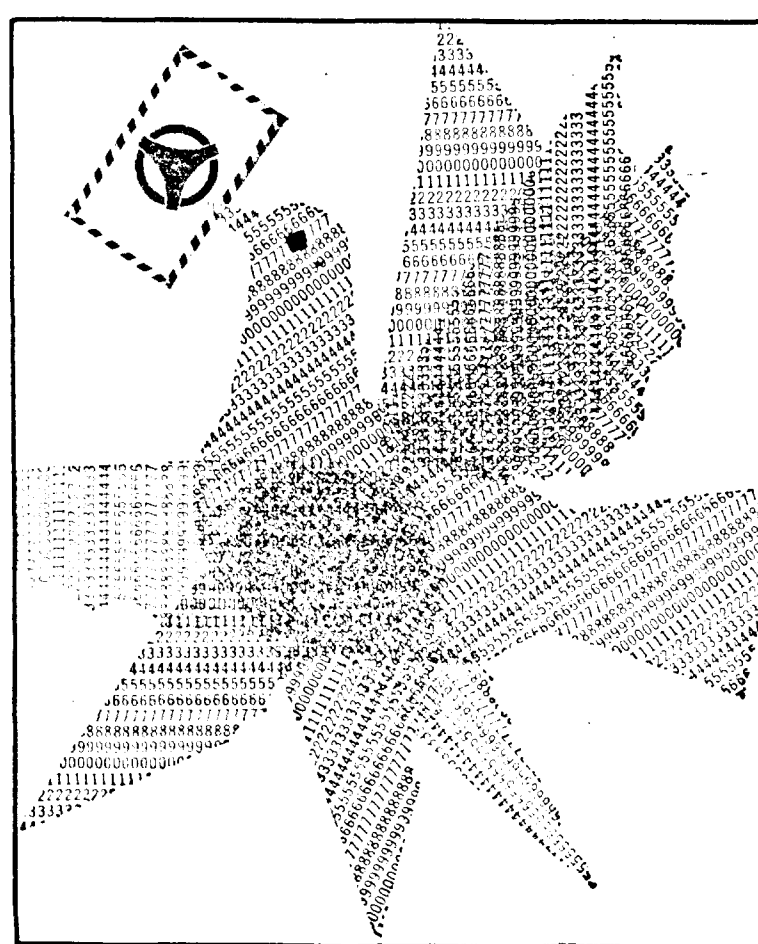
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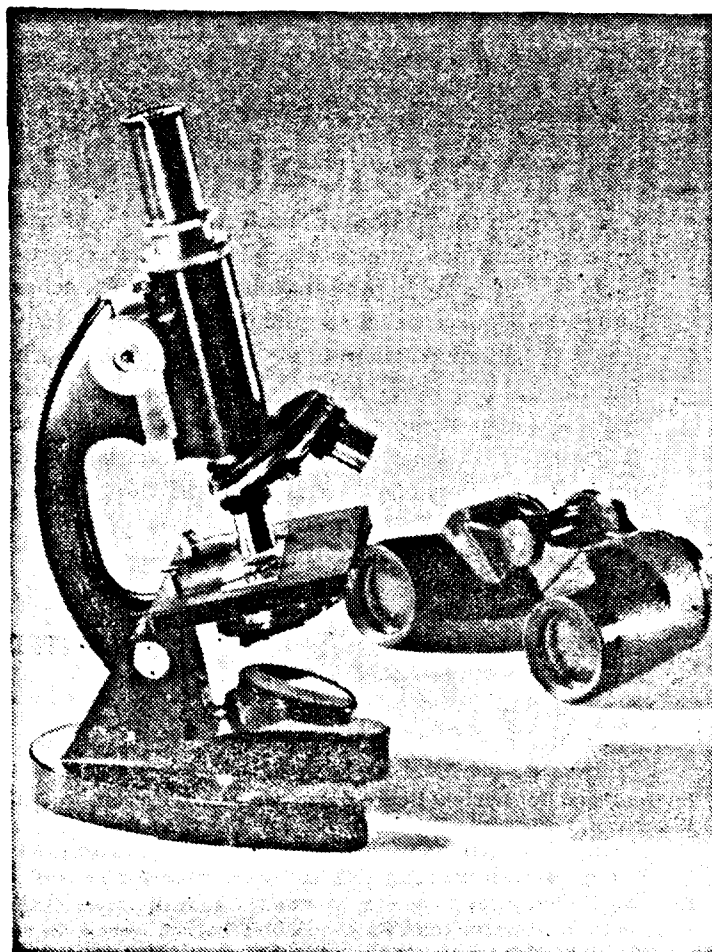






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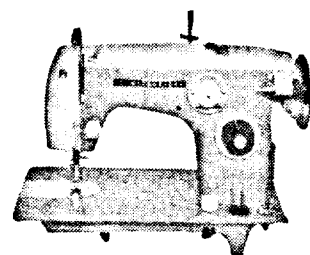
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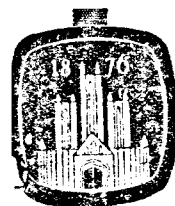
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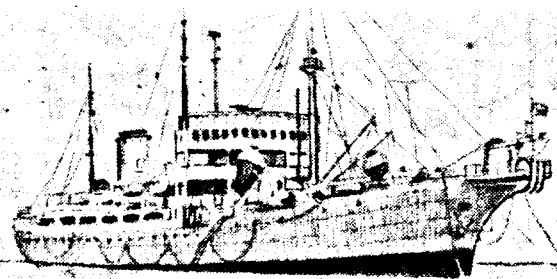
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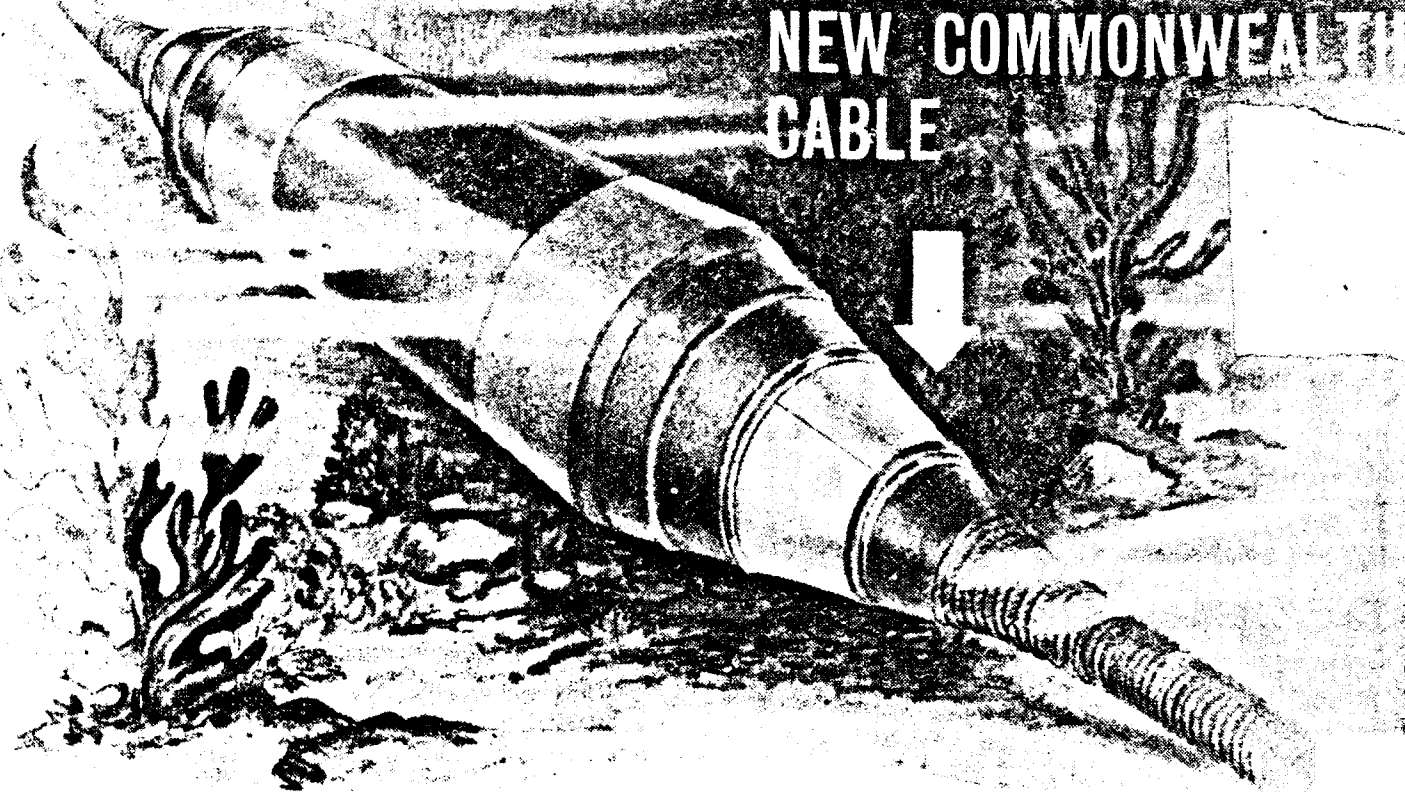
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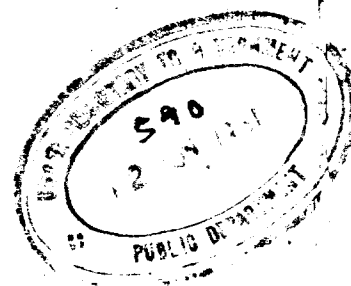
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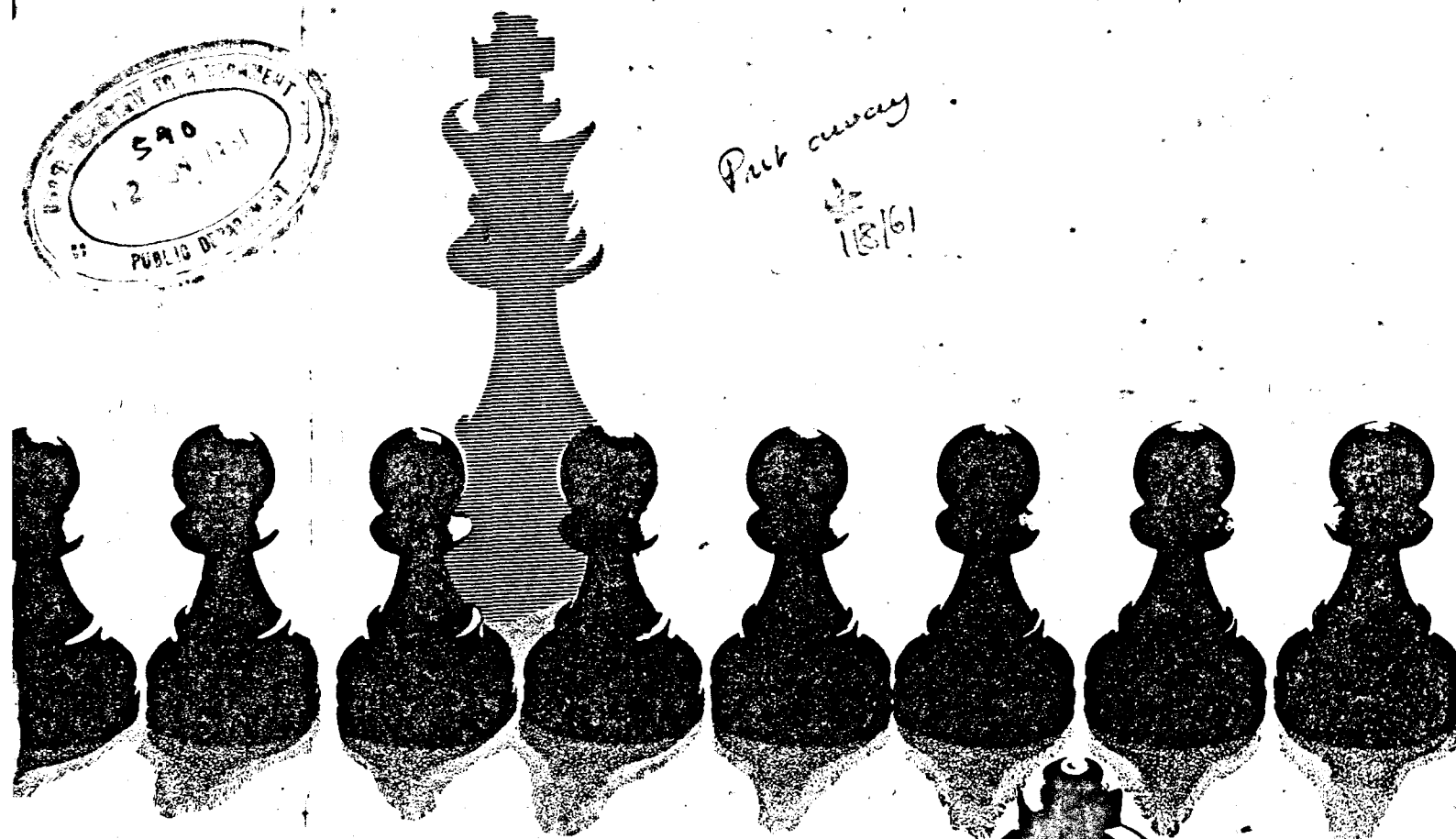
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## NO BLACK PAWNS

Africans are merely alienated by attempts to line them up with the great powers

## The Power and La Gloire

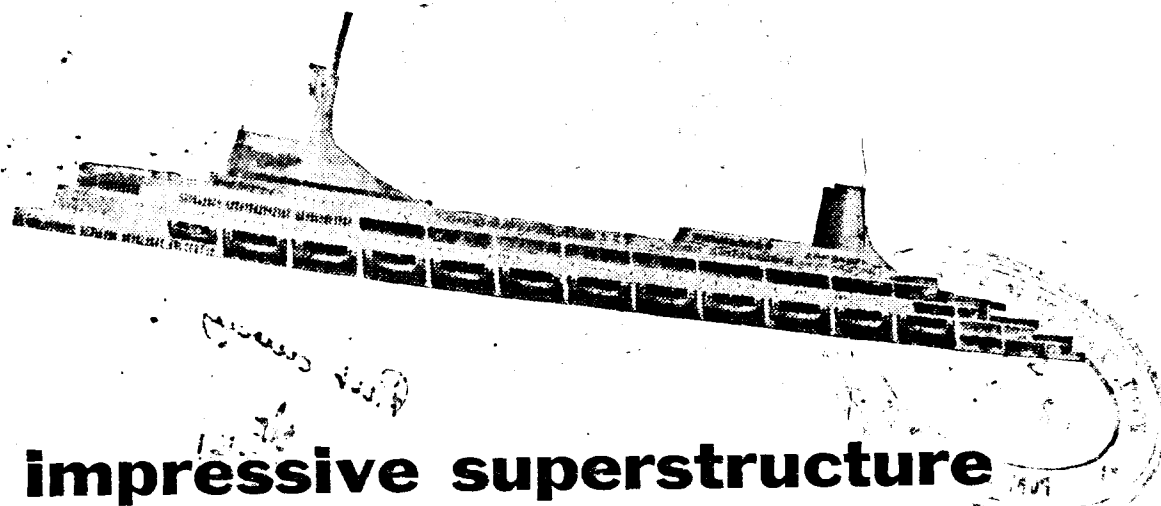
President Kennedy (page 999) in Paris (page 977)

## Britain into Europe

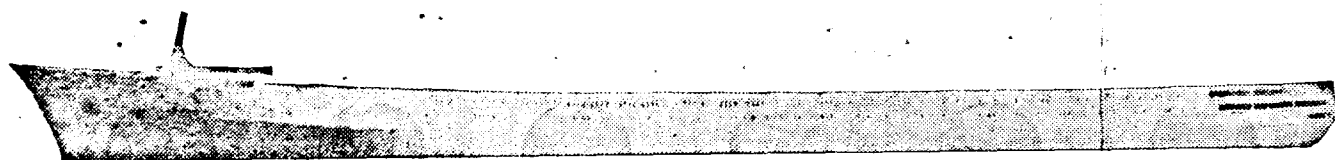
pages 981-983



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## In The Economist this Week

June 3, 1961

### INTERNATIONAL

#### NORTH AND SOUTH

To Africans the differences between North and South are greater than those between East and West. Whatever their differences with one another they resent other people organising them. The West's best course is not to try to enlist them, but to help them to unite (p. 975).

Mr Hammarskjöld has rebutted Mr Khrushchev's attacks on his own neutrality (p. 988).

#### JACK AND THE GIANT

The round in Paris between General de Gaulle and Mr Kennedy has gone to France (p. 977).

The Evian talks between French and Algerians are slowly getting under way (p. 986); the talks on Laos between East and West are not (p. 986).

At home Mr Kennedy is still unproved as a President (p. 999). His message to Congress before he left home was intended to ensure that Mr Khrushchev would take him seriously (p. 1000).

The Republican victory in the senatorial election in Texas presages a two-party South (p. 1001). North of the border, in Canada, Mr Diefenbaker has had an unexpected political success (p. 988).

#### MAC AND THE MOUNTAIN

The interests of Commonwealth farmers still pose the main problems in negotiating British entry to the Common Market (p. 981). But neither the Seven nor home politics seem likely to stand in the way (pp. 982 and 983).

### HOME

#### WRONG IDEAS

Sterling is once again under fire and there is loose talk of devaluation. It is high time that the counter-arguments were publicly set down (p. 1023).

#### RIGHT LINES

Dr Becching will need all of his five years to knock the railways into shape. His first task must be a management spring-clean (p. 1025).

#### HARD BARGAINS

Trade unions have come to stay for the British middle-class (p. 979).

Civil Service clerks have rejected a bad new pay scheme and got a rise under a bad old one (p. 985).

The teachers' pay award from the Burnham committee presents the Government with a ticklish yea or nay (p. 985).

Wanted, a wages policy—and not only in Britain (p. 985).

More jobs for fewer unemployed (p. 1028).

Educating the workers: the TUC hopes to spend more and do much more (p. 1018).

#### CUT . . . . .

Power failure: how the Generating Board tripped and plunged south London into darkness (p. 1029).

The first European assembly to meet in London was disappointed when Mr Macmillan gave no hint that a move was on the way (p. 983). Once made, the move could precipitate world-wide steps to free trade (p. 983).

Spain and Portugal are anxious to be brought into the European family; Lord Home has been exploring some of the obstacles (p. 984). He is not the only tourist to give Spain a window on the outside world (p. 1014).

The new West Indian member of the Commonwealth family is finding it hard to attain a viable unity (p. 978).

#### PLOTS

France: Two rebel generals have been condemned, but the trial leaves the attitude of the army still far from clear (p. 1008).

Dominican Republic: The assassination of the dictator Trujillo opens the way to reform, but provides no guarantee that reform will follow (p. 984).

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Junior tycoons of Eton's magazine empire (p. 1020).

#### . . . . . AND THRUST

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Hire Purchase: the finance houses may soon offer a rival to the banks' personal loans (p. 1033).

Minicabs: second thoughts on how to inject new life into London taxis (p. 1032).

Drug addicts: the rare connection (p. 988).

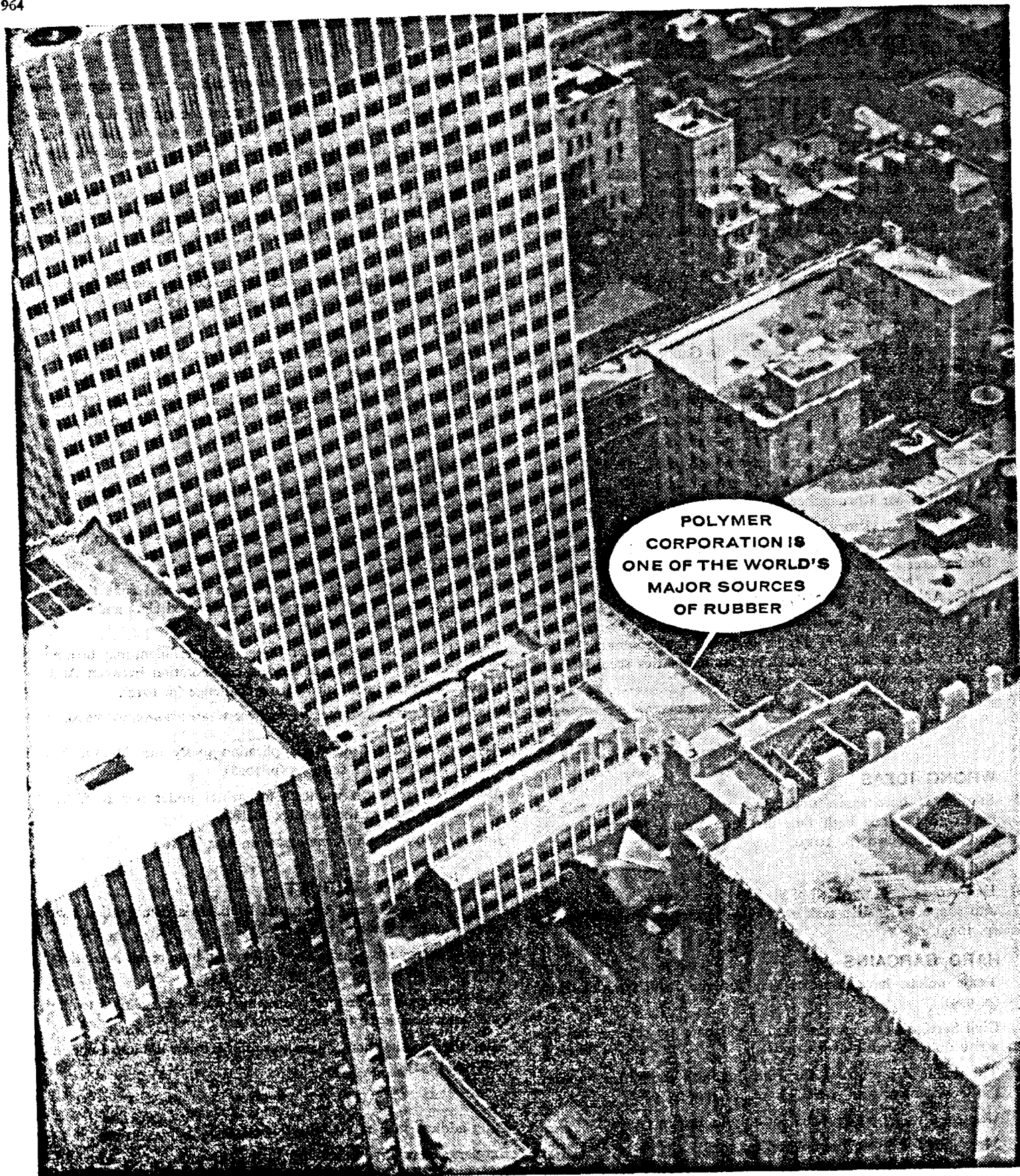
Burglars: new ways to catch a thief (p. 1019).

Psychopaths: a new deal (p. 989).

Fishy business: cold cod and sharp shooting (p. 986).

Foxy moves: the RSPCA, too, has its unilateralists (p. 989).

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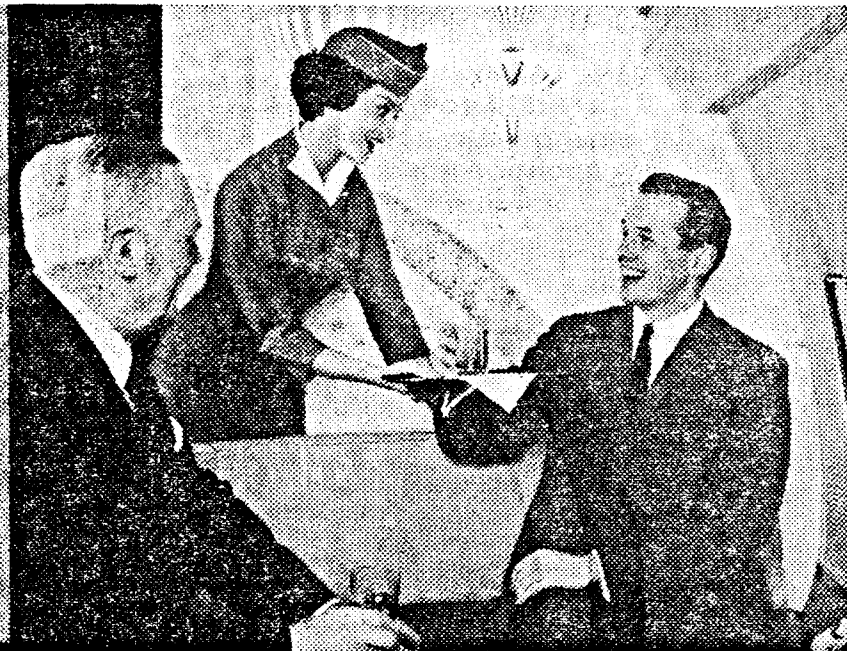
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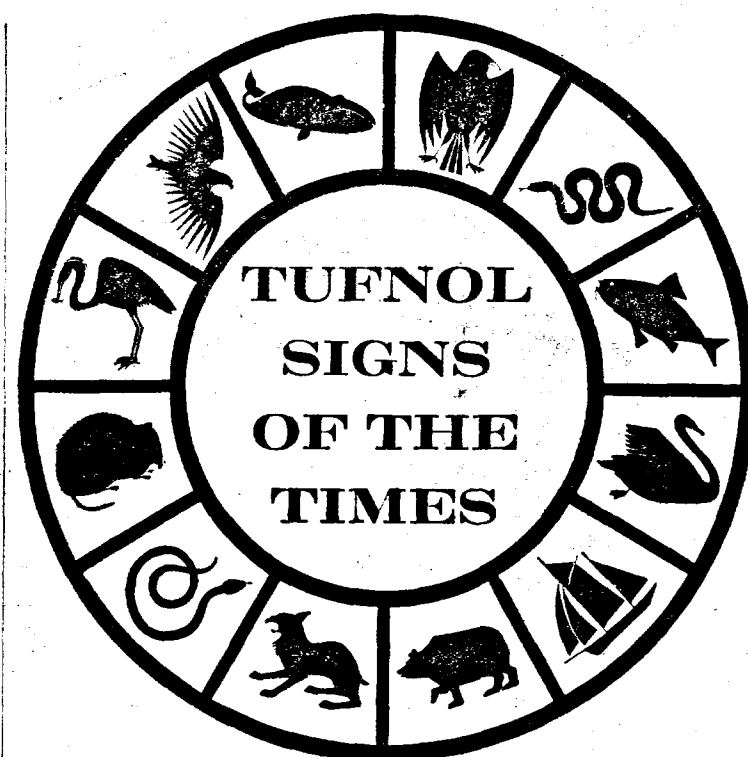
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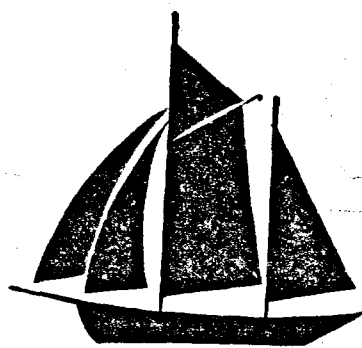
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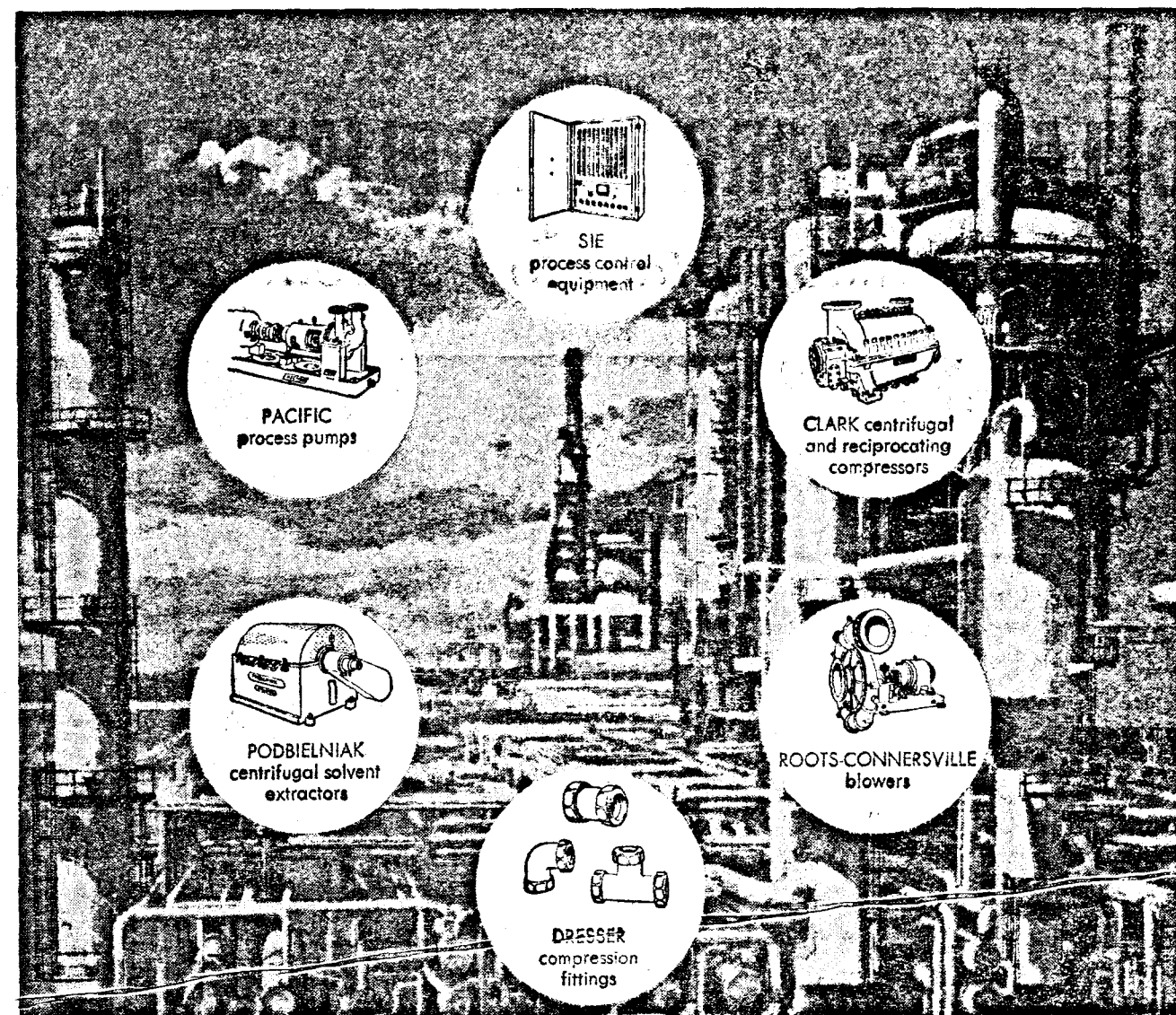
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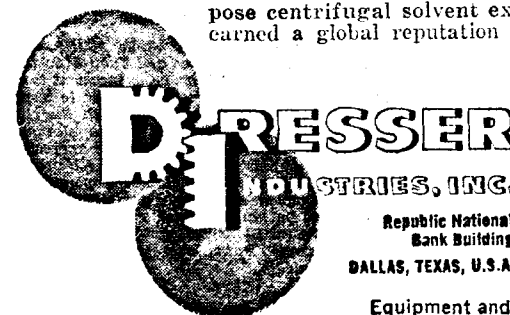
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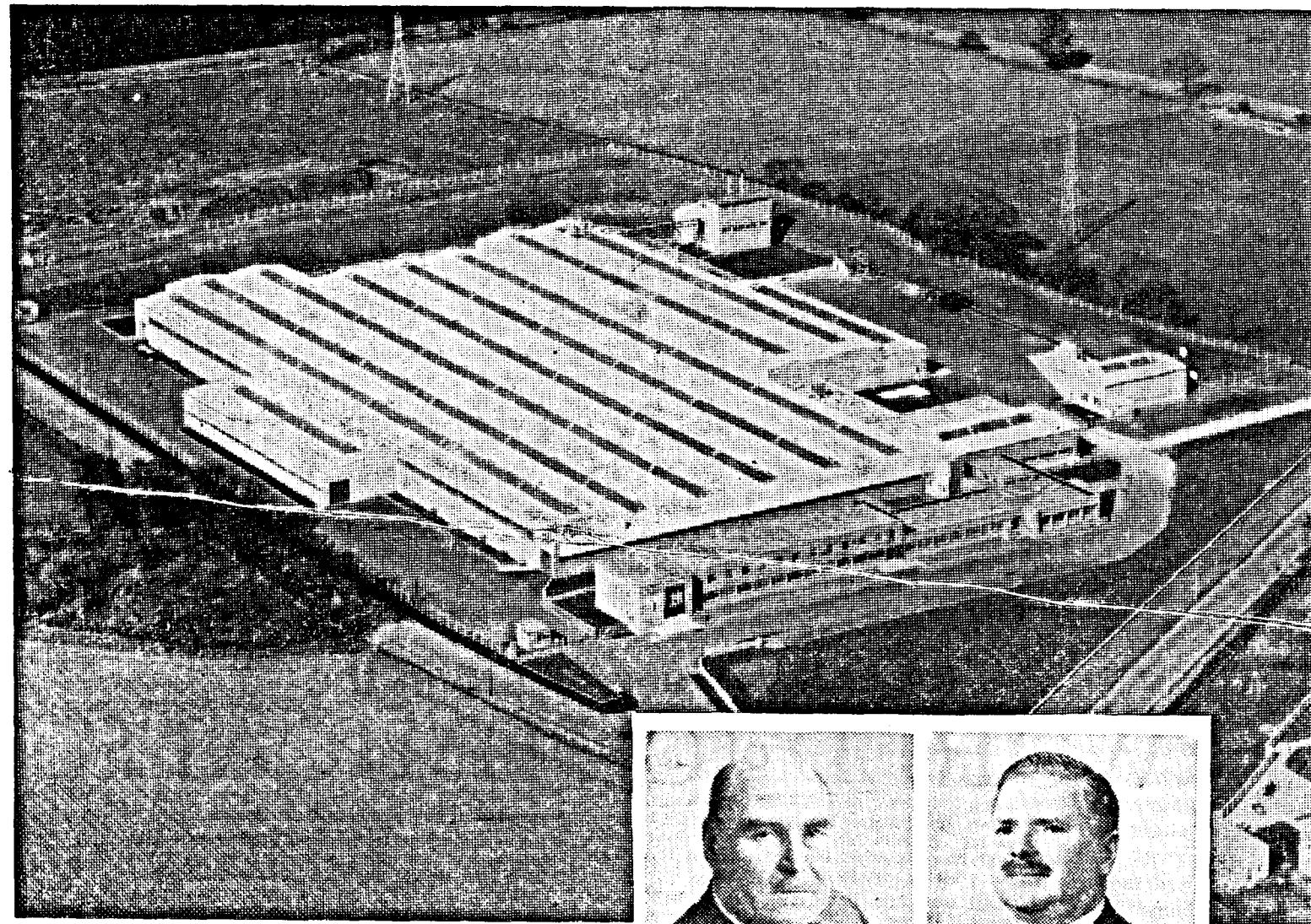
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Mr. A. E. Hitchcock, B.Sc., Technical Director of Morphy-Richards (Astral) Limited, says: "Having been closely concerned with the development of the project, I have been able to appreciate the way in which the many problems of site preparation and construction had to be overcome. Building for industry requires the closest co-operation from the Contractor who must combine speed of construction with an understanding of the specific needs of his Client. The completion of this plant on schedule demonstrates the value of this kind of co-operation."

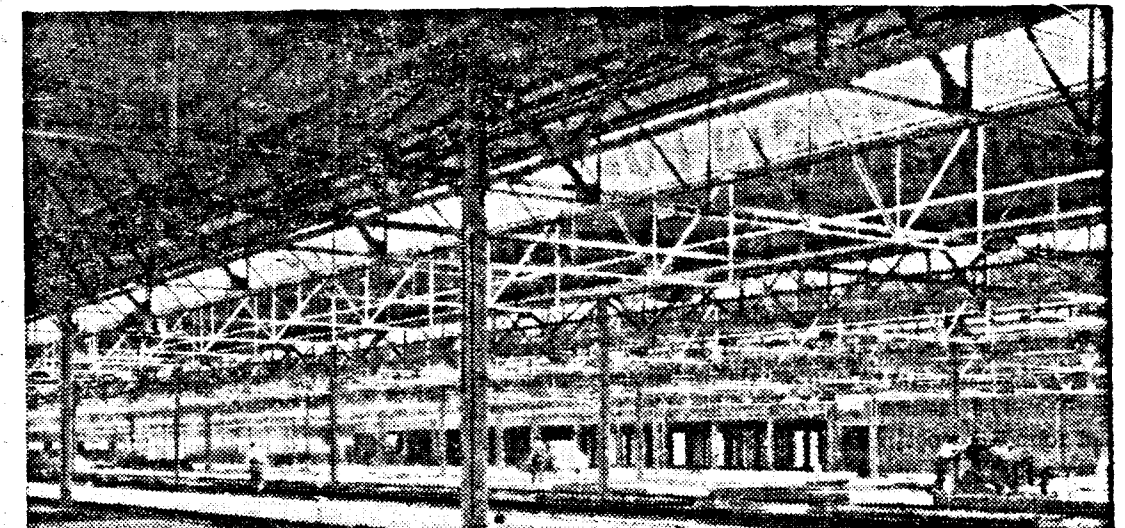
Mr. A. F. Keary, Managing Director of Holland & Hannen and Cubitts (Scotland) Ltd., says: "From commencement to completion of a contract we like to work in very close collaboration with the clients and their consultants. Such a relationship ensures an up-to-the-minute appreciation of clients' requirements and job problems. At Dundee this close co-operation has enabled extensive areas of the factory to be handed over to Morphy-Richards (Astral) Limited for plant installation many months before the due completion date."

Close programming of construction enabled Cubitts to make half the factory floor area available for plant installation four months ahead of schedule. Thanks to this time-saving the largest domestic appliance factory in Scotland can go into production earlier than anticipated.

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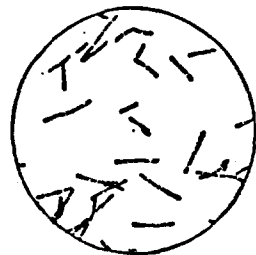
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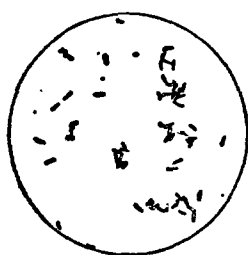
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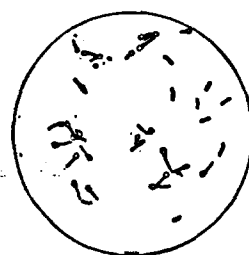
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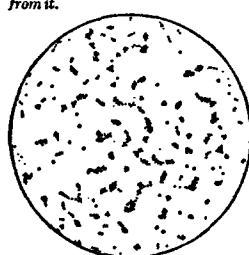
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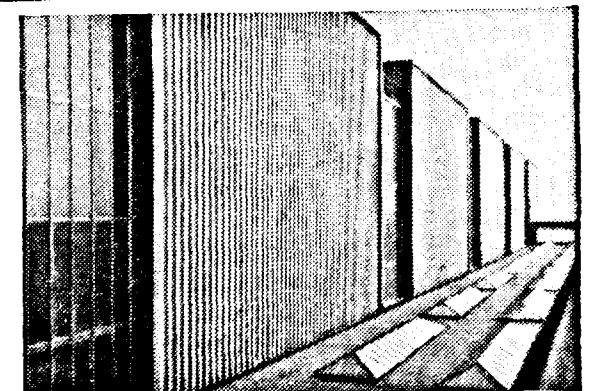
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## The Economist

JUNE 3, 1961

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## No Black Pawns

EAST is East, and West is West; or so they think—the more so when the twain meet in the persons of men at “the highest level.” But Mr Kennedy and Mr Khrushchev should take note that a large part of humanity is coming to regard them both, almost impartially, as North. In the eyes of the non-European world, both Russians and Americans are, at bottom, Europeans. That world views, say, the Berlin question with indifference as a private European quarrel.

Increasingly it views the involvement of the great northern powers in such “southern” affairs as Laos or the Congo with irritation and alarm. It looks hopefully to Vienna, or to any other sign that the great powers may be able to moderate their differences. But it reacts sharply against any suggestion that an accommodation between them may amount to marking out spheres of influence. This is an old concept whose vocabulary has been enriched by modern terms like containment, deterrence, blocks and satellites. But its significance remains unchanged in the eyes of those who do not wish to be either power's portion.

The writ of the great powers no longer runs as freely as in the days of the nineteenth-century meetings at which the powers sought accommodations in the Balkans, or arranged the carving up of Africa. The nuclear giants may carry bigger sticks than ever, but, when they are wise, they walk softly. Dr Castro is one reminder of the new possibility of defying them on their own doorsteps. President Tito is another. The proposed “summit” conference of “uncommitted” states reflects one facet of the new resistance to great-power pressures. Competitive feting in Moscow and Washington of Asian princelings and presidents of wobbly fragments of Africa reflects another facet. One more “i” has just been dotted by the founding of an “all-African” trade union federation which, weakly and new-born though it may be, promptly kicked out with a ruling that its members must disaffiliate from the global trade union groups identified with “East” and “West.”

Africa is now the main repository of lingering illusions about the extent of the great powers' influence—illusions that feed on the visible weakness and, often, disarray of its small new states. The communist powers, not content to await the African swing into their camp that their dogma proclaims to be inevitable, are toiling to hasten it—not always very cleverly, as their repeated loss of contact with African views on the Congo has revealed. Western thinking about Africa is recurrently apt to drift into the single channel of consideration of how to stop the continent going communist.

Yet the plain fact is that Africans as a whole clearly do not want to be anybody's pawns. It is political death for any African leader to become labelled as a pawn of the West. (Many people here would be surprised to learn the extent to which this danger bothers even Mr Tom Mboya.) Equally, Moscow has repeatedly found its favoured protégés disappointing—and basically for the same reasons; rather than be seen to be in Mr Khrushchev's pocket, even Guinea has at times gone along with the other Africans in voting Russia down the river in United Nations debates on the Congo.

The new African states are now divided. The conferences of five governments at Casablanca in January, and of twenty at Monrovia in May, have formalised the division between them. Outsiders, and Africans themselves, need to understand more clearly than they do what this division means. The twenty Monrovia

countries are not simply in the West's pocket, nor the five Casablanca ones in Russia's. The anti-western element in the Pan-African movement is not of communist making; and western, not Soviet, actions will largely determine whether this element grows or diminishes. It would be a fatal error for the Pan-Africanists to dismiss the "moderates" of Monrovia as puppets, and an equally fatal error for the West to count on them acting as puppets.

Theoretical schisms between the rival groups may at present seem profound. The argument is not only about retaining or severing connections with former rulers in Europe; it also concerns the future organisation of Africa. The latter is really the more sensitive issue. In practice, while Guinea, Mali and Ghana may wax indignant at their ex-French neighbours' overt acceptance of French financial, administrative and military aid, Guinea relies for revenue on French mining companies (an awkward parallel with Mr Tshombe's Katanga); Mali remains in the franc zone; Ghana's army still uses British officers. But Pan-Africanist fervour for political union is viewed with natural caution by many leaders of small states which, having only just won their sovereignty, are not eager to lose it again.

**H**ow real is this disputation? Africa has indeed become sadly over-balkanised into small units of doubtful viability; but few would regard the merging of all these into a super-state as a practical possibility in our time. The outwardly enthusiastic experiment in unity on a much smaller scale which Ghana, Guinea and Mali have been carrying on has virtually nothing to show yet in the way of results. On the need to overcome the barriers of language and procedure that frustrate co-operation between ex-French and ex-British states, there is no divergence between the Monrovia and the Casablanca groups. On the working level, the twelve ex-French republics (called the "Brazzaville" group) are already further advanced toward integration than the proclaimed Pan-Africanists.

But outsiders must tread very carefully here. The ideal of Pan-Africanism is as noble as that of any other struggle to knock down barriers between nations. Africa's frontiers are more artificial than those of any other continent, being mainly the hasty creation of the European "scramble" of the 1880s. The loyalties of the new states' inhabitants are more often to the tribe than to the state, and small, weak states may succumb more easily to unashamed tribalism than would larger unities. And unity, if attainable, would obviously strengthen African hands in dealing with the outside world.

The last point alone suffices to explain why any western move that seems to complicate the task of increasing African unity is seized upon as evidence that the West wants to keep Africans divided for its own advantage. All such moves should be avoided. It would be abysmally stupid to pursue a policy that can only increase African hostility. And what genuine interest can the West have in seeing Africa politically unstable, permanently explosive, impoverished by artificial divisions, an unfruitful trading partner and a permanent claimant for economic assistance? Pure Pan-Africanism may be an unpractical ideal, but it must be left to Africans themselves to discover their scope for possible and beneficial unity.

Ironically, one might argue that the best service the West could do Pan-Africanism would be to serve as a dragon for its champions to cut down. That role, however, seems one that Dr Salazar and Dr Verwoerd are very willing to fill. (African nationalists who had been shaken by the Congo's slide into chaos have lately taken grim note of the thousands of refugees—many maimed by indiscriminate bloodletting—who have found sanctuary in this chaos from the dedicated civilisers of Angola.) As a general rule, some of the ill-will engendered among Africans by any white nation's actions will stick to any other white nation that does not articulately dissociate itself from them. Moreover, any wave of anger that emanates from Angola or South Africa, Algeria or the Congo is liable to force the leaders of independent Africa—"moderates" and others alike—into courses that may imperil not only western relations with Africa, but the stability of independent Africa itself.

At the Monrovia conference three weeks ago, the "moderates" made their sensitivity on this point abundantly clear. Their chances of succeeding in closing the gap between them and the Casablanca group depend largely on the conduct of the European countries with which they retain friendly connections. The Monrovia and Casablanca groups have an essentially common goal: to stand Africa on its own feet. The dispute is whether to cultivate western support for this purpose, or to assert the African personality by repeated gestures of defiance (while milking both western and communist sources of aid). The position of the "moderates," however, is undercut by every western error, and weakened by every rift which, dividing Africans themselves, excites irrational passions. The sharpest such rift is over the Congo: the Casablanca governments' commitment to Mr Gizenga, and the commitment of the Brazzaville governments to Mr Kasavubu, have left the really moderate "moderates" unhappily in mid-air. Unless the Congo wound itself is healed this year, the poison from it is bound to spread to East Africa, where Tanganyika, for one, may be forced to declare for one side and against the other.

The fact that the line-up of the African states on the Congo issue has not fallen into a simple East-West pattern should be enough to show how much more they are concerned with African matters than with great-power alignments. If, say, Mr Nyerere were to find himself siding with Mr Gizenga, that would not mean he was siding with Mr Khrushchev. The "pro-western" tag pinned on to the Monrovia conference did not lead it to give any comfort to Mr Tshombe in his run of bad luck. Africans want to be themselves, not somebody else's black pawns (a role in which they have had much experience). The lesson for the white outsider—Russia needs to learn it as much as the West—is neither to try to make Africans take sides, nor to take sides oneself when they are divided; but to support, wherever possible, their efforts to unite.

## Britain into Europe

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# The Power and *La Gloire*

Mr Kennedy, on his way to Vienna, has had talks with General de Gaulle. Our special correspondents in Paris scrutinise the inscrutable

**M**YSTERY, General de Gaulle believes, is an essential attribute of leaders of men. It was certainly his prescription for this week's meeting with President Kennedy. A silence as golden (for the purposes of diplomacy, if not of journalism) as the sunshine that welcomed Mr and Mrs Kennedy to Orly airport on Wednesday morning descended upon the inter-presidential exchange the moment it began. On Wednesday evening Mr Pierre Salinger, Mr Kennedy's press secretary, gave new force to the word "briefing" by telling a large assembly of newspapermen, most of whom had flown the Atlantic for the occasion, that the two men had had lunch on opposite sides of a rather large table and had talked for two and a half hours during the day about Berlin, south-east Asia and unspecified parts of Africa, though what they said he could not tell. This performance by Mr Salinger was watched with benign approval by his predecessor, Mr Jim Hagerty, now at the receiving end of the process. The French spokesman, M. Baraduc, has been keeping equally mum in French. Those who know somebody who has been somewhere near the room where the two Presidents have been alone with their translators report that they have presented their views alternately without any attempt at persuasion or exploration. The technique is known to students of Greek tragedy as stichomythia.

Deprived of inside knowledge, observers have had to make do with outward symbols. There have been plenty of these, from the huge French and American flags in the Place de la Concorde, which trailed on the ground when the supporting wind from the west failed, to the size of the crowds. These have been a good deal smaller than either Mr Khrushchev or Mr Eisenhower got on their visits to Paris, according to local experts, though the weather has admittedly been less kind. Most fascinating of all the sights, however, has been the physical juxtaposition of two men separated in spirit by far more than an ocean and a generation: Mr Kennedy, on his feet in the presidential car, smiling, waving, the exponent of perpetual motion; beside him, General de Gaulle, sitting immobile with an old man's erectness, peering straight ahead into his private visions. President Kennedy has come to France as the representative of the centre of power in the western alliance, and as a man who believes that one can cut through any difficulty by a process of analysis, reasoning and decision. In General de Gaulle he has met a wholly different cast of mind, intuitive to the point of mysticism, as impervious to the cutting edge of Mr Kennedy's approach as water is to scissors. If their first meeting proves anything, it is that in such a confrontation of personalities victory does not necessarily go at the first round to the champion of cold reason and the possessor of the greater material power.

Clearly the two Presidents have had a meeting of minds this week only in the sense that a circle and a line meet at the tangent. They have not even wanted to talk primarily about the same things. Mr Kennedy's chief interest was to

discuss the strains in the western alliance that have been caused by General de Gaulle's ideas on sovereignty and national grandeur. The general wanted to tell the President what to say to Mr Khrushchev at the weekend. Mr Kennedy's counsellors, foreseeing these difficulties, advised him simply to present his views to General de Gaulle and listen to the general's views in return. To judge by the first day's reports, he has been following their advice. In fact, he had little choice. Quite apart from the problems caused by the gulf between the two men's mental processes, Mr Kennedy has laboured under the necessity of preserving the appearance of western unity before his meeting with Mr Khrushchev in Vienna. The onus has thus been on him not to push his differences with General de Gaulle to the point where a rift might have become publicly visible.

The consequences of all this could be foreseen before Mr Kennedy's aircraft touched down at Orly. It is significant that the one subject discussed in the first day's conversation on which the spokesmen were willing to say that there had been even "general agreement" was how to deal with a renewed crisis over Berlin. General de Gaulle, it is believed, faithful to the understanding he reached with Dr Adenauer on his visit to Bonn a fortnight ago, urged the President to take an uncompromising stand on Berlin, even to the extent of getting ready to implement the contingency plans drawn up by the allied military staff. These provide for the deployment of an allied force, if need be, against the point at which the lines of communication between west Germany and Berlin enter communist territory. It is also believed that Mr Kennedy readily assured the general that he would be uncompromising.

**E**VEN here, however, the announcement of "general agreement" may conceal continued differences of interpretation. It is not clear whether General de Gaulle thinks that the contingency plans should be put into operation if and when the communists try to cut the lines of communication with Berlin, or (a quite different matter) if the Russians merely hand over the control posts to the east Germans—in other words, whether force is to be used for the sake of saving Berlin or simply for the sake of not giving *de facto* recognition to the east German government. Even if General de Gaulle is ready to take military action for the lesser reason, it is highly unlikely that President Kennedy has firmly committed himself to do so (as distinct from hinting that he might, in the hope of deterring Mr Khrushchev from taking any action at all).

It is quite proper that the two Presidents should have discussed Berlin, although it is doubtful whether Mr Kennedy, if left to his own devices, would have put it as the first item on the agenda—as it turned out to be on Wednesday. But it is when one turns to the urgent problems inside the western alliance that it is possible to see just how firmly the advantage in this week's conversations has lain with the French Presi-



dent. There are two reasons for this. The first is that General de Gaulle can afford to wait and therefore was able to lay on Mr Kennedy's shoulders the responsibility for raising this divisive subject at the inopportune moment just before he meets Mr Khrushchev. Since the general made his famous approach to Washington and London about the alliance in 1958, he has acquired the beginnings of nuclear power, and has made the allies worry more than they used to worry about what France thinks. Thus General de Gaulle had no need to prod Mr Kennedy; he could leave such unfraternal behaviour to the President.

The other reason why Mr Kennedy has been in difficulties is that he is at a tactical disadvantage just now on each of the main points at issue within the alliance. On the question of Britain's membership of the Common Market, for instance, he has not been able to approach the French with a public and unequivocal British offer to join. Even if he had, he could hardly have hoped to extract from the French more than a general promise to consider the application favourably. The detailed negotiations on agriculture and the Commonwealth that will be necessary if Britain decides to join the Common Market are too complex for the two Presidents to go into; the most Mr Kennedy could do this week was to urge General de Gaulle to approach such negotiations as technical matters to be settled by the experts rather than as an opportunity to block British membership by setting impossible conditions.

**I**n the same way, Mr Kennedy's hope of enlisting French aid in controlling nuclear weapons has been handicapped by the reluctance of Congress to share America's nuclear secrets with France—the price the general would presum-

ably demand for stopping French tests or (if any price could buy this) submitting French weapons to joint control. And once again, even if Mr Kennedy has been dropping hints that he might persuade Congress, or the British Government, to share Anglo-American nuclear secrets, he still has no assurance that General de Gaulle will not blithely accept the offer and then insist on continuing with his own nuclear plans as well. It is not surprising that this week's talks seem to have been genuinely little more than an exchange of views, and that Mr Kennedy's views have tended to roll off General de Gaulle's back more readily than *vice versa*.

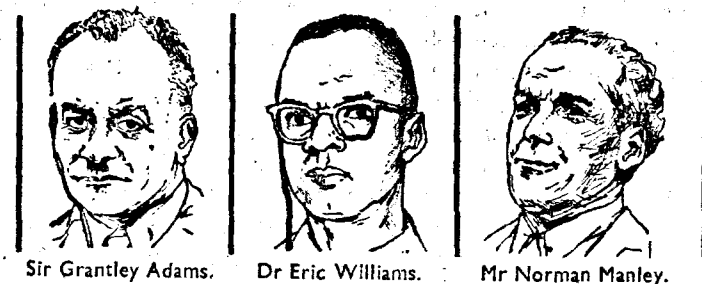
The one area in which observers in Paris see some hope of progress as a result of the presidential discussions is in getting the allies to consult each other more effectively. Neither Congress, nor the other members of Nato, will allow Mr Kennedy to accept any system of consulting with France that remotely approaches a French veto on American foreign policy; but something less than this might be both acceptable and useful. As M. André Fontaine has pointed out in *Le Monde* this week, the French foreign ministry has recently found itself getting a better flow of information from the State Department than it used to. This week's discussions are evidence of the allies' awareness of the need to pull, rather than push, General de Gaulle into co-operation. Perhaps an extension of these interchanges might go some way, if not very far, towards satisfying the French President's wishes. But the problems of inter-allied relations also depend on what happens between Mr Kennedy and Mr Khrushchev. If their meeting in Vienna this weekend offers a promise of better understanding, General de Gaulle's challenge to American leadership of the western alliance will lose much of its nuisance value.

## The Federalists

With two provisos, even a weak federation in the West Indies would be better than none

**T**HE West Indian federation which is likely to emerge from the constitutional conference that began at Lancaster House on Wednesday may, with difficulty, be identifiable as a new nation state. But the difficulty looks like being considerable. All that the federal government seems assured of is responsibility for a diplomatic service, two battalions of troops, a post office, a university and an annual revenue of £6½ million drawn wholly from tariff duties and the profits of a currency issue. Even Lancaster House has hardly sent any more puny infant into the world.

Yet what is the alternative? The constitutional scheme confronting Mr Macleod is the product of eighteen months' dickering between Mr Manley of Jamaica and Dr Williams of Trinidad; the Port of Spain agreement that they reached a fortnight ago is not for the system that would govern the West Indies best, but simply for the arrangement that divides two most populous and prosperous islands least. Jamaica accept anything stronger; when Mr Manley holds referendum, it may not even approve the flimsy



Sir Grantley Adams.

Dr Eric Williams.

Mr Norman Manley.

federal structure it is now asked to sustain. Dr Williams has declared, for his part, that if Jamaica opts out, Trinidad will not carry the eight other island colonies by itself. Rather than see the bigger islands go it alone in the political cross-currents of the Caribbean (with the smaller ones remaining permanent British pensioners) Mr Macleod should plump for the lesser evil—but on two conditions.

The first condition should be that the federal government's eventual right to raise revenue by direct taxation is written into the constitution itself. Jamaica will insist on an interim period in which the power of direct taxation is reserved to the separate island governments. This may have to be as long as nine years (the time now proposed before the full implementation of an internal customs union); even then the federal proportion of total direct taxation may be as little as 5 per cent, sufficient only to give effect to the beginning of federal responsibility for economic development. Preferably, however, any arrangement should be subject to review after the federation has been a going concern for four or five years,

when some momentum towards greater unity may develop.

The second condition on which Mr Macleod should insist is that no device is planted in the constitution, at the behest of Jamaica or anyone else, that would give any one island the effective power of veto over the eventual transfer of direct taxation to the federal government. The Jamaicans are believed to have come up with this idea at Port of Spain. They have no intention of being saddled with the cost of other people's industrial development when they have at least half their own population under-employed. In practice, however, the needs of the smaller islands are likely to go on being met by the British taxpayer after federation, as they have been before it (to the tune of £8 million in the past five years). Jamaica, which has done well out of bauxite development, has attracted secondary industries, and has profited from the diversion of American tourist and other interests from Cuba, possesses far brighter prospects than the smaller islands of setting its house in order. Given time and the tug of new loyalties it should be better able to take on responsibilities and recognise new interests than it is ready to do now. If Britain is to underwrite the federation economically in its early stages, it has to say that the federation itself should aim at becoming a viable and coherent entity, and should reflect this principle in the initial bias of its constitution.

**T**HIS is not to underestimate the political problem that Mr Manley faces in selling the federal idea to his electorate. His decision to hold a referendum was partly inspired by the political capital that his Jamaican rival, Sir Alexander Bustamente, has managed to make out of the anti-federal cause, but he saw that it would also give him the strongest of weapons in bargaining on Jamaica's behalf with the advocates of close federation, principally Dr Williams of Trinidad. Mr Manley's success is reflected in the Port of Spain compromise, which has allowed Jamaica to increase its representation in the federal parliament from 17 seats out of 45 to 31 out of 64; which has delayed the internal customs union for nine

## More Starch for the White Collar

The swiftest growing section of the trade union movement is among white-collared workers

**W**HEN the staffs of some savings banks in Derby last year fought and won an industrial dispute, they inaugurated a new era in the history of middle-class Britain. The Scottish—and some English—teachers who have downed chalks since then have merely been following a precedent. In the less class-conscious societies of France and Italy, bank clerks and teachers have for long been among the most strongly organised trade unionists in their communities. Britain's white-collar workers have been slow to start on this tricky path, but the movement is now gathering pace.

In the past five years, membership of the unions affiliated to the Trades Union Congress has risen by only 21,000; the early recruiting drive just after 1955 has completely petered out, and the TUC's membership has actually fallen by 209,000 in

years; and which promises to keep direct taxation firmly in the hands of the separate island governments. Dr Williams has swallowed this, although the federal premier, Sir Grantley Adams, faced with the indefinite prolongation of an authority that might have been made to measure for a *roi fainéant*, is naturally protesting about it. Mr Manley can now approach his recalcitrant followers with the rather tepid argument that federation will cost the island little more than a fully independent government at Kingston, with its own diplomatic corps and defence force, would do. But the real need is still to present the federal idea as a purposeful experiment, something of major importance in Caribbean and world politics. In the United Nations, for example, a united West Indies, with good internal race relations and bridging the gulf between the Atlantic powers and the coloured peoples of Africa, could expect to play a crucial part. This prospect is not beyond Mr Manley's undoubted powers of political presentation.

The West Indies' misfortune is that they are setting out in the decade of Dr Castro with the same problems of geography and introspection that confronted the scattered Canadian and Australian colonies a century ago. Trinidad is now to Jamaica, 1,200 miles away, as, in a sense, British Columbia was then to Quebec and Western Australia to New South Wales. Inter-island contacts, except in cricket, have been few: each colony has looked directly to London. Inter-island trade has been minimal, running on average at some 3 per cent of the whole. At the same time communities that might rate the status of a small Welsh county council have grown accustomed to the pretensions and trappings of governors and prime ministers of their own. Federal artifacts develop only when there is an initial determination to see that they do. The West Indies will continue to look to Britain for aid, for markets and for emigration to relieve population pressure (certainly federation will not work if the safety-valve of jobs in Britain is suddenly shut off). Mr Macleod may have to be content with small beginnings—but the prospect of a fuller and more complete West Indian union must be made visible and practicable even in this first constitution if it is ever to be grasped.

the last two years. By contrast, unions affiliated to the National Federation of Professional Workers have grown by 90,000 members since 1955. The National and Local Government Officers' Association has grown by 38,000 members, the National Union of Bank Employees by 5,500, and the National Union of Teachers is rising towards the quarter of a million mark (which NALGO has already passed). The civil service unions, which have for so long given discreet service to the satisfaction of the government as well as of their members, have acquired a new vociferousness. Even a parson who proposed the creation of what might be called a white-collar-back-to-front union has been calmly refuted by other ecclesiastics, instead of being mocked as a hopeless eccentric. Among the few groups of white-collar workers who still lack a trade union of their own are the employees of trade unions.

The topmost professional people, such as barristers, doctors, or accountants, have always organised themselves collectively to safeguard their professional standards and some of the

resulting bodies operate practices which look pretty restrictive to the outsider. Some more eccentric groups, such as musicians, actors or journalists, more recently accepted trade unionism as a fact of their working life, and often as a condition of employment; unlike the barristers, they call their trade union spade a spade. So do white-collar associations in industries in which the manual staff are traditionally organised into trade unions. On the railways, for instance, there have for long been three unions, organising respectively the mass of the employees, the footplate men, and the clerical staff. The conflict of interest between three such groups can be genuine and sharp. It has been illustrated again recently by a group of engineering supervisors who, dissatisfied with the Amalgamated Engineering Union's concentration on the interests of unskilled workers, have broken away and formed their own union. The post office engineers—most of them men with skilled technical qualifications—have always kept themselves aloof from the mass of post office workers: the history of their own white-coat union, which has split and reformed again and again, is at present at a stage where they are making more militant threats than the horny-handed staff.

**B**UT the biggest change in the past ten years has been in industries which have never been organised before—or in which organisation had previously taken some form different to that of the traditional union. Thanks partly to their aspirations to a higher social status, many insurance officials or office workers have until recently not wanted to be mixed up in the somewhat vulgar activities of manual workers' unions; now, as more and more children of manual workers are enabled to get a good education, this class stereotype is being broken down.

The banks provide an example. All the major clearing banks have for long had staff associations, encouraged by the managements, provided by them with premises, and empowered to negotiate on conditions and (to a rather lesser extent) on pay. Many bank employees, understandably, prefer to belong to the staff associations: but the strength of the National Union of Bank Employees, which affects in its public pronouncements to regard the staff association members as dupes or even as quislings, has grown rapidly in recent years. The staff associations point out that those who belong to the union are often not in banking as a career—and no doubt those who hope to become managers often feel that it is better to stay in the staff association. But precisely the people who most feel the need to be represented in negotiations are the girls and young men who take a job in a bank for a while, but do not regard promotion to a managership as their vocation. However much the banks, and in some cases a majority of their employees, may regret the passing of the days when loyalty to the house made membership of the union unthinkable to all but coarse eccentrics, the day of the union has arrived. It is going to arrive in other white-collar occupations as well, as the Automobile Association learned to its cost during a small-scale typists' walk-out last year.

The rise of the white-collar unions is something that should be welcomed by all who would like to see the trade union movement possessed of a few new ideas. This wish is not simply inspired by the memory of how some white-collar trade union leaders spoke up in support of Mr Gaitskell's defence policies at last year's Trade Union Congress: many white-

collar unions, like NALGO, do not in any case affiliate to the TUC, and many of those that do refuse to affiliate any part of their membership to the Labour party. Both affiliations are the subject of perennial argument among white-collar trade unionists, some saying that many of their potential members refuse to join an organisation presumed to be sympathetic to socialism. This may well be true of the link with the Labour party; but membership of the TUC would hardly taint any organisation irremediably, and a million-odd new white-collar unionists, disposing of funds comparatively far larger than those of the manual unions, could surely help to influence the TUC in the direction they want.

For this purpose it might be a good thing for the TUC if the more political resolutions at its annual congress were voted on only by unions with a Labour party affiliation, and only in the name of those members who pay the political levy. Better still might be a decision to hold two separate congresses a year—one industrial and one political—as the Co-operatives do: the Co-operative Congress tries to discuss mainly commercial questions, while the Co-operative Party Conference can busy itself with political excitements.

This is the kind of radical new idea which some forward-thinking trade union officials will contemplate, at least in private. They recognise that the white-collar unions have some useful lessons to teach them. The latter are setting the pace, for example, in proper payment of top union officials, a matter which badly needs more attention from manual unions which are already facing problems over the recruitment of the best men for the job; NALGO, for one, pays its general secretary £4,450 a year. The white-collar unions can be forcing houses of other novel ideas, such as that thought up by ASSET when it wanted to have a say in the Air Transport Licensing Board because many of its members work on airfields. The union simply bought up a defunct airline—for a song—and claims to appear before the board as an operator.

The spreading of the trade union ethic up the social scale brings with it some dangers and problems—particularly for the government which now employs so many of the first generation of white-collar unionists. Pay negotiations for civil servants and teachers are now rigidly based on the principle that salaries should be fixed in relation to pay in comparable jobs in private employment: National Assistance Board clerks or lighthouse keepers are slotted into Procrustean compartments whose advantages and liabilities are assessed in intangible terms for equation with outside jobs. This is obviously artificial. It too often leads to shortages of people with particular kinds of qualification, because of traditional taboos—such as, for example, that administrative officers should not be paid less than scientific staff. But this is to say that employers—particularly the Government—should insist stoutly that they will pay most in high differentials for the particular men they most need: that relative pay scales, even within officialdom, must be determined by market realities, not by any abstract principle of “traditional status” or of fair wages all round for inflation. It provides a case for guarding carefully that the growth of white-collar trade unionism should not introduce more starch and restrictionism into the economy, but not for ignoring the commercial and social implications of this growth, or for wishing idly that they would simply go away.

## BRITAIN INTO EUROPE

Mr Macmillan's caution about Europe when he spoke to the assembly of Western European Union on Monday may be partly explained by the problems of Commonwealth farmers. These may have to be solved in a world-wide context. If they can be, neither British politics nor the Seven seem likely to stand in the way of a British move to join the Six

### THE COMMONWEALTH

### Six Months for Decision

**O**NCE again, the Commonwealth difficulty is looming over Britain's European decision. With commendable courage the British Government has now faced up to the need to budge two of the purely British interests—the farmers and the remaining preferences enjoyed by British industry in the Commonwealth—that stand in the way of British membership of the Common Market. But in a characteristic British way it is evidently finding it much more difficult to face up to the delicate matter of persuading other people to adapt themselves. The inevitable warnings that came from Australia, New Zealand and Canada when officials met in London late last week, and the shriller cries that have been coming from New Zealand since, encouraged Mr Macmillan to retreat into philosophical generalities when he spoke to the assembly of Western European Union in London on Monday. Those of his audience who had begun to take heart from Mr Heath's speech of May 17th, and to look at the British difficulties with more sympathy and less suspicion, were plainly disappointed.

The worries of the white dominions, it is true, were not shared by the whole Commonwealth at last week's meeting. The African and Asian members are beginning to recognise that what they lose on the roundabouts, in terms of privileges in the British market, they may well gain on the swings, in the European market as a whole. Canada is worried about its exports of manufactures, but these are tiny in scale; the Canadians may have to be satisfied by talks in Gatt, and the appointment of Lord Amory as a placatory High Commissioner. The heart of the Commonwealth problem is the farm products of Canada, Australia and New Zealand. New Zealand's dairy industry was built up to serve the British market. Australia sends a quarter of its exports here. Wool, one of the principal exports from the two countries, should wholly benefit from British membership, since it could expect to enter the common market duty free. But three staple products—grain, meat and butter—will all be profoundly affected if the British market is merged in a common European one, surrounded by import levies and guided by common policies. The Commonwealth is still nervously seeking guarantees, in what is after all an unknown economic landscape.

Two main ways of satisfying Commonwealth interests have been suggested. One way is to try to negotiate tariff quotas to allow Commonwealth agricultural products to come into Britain duty-free after all. This way appears attractively similar to the *status quo*, but it would in fact mean driving a hole through the common agricultural policy. The second way is to accept fully the implications of a common agricultural policy and price level and concentrate on getting the prices

down. This would mean placing the responsibility for Commonwealth interests squarely on the shoulders of Europe as a whole.

The choice of method ought to be related to the tussle about agriculture that is going on within the Six. Broadly speaking the French, Dutch and Italians, all farm exporters, are anxious to get the common agricultural policy under way. The highly protected Germans are not. So far the Germans have been allowed to procrastinate, on the excuse of their coming elections in October, but once these are over the clash will come.

The next six months may therefore be decisive for the debate within the Six, as well as for diplomacy between the Six and Britain. The French hope to use as means of pressure on the Germans two big decisions which have to be taken by the community. The first, due by the end of June, is the decision to complete the acceleration plan agreed last year. The second, due in the autumn, is the even more important decision, required by the Rome treaty, to move forward from what is called the first phase of the treaty to the second. The treaty laid down that at the point now reached the further progress of the customs union, which has a fixed timetable, would be held up for two years unless all six members were satisfied on other vital matters and agreed to go ahead. On both decisions France is threatening to use its veto unless the agricultural policy moves ahead this year. This situation contains temptations for both Bonn and London. The west German ministry of agriculture makes no secret of its hope that if Britain comes in, the common agricultural policy can be held up altogether; and if the French hold up the acceleration, the German farming interests will accept this philosophically. Obviously it must be tempting in London to take the same view, or to try at least to negotiate tariff-free quotas on a scale that would effectively water down the common agricultural market.

But in agriculture, as in broader matters, getting into the common market requires French concurrence; and the French are well aware of the dangers. If the British, with the Germans nodding silent assent, try to solve the Commonwealth problem by asking for a great many exceptions, the French will simply continue to block British entry. On the other hand, once the British agree to accept the common policy with minimal exceptions, they can expect to find themselves on the same side as the French in the debate on what the common policy is to be. The French, after all, like the Commonwealth, are anxious to keep prices down, in the belief that low price levels, slashing the protection round the German peasant, will open up new export markets for them. The French see Britain (and Denmark) as potential allies, once Britain accepts the



common market conception. Both the speed and the success of Britain's European negotiations this year thus depend on its willingness to find common ground with the French view.

Can any guarantees be given to the Commonwealth that prices will in fact be low and policy liberal enough? Suggestions that the Commonwealth be guaranteed a certain statistical share of the market encounter little enthusiasm on the Continent. If guarantees are necessary, the arrangement of a review between one phase and the next would provide a strong safeguard but avoid endless quibbling. A vote on further progress after a first phase of British membership would push the problem out of the limelight, allow everyone a veto later, and force the members to find a joint solution in the meantime. More immediately, the Six also seem prepared to make wider use of a device already used in Gatt—the fixing of a ceiling on levies and prices. And there is a widespread willingness for special talks with New Zealand about butter.

**G**ROPING for a solution to their problems, Australia and New Zealand have inevitably hit at one time or another on the more radical idea of association with the enlarged community, which would give them a say in the common agricultural policy and a special place in the European market. "Can Australia join?" is a characteristically venturesome first reaction to the subject. But while close association would obviously have big political advantages for the Commonwealth, there are two big objections. Quite apart from any doubts the Europeans may have, it is not at all certain that

either country would be prepared to reduce its industrial tariffs in return. And where they would, there is a disposition to bargain for markets, not just in Europe, but elsewhere—in the United States, and still more, Japan. The United States, too, though it may tolerate European discrimination against its manufacturers for the sake of European unity, is not likely to go so far as to swallow a new worldwide preferential arrangement in favour of its main agricultural competitors.

The problem of temperate agriculture can indeed probably be solved only in a new joint effort by all the major farming nations of the western world—in Gatt, perhaps, or in an Organisation for European Co-operation and Development enlarged to include Australia and New Zealand. Contact in this Atlantic grouping might help to assuage the chilly sense of political isolation which increasingly afflicts the two faithful Pacific dominions. And the problems will be pressing whether Britain joins the Six or not. Within a few years surpluses of wheat and butter will throw a shadow over the world markets if present trends continue. The group might both study the difficult question whether surpluses can be used more effectively to feed the undernourished half of the world's population, and make a start on opening the markets of Europe and America to each other. For Washington, this will be much the most difficult of its new ventures into trade co-operation; so far President Kennedy has been more tender to the farm voter than his predecessor was. But if Britain joins the Six, America will be faced not just with an agricultural problem, but with a change in the facts of world power. The way could be opened for many new ideas.

## POLITICAL CHOICE

### Obstacles Fading in Britain

**E**ACH of the internal political difficulties in the way of a British application to join the Six looks steadily less formidable. So far less than a dozen Conservative MPs (of the Lord Hinchinbrooke genre) have protested really loudly at the way things are going; the agricultural issue, which was expected to weigh heavily with about a hundred other Conservative MPs, seems to be fading in importance as more and more Tories are willing to accept that British farmers would probably gain from the change. Lord Salisbury is said to be a moderate pro-European, and no cabinet minister at present seems likely to resign to lead a revolt with the Hinchinbrooke dozen as his only lieutenants. At the other end of the pole, 13 Conservative backbenchers have signed Lord Gladwyn's memorandum in favour of Britain's formal and prompt acceptance of the institutions and ideals of the common market; several of them are notably up-and-coming young men, clearly of future junior ministerial material. Lord Gladwyn's document has also been signed by an imposing roll-call of names from Britain's intellectual Establishment and by enough prominent ex-civil servants to suggest that theirs is the majority voice in Whitehall; one very interesting signatory is Sir Robert Hall, who was chief economic

adviser to the Government until he reached retirement age a month ago.

Equally important things are happening on Labour's side. To its embarrassment the Trades Union Congress last week received a letter from Mr Finton Walsh, president of the New Zealand Federation of Labour, which averred that "this drive to herd Britain into Europe comes from the greed of industrialists" whom he portrayed as once again intent on happily and deliberately sacrificing the British and New Zealand worker for their profit. This sort of language has an effect that is the exact opposite of what had been intended, because it makes opposition to European union look rather cranky. The TUC has also to take note that the Gladwyn document was signed last week by three pillars of the miners' union (Messrs Sam Watson, Ernest Jones and Sir Will Lawther); at the Coal Board Mr Robens also believes that signature of the Rome Treaty would be good for coal. In all, 17 Labour MPs and about fifteen other prominent Labour figures have signed the Gladwyn manifesto; they range from three or four figures of the pretty far left (including the chemical workers' Mr Edwards and the Methodist Dr Soper), through a sizeable crop of Labour lawyers and intellectuals (including—shades of his

"Schuman plot" speech of 1950—Mr Strachey), most of the prominent Roman Catholics in the party, a leading cotton trade unionist (Mr Thornton) and Labour's best-informed agricultural expert (Lord Walston), to the Croslands and Wyatts. Among Labour doubters, Mr Denis Healey has rightly said (in an article in *The Observer*) that this issue "faces Britain with the most fundamental decision in her history," but has then somewhat inconsistently opposed it because he fears a short-term dilution of British foreign policy under pressures from the elderly Adenauer and de Gaulle. Mr Wilson and Mr Jay will continue to hound the Government at every point where they think that some special interests' votes can be picked up as a result of any diminution in protectionism; but probably no more than that. On the far left, Mr Michael Foot is opposed to European unity, root and branch. But the net effect of all these cross-currents—and of the fact that Mr Gaitskill's own views on this matter are very similar to the Prime Minister's—seems to be that Labour cannot now possibly make any Government advance towards Europe into a major and clear-cut inter-party issue; if Britain is still kept out of EEC, it is unlikely to be internal political difficulties that shut the door.

## THE SEVEN

### On the Move

**T**HE appearance of a British intention to seek membership of the common market has shattered the quietude of the European Free Trade Association and set its members on the move, seeking to protect their own interests. Reappraisal has gone a long way in most of the capitals. Quite apart from Denmark, which has said that it will join as a full member if Britain does, and Norway which seems likely to follow suit soon after, the Swiss, Austrians and Swedes have all been putting out feelers to Brussels to explore the possibilities of association. Austria and Switzerland, indeed, seem already to have abandoned the idea of multilateral negotiations by the Seven as a group, and to have accepted the idea of bilateral talks. Only Sweden still clings to the idea that the Seven must negotiate as one.

What are the prospects for bilateral associations for the neutrals, if the issue comes to a head? If the common market tariff settles at or below the new low level pro-

posed by the Six in the General Agreement on Tariffs and Trade, there is little ground left for the old objection to a customs union from the low-tariff countries, Sweden and Switzerland. But the Swiss may get into trouble if they try to protect their agriculture at all costs. About institutions, the Six are on the whole more inclined to sympathise with the political difficulties of the Austrians and Finns, who, they feel, are victims of *force majeure*, than with the Swiss, whose neutrality appears to them as a matter of taste. Still, on the whole, the attitude of the Six towards the neutrals is not unfriendly.

America's view remains the big unknown. The United States, willing to accept economic losses for the sake of bringing Britain into Europe, may not be so inclined to be charitable for the sake of Swiss exports. The case for bringing in the neutrals may well have to be put in Washington by Britain, which has, after all, an obligation to them.

## WEU

### Symbol without Power

**S**YMBOLIC anticlimax is really the only description for the meeting of the Assembly of Western European Union in London this week. It was obviously appropriate and exciting that a European assembly should be meeting in London for the first time at the moment when the decision to commit Britain to Europe hangs in the London air. But there was no disguising the disappointment of the deputies when Mr Macmillan treated them to a philosophical discourse which gave absolutely no hint of what the British Government's intentions are.

All this tended to give a certain air of unreality to the debates that followed. The keener of Britain's European friends (and most of the deputies in WEU are friends of Britain) were left to console themselves by

quoting enthusiastically from Mr Heath's recent speech in the House of Commons, and by listening to their British colleagues explaining that they thought the decision was on the way. On Tuesday a useful report was adopted from the assembly's general affairs committee, explaining how the Commonwealth problem could be solved if Britain joined. But though it was presented by a Tory agricultural MP, Mr Robert Mathew, and if anything neatly dodged any particularly difficult Commonwealth points, there was a good deal of feet-dragging from other Conservative MPs, still uncertain, perhaps, of their government's policy. If there was no doubt that the members of the WEU assembly wanted Britain in Europe, there was none, either, that the decision was in other people's hands.

## GATT

### Straining at Gatts

**T**HIS year may go down to history as the year when the great trading nations at last started to swallow the real camels, but were still straining at Gatts. The real camels are, first, the possibility of forming a common market right across Europe; secondly, President Kennedy's bold idea of a joint western effort to increase imports of cheap manufactures from the developing countries, and, thirdly, the possibility that, if only the problem of imports from cheap labour countries can be shifted to consideration under some such new and liberal scheme, the advanced industrial countries of Europe and North America might at last start to

realise that tariffs between themselves are an uneconomic illogicality. When and if Europe is united economically, it is a perfectly sensible hope that the next great advance in trading relationships may be towards something approaching a free trade area between it and North America. All these burgeoning thoughts are tending to overshadow the officials of the 36 big trading nations who have been gathered since last September at a Gatt meeting in Geneva which itself started off with what once seemed to be a major objective.

The broad objective is to make this the Gatt session of the 20 per cent tariff cut.

The United States has the power from Congress to make some tariff cuts of up to that amount; it has never intended to make such concessions in full, but it hopes to conclude agreements about some of them and has always emphasised that it must have time to get such agreements ratified before early next summer (when its present powers from Congress expire). The common market Six announced some time ago at Geneva that they would be willing to make a 20 per cent cut in their own projected tariff with the outside world, on pretty well all industrial products right across the board; but first they were obliged to make "compensatory" agreements with other countries to make up for the fact that this common tariff will itself oblige some members of the Six to put up their individual tariffs (in breach of some previous bound agreements). Britain, for its part, had at last begun to realise last year that even unilateral tariff cuts would be good for the British economy, because they would foster more competition; it had come to Geneva willing to make cuts that should average approximately 20 per cent too.

Unfortunately, so long as the pettifoggery Gatt system of bargaining still obtains, pettifoggery keeps on rearing its head. Both the Six and some of those bargaining with them have acted rather crabblily in the preliminary negotiations about individual compensatory cuts; it had originally been hoped that these preliminary negotiations would be over by January 1st, but final agreements had still not been reached by last week and the remainder of these negotiations have now had to be merged into general negotiations about the 20 per cent cuts. In this new round, the Americans are in the awkward position that they cannot give as big concessions as they hope to get from other people. The British Government, after preliminary soundings with British industry, has also apparently decided that it would be politically inconvenient to offer a 20 per cent cut in British industrial tariffs right across the board, but may try to balance smaller concessions in the awkward cases by offering more than a 20 per cent cut in others.

One factor that might give the British unworthy reason to pause is the fear that if any industries really did start being hurt by these preliminary Gatt reductions, that might raise political opposition at home to the later and bigger negotiations about joining the common market. It would be a bad mistake by the British to pay too much heed to this fear. The real British need now is to keep up the dynamic towards free trade in the free world, in order to give more power to President Kennedy's elbow when the reciprocal trade legislation comes up for discussion in Congress next year. (What goes for trade, goes also for aid—especially in the current Aid for India Club negotiations in Washington.) It is important that this common sense judgment should underlie the instructions that the Government sends out to Sir Edgar Cohen, the British representative in Geneva, during the next few weeks.

# NOTES OF THE WEEK

## THE CARIBBEAN

### Death of a Benefactor

GENERAL RAFAEL TRUJILLO'S hold over his feudal barony, the Dominican Republic, was so all-enveloping that his death had long been predicted as the only instrument of change. His assassination on Tuesday night opens the way for something new: perhaps for a less old-fashioned order. But just as possibly—given the circumstances of his removal—the way may have been opened merely for disorder. Other authoritarian regimes in Latin America have been swept away by liberal movements within the armed forces, smothered by the pressure of increasing opposition, or, in the case of Cuba only, overwhelmed by popular revolution. In each case there was a group ready to take over authority, even if only in a caretaker capacity. But in the Dominican Republic there will be many competitors for the power that General Trujillo had wielded since August, 1930, and it may be several weeks or months before the convulsions that are now likely to shake the country throw up a responsible government of any kind.

For thirty years *El Benefactor* has dominated the republic's political, economic and cultural life. Surrounded by a network of secret police, backed by an army of 100,000 men, many of whose officers were deeply implicated in his acts of suppression, he had, until now, been able to anticipate the

plots against him and ignore the writing on the wall. All the signs that in other Latin American republics have been the prelude to change have been written large in the Dominican Republic, but General Trujillo, secure in an atmosphere that to one correspondent chillingly recalled George Orwell's *Nineteen Eighty-Four*, was able to treat them contemptuously. Murder, in this outpost of autocracy, had to precede revolution.

Over the last year or so the general had become more and more isolated within his own domain. Nearly every other Caribbean government had become his avowed opponent. Cuba, after the first bravado of Sr Fidel Castro's challenge, has had troubles enough of its own; but Venezuela, since General Trujillo's ham-handed support for a murder attempt on President Betancourt, has persistently urged the American states to take action against the Dominican regime. But the Dominicans have reserved their retaliatory anger for the United States. Washington's decision last autumn to join the other members of the Organisation of American States in censuring the Dominican Republic, and urging economic sanctions, the effect of which has been largely theoretical, was treated as a vile betrayal. Even if the step came late, the United States is on the right foot in this corner of the Caribbean.

## BRITAIN AND SPAIN

### Duet with Obligato

LORD HOME cannot exactly have been helped by having to conduct his exchange of courtesies in Madrid this week against the obligato of apologetics and re-priming that has followed Mr Butler's now famous dinner with Señor Castiella. Perhaps inevitably, the Prime Minister defended Mr Butler in the Commons on Tuesday by attacking those people whose bitter memories make them unable to countenance any sort of civil intercourse with General Franco's government. There are such people; it would be strange if there were not. But it is not only they who think it misguided to rush at the Spanish question by seeking to drag Spain into Nato when so much about Spain's internal affairs, and about Spain's relations with Europe, needs more urgent attention.

Lord Home, to do him credit, has been conducting himself in Madrid as if he understands this. Britain and Spain, he said on Monday, were two countries with tradi-

society, a more rational housekeeping, and political standards less remote from the western European norm.

No British Government can expect to assert a decisive influence in Spain. But, without much doubt, these tendencies are helped when British ministers show themselves interested in Britain's Spanish relations, and they would not be helped if the pious doctrine prevailed that it is better to keep aloof. Lord Home was, therefore, right to pay his call in Madrid. There is still plenty to find fault with in Spain; and the subject is still one on which the British easily get heated. But it would be a pity if this were to cause British ministers to keep away.

## BRITAIN AND PORTUGAL

### Home Hints

IN Lisbon, where his visit ended on Sunday, Lord Home seems to have talked to the Portuguese much as Mr Macmillan talked to the South Africans last year. His speech at the Portuguese foreign minister's dinner on May 25th was directly reminiscent of the "wind of change" speech. In the mildest Macmillan manner the Foreign Secretary reminded the Portuguese that it was the British aim in colonial policy to establish self-governing societies. He spoke of the British experience which taught that in African matters it is "necessary both to name a political goal and to be seen to be making progress towards it." It can be assumed that Lord Home said more in private conversations: that is the least that could be expected of a friendly ally.

The difference in the Lisbon speech lies in the timing. If Mr Macmillan had spoken after Sharpeville, and not before, he would have been criticised for apparently condoning, by his presence and his friendly manner, the methods of a government with blood on its hands. Lord Home's visit was arranged before the Angola massacres, and before the affair of the *Santa Maria*. It is unfortunate that it has come immediately after the outbreak of Portugal's colonial war, for many of the more vociferously anti-colonial peoples of the world will read into the visit British support for what has taken place. Few such people will hear the details of the Foreign Secretary's speech; they are likely to do no more than register that he was there, and that he was not unfriendly.

On the other hand, it is neither possible, nor particularly admirable, to administer diplomatic snubs to every government that gets into trouble and then, when in trouble, does regrettable things. If Portuguese colonial policy were to take a turn for the

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better, complaints about the timing of the visit would, in retrospect, seem churlish. To follow British advice to its logical conclusion would, however, mean for the Portuguese facing the eventual loss of their colonial empire. There is no sign of this kind of rethinking in Lisbon.

## TEACHERS' PAY

### The Burnham Bill

THE Burnham committee has agreed on a basic teachers' salary scale of £600 rising to £1,200 after 16 years' service (compared with £520-£1,000 under the existing agreement). The committee's recommendations have now gone before the interested parties, including the Government, for acceptance or rejection. It is by no means certain that the Government will accept them. The crucial fact for the Treasury must be that the cost of the increases will be some £60 million a year; if accepted, this would be the biggest rise ever given to the teachers. The questions are whether the total sum is too great and whether the distribution of the taxpayers' money under the revised scales is such as to ensure the best educational return; whether too much money is being given to the large number of young women who enter the profession for a couple of years before marriage, instead of being concentrated in the key sectors like heads of departments and honours graduates teaching mathematics and science to "O" and "A" level in the General Certificate of Education. There must be some doubts on each of these scores, although the actual claim by the National Union of Teachers (a basic scale of £700-£1,300 after ten years, involving a rise of £100 million in the cost of education) has been toned down inside the Burnham committee.

The most commendable feature of the new recommendations is that salaries are stepped up substantially after five and six years' service on the basic scale, and earlier on the trained graduate scales. Thus a good honours graduate, with four years' study and training behind him, will attain a four-figure salary after four years in the profession. This incentive is important to a young man taking on family responsibilities, and may encourage young women (among whom the wastage rate after an expensive training on public grants is now serious) to continue teaching after marriage. In the more responsible posts heads of departments will receive a nominal increase of £20-£30, although a new grade carrying an additional salary of £545 is to be introduced. The rise for most grades of head teachers will be some £115, and for deputies £55.

In April the Secretary of State for Scotland ruled that a committee award for Scottish teachers should be amended, and a smaller rise given to new entrants at the bottom of the basic scale, where there is no shortage of prospective recruits. Sir David Eccles is not in a position to amend the

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Burnham recommendations for English and Welsh teachers: he must either accept or reject outright—and rejection now means inviting the prospect of a general teachers' strike. For the long term, this award greatly strengthens the case for saying that the Government, which has to foot the bulk of the Burnham bills, should be associated more directly in future in the earlier stages of negotiations. But for the short term, it confronts the Government with a very delicate economic and political decision.

## CIVIL SERVANTS

### Civil Inflation

THE conference of the Civil Service Clerical Association this week threw a spanner nearly into the newly worked out scheme for evaluating the pay of civil servants: the delegates also stood and cheered the announcement of a pay increase awarded under the old scheme by their arbitration tribunal. The pay increase restores the clerks' differential over certain post office technical staffs, and destroys an attempt by the Post Office and the Treasury to make the technical jobs relatively more attractive than the clerical ones, and thus to attract more technicians. The award of the arbitration tribunal rebukes the Post Office and the Treasury in terms which show clearly that it considers itself bound to assess pay with regard to the "relative value of the work performed" by the various grades of public servant, and not at all with regard to the essential matter—which is the relative difficulty of getting men to do the various jobs.

It has been suggested that, had the arbitral award been announced on the previous day, the clerks would not then have rejected the new pay evaluation scheme. This tidy scheme was worked out over eight patient years. Its principle was that the pay research units, which evaluate the comparability of civil service work with that of jobs in outside industry, would normally take a look at each group of civil servants every five years: the group's pay would then be fixed, and the staff negotiators would not be entitled to ask for a rise unless the industrial wage index had risen by five points in twelve months, in which case negotiations on behalf of all civil servants would begin.

The advantages of this plan were that it was thought to be a dignified way of evaluating civil service pay, and that it would rationalise the work of the pay research units, which are at present hopelessly behind with their fantastically complicated job. Its gross disadvantage was that it would strengthen the pressure on the Government to grant an inflationary wage increase to civil servants just at the moment when inflationary salary increases in industry were doing their worst damage to the economy. That the present system of working out civil servants' pay is unsatisfactory is proved by this week's award to the clerks: now

that the clerks and the post office unions have combined to ensure the defeat of the new and equally unsatisfactory scheme, and that the Burnham committee has dumped such a massive problem on the Government's plate, it is time for loud voices to proclaim that the whole arbitral mechanism for pay increases within the public service demands radical overhaul and rethinking. In this respect, the advice given to Britain by an OEEC report this week, set out in the following note, assumes especial relevance.

## PRICES

### Wages Policy Wanted?

BETWEEN 1953 and 1960 the cost of living rose in all the twenty countries of free Europe and North America. Turkey did worst with a rise of 126 per cent. France was fourth in the list with 34 per cent, Britain ninth with 21, Germany fifteenth with 14, America seventeenth with 11, Portugal, Luxembourg and Switzerland were equal best with only 8. A group of prominent economists from six countries have now published a detailed analysis for OEEC\* of the reasons why. They think that the economists' usual whipping boy—excess demand—was a dominantly important factor in such countries as Turkey, Spain and Iceland, and in France during 1956-58; but that for most countries the excess of demand was relatively mild and existed in only part of the period. In Britain they consider that that period existed only between late-1954 and mid-1956 (though with some question marks also over early 1960). They judge that price increases caused by monopolistic producers seeking higher margins of profit have also not been an important factor in Europe since 1952, though they may share some of the blame for inflation in America.

Apart from special factors, such as bad harvests, this leaves them with the main fact that the collective negotiation of wages "can be an independent cause of inflation when it produces higher wage increases than would be produced by a freely competitive labour market." They do not find that this has been a real source of inflation in countries such as Italy, Switzerland and Germany (except perhaps in 1956-57), but the summary of their report lists it as a main factor in:

Denmark, the Netherlands, Norway, Sweden, the United Kingdom and the United States. As demand pressures were less in the United Kingdom, the United States and Denmark than in the other three countries, it can be said that wage pressure was more important in them in accounting for the price rise that occurred. It is significant that economic growth was less vigorous in these three countries.

What should be done about this, especially in countries like Britain where the wages of

\*The Problem of Rising Prices, by W. Fellner, M. Gilbert, B. Hansen, R. Kahn, F. Lutz and P. de Wolff. Available from HMSO. 21s.



over four-fifths of all employees are covered by collective agreements?

The majority of the economists are convinced that it would be in the interests of the "working population and the nation" if all governments now adopted a national wages policy: if they announced a "norm" beyond which they deemed that average rises in wages would be inflationary. Governments should then see to it that average wage increases for employees in the public sector do not get out of line from this norm; in private industry the burden of proof should be upon any group in labour or management which wanted to deviate from it; and government intervention through reference to arbitration tribunals, courts of inquiry and the like should not be directed towards preventing strikes but towards preventing average wage increases from breaching this norm (some wage increases in any year should be above it, but an equal number below it). In a minority report the Swiss and American economists on the group dissent from some of this emphasis on the need for a central wages policy, but they agree with the majority's points about wages in the public sector and about courts of inquiry. The report should be compulsory reading for all politicians; it is in precisely these respects that British economic policy has most signally failed since the war.

#### ALGERIA

### Heart of the Matter

WITH the preliminary skirmishing over at Evian, the French and Algerian negotiators are tackling a problem of priorities which, in a sense, goes to the heart of the Algerian problem. The French team, headed by M. Joxe, would like the Algerians to agree on the form of a future association between a sovereign Algeria and France before they discuss the referendum in which the Algerian people would vote for their own future. The Algerian team, headed by Mr Belkacem Krim, wants to settle the form of the referendum first. The Algerians see the referendum as the means of establishing the independence of Algeria in the eyes of the world; once independent, the future Algerian republic could choose whether or not to seek an association with France, and on what terms.

There is, in fact, no question of holding a referendum until the two sides have agreed on the intractable issues that now divide them. These include the status of the European community in an independent Algeria, and the integrity of Algeria's territory; the Algerians seek a guarantee that neither the Sahara, nor the predominantly European areas, will be amputated from the body of the country as it stood when the nationalist insurrection began in November, 1954.

The French are on strong ground in arguing that there must be an agreement on

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the form of the future relationship between the two countries after Algeria is independent. Indeed, the Algerians, by inference, concede the need for an agreement; they do not wish, however, to bind themselves before they get power in Algeria in their hands. The whole argument raises the question whether the French do, or do not, admit that the National Liberation Front (FLN) represents the Algerian people. Until very recently, the French have denied any such claim. The Algerians, however, have exposed a French weakness by pointing out that the French team, if it insists on reaching a definitive agreement at the present talks, will in effect have recognised the representative character of the FLN.

Quick results should not be expected. It is at any rate good news that the difficulties are being tackled in what appears to be a fairly reasonable frame of mind on both sides.

#### LAOS

### Marking Time

SLOW to start, the international conference on Laos at Geneva is now reluctant to continue. Inspired perhaps by the memory of Mr Molotov's stonewalling, the head of the Soviet delegation, Mr Pushkin, is now saying *nyet* with monotonous regularity each time a western delegate makes a suggestion. By Monday, the Americans were talking of going home, and an atmosphere of failure and frustration hung over the Palais des Nations. When *The Economist* went to press, however, it seemed unlikely either that further progress would be made at the conference, or that it would collapse, until the two Ks had talked things over in Vienna.

The cause of the deadlock is a cart-and-horse dispute whether to give priority to the Soviet proposals for Laotian neutrality, as Mr Pushkin insists, or to western complaints that the Laotian communists are violating the precarious cease-fire. Mr Averell Harriman, who leads the American delegation, has pointed out with vigour that a controlled cease-fire was to be the *sine qua non* of western attendance at the conference. Mr Malcolm MacDonald in Geneva, and Sir Frank Roberts in Moscow, are giving him energetic support. The British and Americans are asking that the conference should give fresh instructions to the three-nation control commission in Laos, and are on strong ground, for the commission itself, frustrated by conflicting accusations and hampered by inadequate facilities, requested further instructions in its report of May 20th.

The problem is simplicity itself. If the communists are going to continue to press home their military advantage, then the conference becomes pointless, and the Americans will be thrust back upon other, more dangerous, means of dealing with the situation on the spot. This, it may be supposed,

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is going to be part of what President Kennedy says when he meets the other Mr K in Vienna today.

#### FISHERY DISPUTES

### Mr Wood's War

THERE seems to be no good reason to regard Mr Ted Wood, of the Aberdeen trawler *Red Crusader*, as in any sense a national hero because he decided to cut and run from arrest by a Danish frigate off the Faroes on Monday. Yet it was Mr Wood—not Dr Verwoerd or Mr Butler or anyone else—who got the main banner headlines on Wednesday morning, even in newspapers like *The Times*. Like Mr Jenkins (whose ear was not, in fact, cut off by the Spaniards two centuries ago), he has earned himself a place in our rough island story.

The Danes say that they caught the *Red Crusader* fishing inside the Faroese limits, and Mr Wood seems initially to have concurred, since he agreed to be escorted into the port of Thorshavn. But then, apparently, he changed his mind and set off southwards with the Danish prize crew (whose part in all this seems to have been essentially passive) still on board. The Danes opened fire (naval officers have their pride, like trawler skippers), contrived to hit the *Red Crusader* in such a way that there was no damage to life or limb, and, when Mr Wood still held on his course, refrained from blowing him out of the water. If a British fishery protection cruiser had done this in similar circumstances, it would have been equally within its rights; but it is a fair point that there would have been an even louder subsequent outcry from some people against its gunboat diplomacy. Both Danes and Britons should in fairness consider what their reactions would have been if the boot had thus been on the other foot.

The Danes have been annoyed recently by British fishermen cutting across their nets off the Dogger Bank, and their naval patrols have been given tougher orders in consequence. The British trawlers, too, have been incensed by the extension of fishery limits by Iceland and Norway, and, to send blood pressure still higher, the Danes and Faroese have been talking in the past month of revising the six-mile limit that has been in operation off the Faroes since 1959. While slipping inside limit lines is an old-established sport off everyone's coast, the consequences of serious disputes can be important politically, as well as financially damaging to the owners. Whatever the rights or wrongs of Mr Wood's case, the Danish reaction has already been such that the 1959 agreement

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may not even run its three-year term. At a time when Europe is intent on moving towards freer trade on other matters, both sides need to be reminded that these hot tempers about cold fish make very bad counsellors.

## DRUG ADDICTION

### A Reassuring Report

THE incidence of drug addiction in Great Britain is still very small. That is the opinion of the inter-departmental committee under the chairmanship of Sir Russell Brain, whose report was published last week (HMSO 1s. 3d.). The number of addicts known to the Home Office in 1960 was 454, of whom more than half (at least 255) were women. There is no registration of addicts in this country, and there is no law against addiction.

But under the law relating to the manufacture and distribution of dangerous drugs, including the issuing and dispensing of prescriptions for them, the number of addicts receiving supplies of a particular drug licitly—that is, on prescription—can be ascertained by regular inspection of doctors' and chemists' records. According to the committee, the amount of the illicit trade in drugs of addiction, and the number of addicts obtaining supplies illegally, are so small as to be negligible. This is a reassuring statement, even though the implication that the number of nurses known to be addicts—14—represents virtually the total of addiction in their profession arouses scepticism.

Because drug addiction is not a grave

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social problem in Britain, the committee sees no reason to alter the existing liberal attitude towards it on the part of society. (It may, of course, be that addiction is not a problem because of the liberal attitude towards it.) Registration and compulsory treatment are, therefore, turned down. But it should be pointed out that the committee defined addiction more strictly than the layman would tend to. It distinguishes drug addiction, which among other things produces a physical as well as a psychological dependence on the effects of a drug and severe symptoms if the addict is deprived of it, from drug habituation. The layman might equate the two, but it is consumption of the potentially habit-forming drugs—sedatives, hypnotics, tranquillisers and stimulants—that has increased considerably in recent years. In some people a drug of this sort may produce addiction, and these people are not included among the known addicts because the drugs are outside the scope of the Dangerous Drugs Act; but the cases are rare enough for the committee to recommend no further action other than was proposed in its interim report. As a result of that report, certain drugs affecting the central nervous system can be sold only on prescription.

Habit-forming drugs, as the committee points out, have a detrimental effect primarily on the individual, unlike the drugs of addiction whose effect is detrimental to society as well. Habitual drug-taking, in fact, so often pleaded in extenuation of a crime, is usually only another symptom of an unbalanced personality, not a cause of it. The cases of abuse that hit the headlines should not be allowed to obscure the undoubted benefits to patients, particularly in psychiatric practice, that such drugs as barbiturates and tranquillisers have brought.

## CANADA

### Triumph for Dief

BY retaining three out of four seats at the by-elections held on Monday, the Canadian Conservative party has confounded the Gallup polls and even surprised itself. Although the party had to contend with the traditional unpopularity of a government in its third year of office, as well as the memories of a winter when the rate of unemployment was exceptionally high, its success in three widely scattered constituencies shows how strong it still is. Mr Diefenbaker, who himself kept strictly out of the campaign, now has to decide whether it would be prudent to hold general elections in the autumn rather than wait another year—and through another winter.

One of the deciding factors may be developments in the New party, the alliance of the former Co-operative Commonwealth Federation and the Canadian Labour Congress. Although the New party has not yet been officially established—it will hold its founding convention on August bank holiday—it managed successfully to split the opposition in

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Esquimalt-Saanich, British Columbia, which was the only constituency that it contested. This seat, a suburb of Victoria, with deep British and naval traditions, used to be more or less the personal fief of General George Pearkes, who has now retired from Parliament to become lieutenant governor of British Columbia. On Monday, in a five-cornered fight, the Conservatives won 8,600 votes and the Liberals 7,800 votes; the New party came a good third with 6,700 votes. Mr T. C. Douglas, the dynamic prime minister of Saskatchewan, has been persuaded to lead the new alliance, and Mr Diefenbaker may conclude that it would be wiser to wait for his general elections until next summer when Mr Douglas will have had more time in which to scatter the government's opponents.

## UNITED NATIONS

### Dangling Man

WITH quiet and ruthless logic, Mr Hammarskjöld, in his Oxford speech on Tuesday, demolished Mr Khrushchev's case against him so finally that the argument (as opposed to the shouting) may be said to be over. The Soviet leader's demand for the secretary-general's dismissal is based on the charge that he has shown a lack of "neutrality"; by extension, it is now apparently Soviet doctrine that "no man can be neutral." Mr Hammarskjöld points out that acceptance of this doctrine means that "we would be thrown back to 1919." The League of Nations, in its regulations, and the UN in Article 100 of its Charter, insisted that international officials must have only one loyalty, and must take no orders from any other authority. Russia, which signed and ratified the Charter and has hitherto defended it as a sacred text, would now destroy this whole principle by subordinating the UN secretariat to a trio of chiefs whose loyalties would be explicitly partisan. It is pursuing its goal by putting unrelenting pressure on the secretary-general to resign, although it had accepted the general conviction of the 1945 San Francisco drafting conference that he must be protected against such pressures.

Mr Hammarskjöld shows how Article 98, with its general requirement that the secretary-general "shall perform such other functions as are entrusted to him," and Article 99, which gives him an explicitly political role, have led to his being assigned urgent tasks in which the member governments, by leaving him dangling with imprecise instructions, have knowingly required him to use his own political judgment, often in cases where any decision must necessarily offend one faction or another. He points out that the easy course of avoiding criticism by taking no action at all in the absence of precise orders is not open to him. To act thus would be to fail in his duty. The international civil servant may seek guidance both from "case law" and through consultation; he must, like any judge, consciously keep his personal

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sympathies from influencing his actions; but in the end,

if integrity in the sense of respect for law and respect for truth were to drive him into positions of conflict with this or that interest, then that conflict is a sign of his neutrality and not of his failure to observe neutrality.

The secretary-general's reasoning fully sustains his conclusion that any abandonment of the struggle for internationalism of which the service is a symbol might "prove to be the Munich of international co-operation." It will be interesting to see if Moscow can produce a reasoned rejoinder.

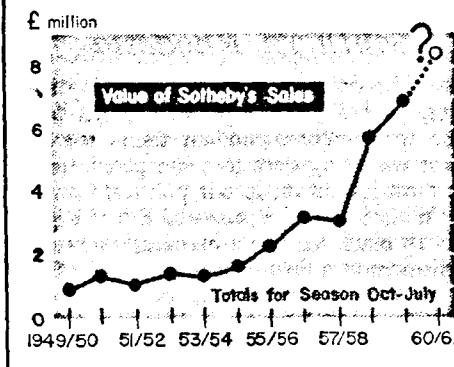
## HOSPITALS

### Centres for Psychopaths

THE working party on the "special hospitals" (Broadmoor, Rampton and Moss Side), which reported in April, recommended the establishment of diagnostic and treatment centres for "difficult psychiatric cases." These were defined as patients with aggressive, anti-social or criminal tendencies, who also present special problems of diagnosis, treatment and management. Psychopaths would be expected to form most, though not all, of the centres' patients, and the working party suggested that eventually a patient whom it was proposed to transfer or send to a "special hospital" would first be sent to a centre for assessment. Transfer to such a hospital would then follow only if the centre could not treat the patient itself and if it decided that no ordinary hospital could do so either.

## ART AUCTIONEER

Sotheby's, founded in 1744, is the largest fine art auctioneer in the world. Its income is derived almost entirely from the 10 to 15 per cent commission which it charges on sales; this is about half that of its overseas rivals which may account for the increasing flow of business from New York. The 1960-61 season has followed much the same pattern as 1959-60 with a peak turnover of nearly £1½ million in November and if the last three months of the season make up 44 per cent of the total which has been the average in recent years, the £8 million mark will be reached.



## NOTES OF THE WEEK

The north-west metropolitan hospital board has now decided—had, in fact, decided before the working party reported—to build two centres, one for diagnosis and assessment and one for residential treatment. Unlike the centres envisaged by the working party, the board's centres are declared to be specifically concerned with psychopaths; but in the event, since the term psychopathy can cover such a wide variety of anti-social behaviour, both board and working party appear to have the same sort of patient in mind, and both emphasise the importance of facilities for research. The board's diagnostic centre will probably be in London, because it will take outpatients as well as a few in-patients. The residential centre will be in the country.

The cost of building the diagnostic and assessment centre will be almost entirely met by a gift from Lord Nuffield of £100,000; the other centre, which will not be built for some time, will be paid for out of ordinary funds. It is a small beginning, but the working party recommended that such centres should start in a small way and be developed in the light of experience. Shorn of the jargon surrounding the announcement of its establishment, the new centre can be welcomed as the beginning of an attempt to remove the mental hospitals'—and the prison service's—most persistent headache.

## ARAB REFUGEES

### Threatened Landmark

MR MUSA ALAMI, who was in London this week, is a Palestinian Arab who wears his rue with a difference. The vocational training centre for orphan refugee boys that he runs near Jericho is one of the few constructive landmarks in a desert landscape; the 400 boys who have passed through the school have quickly been able to find jobs for themselves and so leave for ever the barren half-life of the camps. But, unlike other orphanages, the training centre has no endowments or grants and is financially entirely dependent on the profits from a nearby experimental farm—another of Musa Alami's projects.

Despite various calamities, this arrangement worked until the beginning of the year. The farm, an important experiment in desert reclamation, managed to keep itself and the orphanage going by selling out-of-season fruit and vegetables to the Arabian American Oil company at Dhahran. Last December, at a week's notice and under pressure from the Saudi Arabian government, Aramco cancelled its contract, and the farm, unable quickly to find alternative markets, has had to sack about half its staff and has been ploughing its produce back into the ground. Musa Alami is hunting for new markets, particularly in Germany and Switzerland, but the farm is bedevilled by transport difficulties and it may take at least three years before the situation is redeemed.

In the meantime, supporters of the scheme, the Arab Development Society, are trying to raise money from private subscribers in Britain and the United States. Should they fail to get enough, the centre may have to close and the boys, who fall through the wide-meshed net of the United Nations Relief and Works Agency, would not even be entitled to free rations, let alone a home or schooling. Should they succeed, there is still the bleak background of 35 boys competing for each place in the orphanage, and for orphan girls no refuge at all.

## RSPCA

### The Dogs of War

THE Royal Society for the Prevention of Cruelty to Animals has 19,000 members and spent £592,600 last year, which makes the RSPCA one of the country's strongest pressure groups. In its battle for a four-legged welfare state, the society claims credit for much legislation; it maintains 240 permanent inspectors and 100 clinics staffed by qualified vets, a plushy cats' home, a hostel at London Airport for dumb friends in transit, and organises courses for children on how to be nice to animals. But, like other middle-of-the-road reforming organisations, it is apt to fall foul of ginger groups. At present they are attacking the society on its official attitude to fox-hunting, which is that hunting is only bad so long as it is fun, but that where hunts exist they can maintain the collective security of chicken-runs in a way no more cruel than poison, guns, gas and other deterrents. The ginger-groupers would like to see the society impose a total ban on fox-hunting: a rise of 3,000 in the membership last year is said to be due to the infiltration of large numbers of adherents of this importunate ban-the-hound movement.

In the past year the society was forced to hold an extraordinary general meeting, at which the council met its Scarborough: the meeting voted against hunting, but society to a new policy. The annual general meeting went better for the council, and reversed the decision. The ginger-groupers are now trying for two of the eight seats which fall vacant on the council this year: the society's Establishment argues, rather weirdly, that controversy among its members would interfere with the society's practical work. This, they say, is too technically complicated an issue for a general ballot of the society's members.

The RSPCA controversy broke into the open slightly before the startlingly similar one in another large organisation devoted largely to the promotion of welfare. Mr Gaitskell can now reflect calmly that he is not the only leader who finds himself lodged firmly in the cleft stick of the humanely ideal and the humanly possible; perhaps he and the RSPCA can exchange some ideas on tactics?



# LETTERS

## Disarming

SIR—Your readers will no doubt be familiar with the programme for general and complete disarmament, under effective international control, unanimously adopted by the Commonwealth Prime Ministers' conference. But how many people are? And how many believe its achievement is only a far-away dream and not, as the Prime Ministers concluded, "the most important question facing the world today"?

The purpose of our Inquiry on Disarmament, to which you refer in your issue of May 20th, is not to carry out a public opinion survey. Other organisations are better equipped to do that scientifically. Our aim is to start people thinking along the lines of the Commonwealth Prime Ministers' statement and some of our questions are unashamedly "loaded" with that deliberate object in mind.

The United Nations Association would be no less disturbed than Mr Gaitskell if a majority of those who reply were to favour unilateral disarmament, for it would show how much more work we have still to do. But, on present showing, there seems little risk of such a result and it will certainly be interesting to see the replies of those members of your "more left-wing of the unions" who take the trouble to complete the questionnaire and return it to us.

UNA branches in many areas will be conducting the inquiry from door to door and using the questions as a means of getting people to discuss the problems raised. In addition a number of affiliated organisations, including some of the trade unions, are sending the questionnaire direct to their own members. Replies from the members of each of these trade unions will be counted separately and separate figures will be published in the final report. There can therefore be no question of any one organisation heavily weighting the total results.—Yours faithfully,

CHARLES JUDD,  
Director-General,  
London, W1 United Nations Association

## The Census

SIR—It would be quite possible, as Mr Leitch says in the letter which appeared in your issue of April 29th, to design a census form in which many of the questions could be answered by "ticking-off appropriate squares"; and there are, as he says, mechanical devices which can read the marks. But the lesson that we drew from the experience of others in this sort of work was that success largely depends on a higher standard of marking than could be expected, without some practice or training

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first, from the "twelve million different fists." I may say that in some of the current census operations where conditions are favourable mark-reading procedures are being used.

It is perhaps too much to expect that there can be agreement about forms between those who have to design them and those who have to fill them up. But I think that it is more likely that the results will show that most people have well understood what was wanted.—Yours faithfully,

E. M. T. FIRTH,  
Somerset House, WC2 Registrar-General

## Municipal Liberals

SIR—In your analysis of the municipal election results (Home Report of May 20th) you observe that "the Liberals have been reaping a harvest in places where they were unrepresented until two years ago; from these newly penetrated towns come a third of their members. Next year the first of these councillors will come up for re-election, and we shall have an opportunity to assess the solidity of their hold."

You appear to have overlooked that 1961 was the opportunity to assess the solidity of Liberal gains. In every municipal election campaign since 1954 Liberals have had a net gain of seats (1954, 3 gains; 1955, 8; 1956, 5; 1957, 11; 1958, 49; 1959, 17; 1960, 51; 1961, 86). It is clear that 1958 marked the beginning of the Liberal move into local government. In an election year when so much was made of the fact that Labour was on the defensive because of its 1958 gains, it is surprising that nothing was said about the Liberals being on the defensive with their second biggest crop of postwar gains.

I think, therefore, that we can claim that the solidity of the Liberal hold has been tested and found firm. I have not been able to make a detailed analysis of the results in the 49 seats where Liberals were seeking re-election after their gains in 1958, but we do know that only 26 seats were lost out of all those being defended. All this is on a small scale and Liberals will not be deluded into imagining that a smooth upward path lies ahead, but equally there is no reason to be faint hearted.—Yours faithfully,

Exeter DAVID MORRISH

## Southern Rhodesia

SIR—The article in your issue of May 13th gives, generally, a very fair picture. But your special correspondent omits the one factor which appears to some people to be the most important in our political future.

"Whites view the proposed Bill of Rights plus 15 black MPs in a previously all-white parliament as a final concession. . . ." They do, as regards the B roll members. But what about Africans elected on the A roll? There will probably be at least two of these

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in the next parliament, and, if prosperity returns to us, an increase at every subsequent election.

If Africans were less reluctant to register as voters, they could expect to win possibly five seats on the A roll at the present. This reluctance to take advantage of their rights has been attributed to three factors: the fear of having to pay income tax after declaring their income for voting purposes, intimidation by the NDP who are discouraging the registration of voters for the present, and apathy.

It is possible that in, say, twenty years' time the B and A roll African MPs will outnumber the whites in parliament. No one can predict with any accuracy when this will happen, it depends primarily on economic factors. But, outside the Dominion Party, an African majority is not feared. We hope that many of them will be supporters of the policy of the present government. But we will not support a franchise or a system of representation which would give power to those Africans who are interested only in power—and nothing else.—Yours faithfully,

Macheke, S. Rhodesia D. K. DENTON

## Pension Funds and Equities

SIR—I am most grateful to you for your appreciative references to my paper on "Investments in Trust" which I recently introduced at the annual conference of the Chartered Institute of Secretaries. You stated I mentioned "one pension fund, apparently with approval, that has only 25 per cent of its fund in equities . . ." and here you have misread the reference on page 55 of my paper.

Under Pension Funds (page 52) I was referring to the importance of getting a proper balance as between fixed interest and equities, and I emphasised that this involved not only long-term but short-term considerations. I gave the figures of total pension fund assets as submitted to the Radcliffe Committee and I showed that 21 per cent of pension fund assets were at that time invested in ordinary shares but that the net investment in ordinary shares for the last accounting year was 37 per cent, thus indicating a change in the pattern of investment. I then mentioned that one large pension fund was 100 per cent invested in equities, and I then made the statement "I know of one pension fund, which is still growing rapidly, which is invested by admitted experts who are working at present on the following ratio: 40 per cent British Government, 35 per cent debentures and 25 per cent equities." In making this statement I desired to emphasise that so far as new money was concerned this particular set of experts apparently took the view that fixed interest stocks were 3 to 1 more attractive than equities at the present time for their pension fund.—Yours faithfully,

London, EC2 WILLIAM NURSAW

LETTERS

## Building New Slums?

SIR—It is common knowledge that it is not high density but bad design and misuse that leads to slums; and those who doubt the "prairie-character" of the new towns have only to visit them to see what I described in another connection as "houses gazing distantly at one another across wasted space."

Your correspondent has evidently learnt nothing and forgotten nothing since he sat at the feet of Ebenezer Howard and Raymond Unwin, and still looks back nostalgically to the Tudor-Walters era. The quite remarkable development in recent years of constructional techniques, design and planning have passed him by. He would cheerfully see further tracts of open country suburbanised and dismisses the loss to husbandry and amenity by an airy reference to "acres of underused agricultural land." It is surely not the "planners" but your correspondent who wants to put the clock back.—Yours faithfully, A. W. ACWORTH  
London, SW1

## Agriculture and Europe

SIR—You omit to mention one vitally important agricultural aspect of joining the common market. British livestock production always has been, and is today, based on converting low priced coarse grains bought on the world markets into meat—and dairy products. The acreage payments to cereal growers who are an essential part of the cycle of mixed farming, prevent the complete elimination of cereal growing.

I fail to see how beef, pork, poultry, eggs and dairy products can do other than greatly increase in price to the consumer, if producers are to be deprived of this cheap raw material as well as the present system of price support. I don't visualise the continental grain grower agreeing to the entry into the tariff ring of these low priced grains.—Yours faithfully, SIDNEY GASKELL  
Warrington

## Indonesia

SIR—The Hague, 1949. The Kingdom of the Netherlands . . . transfers complete sovereignty over Indonesia to the Republic of the United States of Indonesia.

1961. Is there a Republic of the United (federated) States of Indonesia as was envisaged in 1949?

What we have now is a Republic of Indonesia, centrally governed from Djakarta: and incidentally bankrupt, but for support from two rival world powers. From the Dutch point of view, President or Dictator Sukarno has successively repudiated loans, nationalised and expropriated: finally he has broken off diplomatic relations, preparatory to an armed invasion of West New Guinea if the mere threat should prove insufficient to his purpose. Your issue of May 6th demonstrates that the aggressor is likely to



**"You don't know  
a good surgeon  
till you see what  
happens to his  
patients"**

"PAIN makes you a devil. Pain never improved anybody" . . . "You don't know a good surgeon till you see what happens to his patients" . . . "Some of the big names in surgery think a lot about money . . . Having money is very nice" . . . "There's the surgeon, standing centrally like a high priest. No, like God Almighty, down from heaven."

Fair? Or plain outrageous? In either case, they are the forthright words of a famous surgeon. With a great many other sharp-edged observations they are to be found in the verbatim report—to be published in two parts in The Observer, beginning this Sunday—of a conversation that Kenneth Harris has had with this eminent man.

On the 'mystique' of surgery, and the public's attitude to it; on the history of surgery and the incredible manual skill of the 'rum and laudanum' era; on nerve and intuition, on quacks, on telling the truth to the dying . . . his pungent and racy comments are as interesting to the profession as to laymen. This Observer series is going to be talked about.

**"Conversation with a Surgeon"  
begins this Sunday in**

**THE  
OBSERVER**

ADVT.

## The Economist

JUNE 1, 1961

### HOW TO KEEP OUT OF IT

**Q** The more the mercantile community reflect on the possible consequences to them of the civil war in America, the more anxious they feel upon the subject. There cannot be a doubt or a question but that at any moment very trifling transactions may hurry this country into conflict with one or other of the belligerent parties. Painfully petty transactions have been commonly the cause of the great maritime wars of the world, and in the present case there are several reasons why petty quarrels are more than usually likely at sea. . . . In the first place, the cruisers of the North may search our ships for Southern goods, and may then and there seize those goods. The South have abandoned this right unasked, and without any solicitation or negotiation of ours; but the North adhere to the old rule which we explained at length last week: they take the enemies' goods whenever they can find them in English vessels. They have by special treaties abandoned this right as respects several other countries, but in our case it remains in full force. Our position, therefore, is this: the cargoes of our ships may be seized by the privateers and cruisers of one of the belligerents, although that belligerent

does not pretend to seize similar cargoes in the vessels of other nations, and the other belligerent would not seize them in any. We say advisedly that such a state of things must not continue. English ships must be put on the same footing as other ships by the Northern States of America as well as by the Southern. . . . Secondly, it is most necessary that our traders should know what ports are only blockaded, and what articles are contraband of war and what are not. . . . The subject before us is not a light one. A war with either of the belligerents would be a terrible calamity, but a war between England and the Northern States of America would be the most affecting misfortune which could happen to civilisation. The single good hope of the present painful instant is that the North may rise into a great, a free, and a noble community, free from the taint of slavery, and able to take that moral place in the world which the United States ought to have taken, but which they have long ceased to take. If England should be unfortunately hurried into a collision with this people at the crisis of their history, the results must be awful to them, to us, and to the world.

be appeased, with the approval of the Americans, the Russians and *The Economist*.—Yours faithfully,  
G. H. GANDY  
Huizen, North Holland

SIR—It may be clear to you that the reinforcements sent by the Dutch government are defensive in purpose, but to Indonesians who can still remember the overt support given by the Dutch to rebellious movements—among others the notorious Captain Westerling and the rebels in the Moluccas—such an inference is far from obvious.

While it is true that the Round Table Conference of 1949 left the status of West Irian to be determined by further negotiation after one year, this is far from the full picture. Previous to the Round Table Conference the Dutch government had given categorical pledges that West Irian would not be separated from the rest of Indonesia. When the question of West Irian was brought up in the Denpasar Conference of December, 1946, Dr H. J. van Mook, who attended the conference in his capacity of Lieutenant Governor-General, repeated bindingly the undertaking: "From the proposed addition by the Government (to Art. 1) it is clear that it is the intention to keep the territory within the framework of the United States of Indonesia."

The claim of successive Dutch governments that the terms of the Round Table Agreement leave Holland free for an indefinite period to retain control over West Irian if no agreement is reached amounts to legalistic trickery. Why, all they have to do to keep it is not to come to an agreement.—Yours faithfully,  
H. ALSEGAFF  
London, SW11

### Finland

SIR—In "The Third Mr K" in your issue of May 13th, you write: "... if Britain joins the common market... the best hope would then be that the Russians, having permitted Finland to associate itself with Efta, might decide to go the whole hog and let the Finns link themselves with the common market as well."

Negotiations leading to Finland's association lasted about two years; during this period the Finns often despaired of ever being allowed to have a link with Efta; now they have been "allowed" (apologies to Finnish nationalists), only by signing a separate tariff agreement with the USSR enumerating the commodities and giving them exactly the same tariff advantages as if they came from Efta countries.

To hope, then, that the Six will tolerate any such arrangement between Finland and the USSR, leave aside the hope that the Russians will allow the Finns to link themselves with the common market, is surely to let yourself in for many an "agonising reappraisal."—Yours faithfully,  
V. SHAH  
London, W11

## BOOKS

### For Short-haired Eggheads

#### An Econometric Model of the United Kingdom

By L. R. Klein and others.  
Basil Blackwell. 324 pages. 60s.

DR KLEIN is one of the best known makers of econometric models. He has participated in the construction of two relating to the United States, one for Canada and now one for the United Kingdom. This report on it, together with some articles that were written after the book went to press, represent a major research effort which has taken several years. It therefore deserves respectful attention.

The book is, in fact, likely to command more respect than understanding. Most people will be impressed rather than informed when they read that the computation procedure involved maximising likelihood functions, each "formed from the joint distribution of the stochastic terms in the reduced forms for the endogenous variables entering into the equation." This may suggest that the book is required reading only for the longest-haired eggheads (if there be such creatures) and that is probably right. Nevertheless, it is a good idea for at least the short-haired eggheads to know what the whole thing is about. Is it a waste of scarce and highly skilled manpower, or could it actually be useful?

An econometric model, to put it briefly, is an attempt to provide a quantified description of how the economy works. This involves discovering and then trying to measure relationships between such things as aggregate consumption, investment, the wage-rate index, employment and so on. For instance, one such relationship might be that the consumer price level in any quarter equals 36, + 0.4 times the current level of wage earnings, + 0.2 times the import price level two quarters earlier, + 0.01 times the net rate of indirect taxation, plus a seasonal correction factor (all these magnitudes being measured as index numbers with 1948 = 100). This means, for example, that a ten point rise in both earnings and import prices would produce, on the average, a six point rise in consumer prices in addition to any seasonal changes. The part of this increase due to the earnings increase would work through quickly, while the part due to the rise in import prices would take half a year to show itself.

If a number of relationships like this (Dr Klein and Co. have no less than thirty) are put together, they form an articulated whole—a model. The different relationships are interlinked because the same magnitudes occur in several of them. Thus wage earnings not only appear as one of the factors determining prices but also as one of the

factors determining income and hence consumption expenditure. Another relationship relates earnings to wage rates, productivity and the tightness of the labour market.

The present model has some interesting features stemming from its use of quarterly data, not annual. Since not all the series the authors needed were available at the time they were working, they had either to do without or make them up. Quarterly national income figures, for example, were not then published, so the model says nothing about national income and centres instead upon industrial production. Quarterly figures of the wage bill were also lacking, so the authors invented their own. They have shown great ingenuity and resourcefulness in meeting these problems. It is true that their treatment is not always very satisfactory, but an unsatisfactory treatment is better than nothing at all.

These remarks serve only to describe, not to evaluate, the work of the authors. Models such as this serve two purposes. One is to describe how the economy works and the other is to forecast how it is going to behave—two obviously useful results. The trouble is, as an article in the February *Oxford Bulletin of Statistics* shows, that the model does not forecast at all well. (Its predictions are compared with others on page 1032. The Chancellor would probably do better without it than with it.) The trouble is that this suggests that the model is not very good at its first task either, since poor prognosis may imply poor diagnosis. Indeed, a recalculation of the relationships, using more up-to-date statistics, makes some of them come out rather differently. This might mean that the economy has been changing or, alternatively, that the relationships were badly measured in the first place. It is for the pundits to choose between these alternatives, while the plain man will reflect that either of them reflects on the ability of the model to forecast successfully.

All this may suggest that the book is a waste of effort. Such a conclusion is, however, quite unwarranted. In economics knowledge grows and rarely leaps. Just as the first flying machines were not useless, even though they barely left the ground, so this model is not useless. It is a stimulus and a challenge to further research.

### Keir Hardie to Gaitskell

A Short History of the Labour Party  
By Henry Pelling.  
Macmillan. 135 pages. 21s.

MR PELLING enjoys a well earned reputation as a scholar and populariser of left wing history, and his latest work amply

# EXPRESS SUCCESS!

The success story of the Midland Pullman began on July 4 1960, when this blue-and-white de luxe train made the first of its regular high-speed journeys between Manchester and London. On the way it was often carrying its passengers at over 80 mph—yet with a comfort they'd never known before, a smoothness and quietness which turn a long journey into an enjoyable, relaxing trip.



The success of the Midland Pullman is emphasised by the fact that today seats must be booked in advance to make sure of travelling—inter-city travellers, on business or pleasure, have found the speed, comfort and convenience of this new concept in rail travel very much to their taste.

The Midland Pullman's success points the way to further developments of this kind, typifying the new look of today's London Midland along with the great modern freight expresses which every night cover the country in a network of regular high-speed routes.



MIDLAND  
PULLMAN—PART OF THE NEW LOOK OF TODAY'S  
**LONDON MIDLAND**



maintains the standard he has set. Into this slender volume he packs the Labour party's journey from Keir Hardie to Gaitskell, successfully pointing out the major landmarks on the route. Yet brevity brings blemishes: a lack of profundity in parts of the analysis—for instance, inadequate treatment of the current and highly relevant problems of trade unions; a strange inaccuracy—the *Jolly George*, bound for Poland with munitions for use against the Bolsheviks, which Bevin's dockers refused to load, is misnamed the *Jolly Roger*; a slight telescoping of events in the treatment of the not-so-distant Bevanite controversy, such that an observer might say, "Yes, it happened thus, but not quite thus."

In the upshot, the significance of Mr Pelling's study is as much immediately topical as historical. Of the Labour party it can truly be said, "*Plus ça change, plus c'est la même chose*." To many, Mr Gaitskell's collision with the party conference over defence last year may have seemed, at the time, cataclysmic either way. Yet, to judge by Mr Pelling's more sophisticated observations, collisions have occurred before. There have always, given the historical origins of the Labour party and its federal structure, been contradictory, non-homogeneous elements in both its parliamentary and non-parliamentary wings. The early days in Parliament were not easy, with the need to reconcile the socialist tradition of the ILP, the non-political attitude of many trade unions and the problem of accommodation with the Liberals. But it is the inter-war years that assume the greatest importance in Mr Pelling's history. Two factors stand out. First is the undoubtedly but inadequately recognised contribution of Ramsay MacDonald in the moulding of the Labour party into an effective participant in the parliamentary system. Second is the significance of extra-parliamentary power in the 1931-39 period, when Citrine and Bevin brought trade union influence to bear against "fissile" tendencies on both left and right.

In the light of all this, we can see the Gaitskell and especially the post-Scarborough era in perspective. The Parliamentary Labour Party, for all its eminence, counts for little if it entirely fails to carry the movement with it. Ramsay MacDonald grossly over-estimated his own ascendancy in 1931; Attlee, in contrast, saw the need for the widest measure of popular party support when he went into the Coalition Government of 1940. Yet it is also a fair inference from Mr Pelling's discussion that, such events aside, decisive leadership has, at many stages of the party's history, been the effective prerogative of the Parliamentary Labour Party.

Mr Pelling is neither fatalistic nor a wishful thinker for the future. He is fully aware that it is in the nature of the political wind to change rapidly. His concluding words, manifestly written some months ago in more uncertain days, are peculiarly topical:

It would therefore be a rash prediction that

the future leaders of the Labour party, whoever they may be, will never again find themselves in popular favour, and able to take their places once more upon the Treasury Bench.

## Communists at Large

International Communism and World Revolution

By Günther Nollau.

Hollis and Carter. 372 pages. 35s.

DR NOLLAU, whose book first appeared in German in 1959, is concerned with two aspects of his subject: clandestine activities; and the operation in practice of the concept of "proletarian internationalism." Communism as an idea (persuasive or repellent) with significant political implications lies outside the range of his interest. On the first—his lesser theme—and on the creation and deployment of subsidiary communist "front" organisations, he does not claim to have added anything new. It is to the interesting and elusive question of the limits of international discipline in the communist movement that Dr Nollau is drawn, and in this sense his work is original. He traces his quarry back to Marx's statutes for the International Workingmen's Association, and follows it up to the present differences between the USSR and China; but the greater part of his book deals with the Third (Communist) International. Like the First and Second Internationals (though in a wholly different context) this met its end in war, but while it was in existence, solidarity was expressed not in internationalism as understood earlier, but in unconditional support of the Soviet Union and its policies.

The case is scarcely open to question, but because he is so intent on tracking down his subject, Dr Nollau is led to make a number of superficial judgments. It was not because "the Russian party was incapable of any further revolutionary effort" in 1921 that "the communist parties of the West were diverted from revolutionary aims"; the wave of unrest and insurrection that followed the war had spent itself. To equate the objects of the "popular front" with the "united front" is not helpful—the popular front was the one policy thought up by the Comintern (or rather the French Communist party) which found a genuine response. In so far as it was successful, it was not because it was "more subtly handled," but because it appeared to meet a real need that served other interests besides the Russian.

The book has many factual errors. Indeed, from the preface, which refers to the Russian Workers' Party instead of the Rumanian, to the index with its inconsistent spellings, the number of errors and mistranslations is startling: at the time of the 1919 Berne Conference the Two-and-a-half International had not been founded (p. 42); the split in the KPD which led to the formation of the KAPD occurred in October, 1919, not in

1920 (p. 48); Shatskin represented the Young Communist International, not Turkey, at the Comintern (p. 54); it was not as a result of the adoption of united front tactics that the British CP was "recommended to penetrate the Labour Party" (p. 76); it was not the Chemnitz Conference which "called off the revolt" in Germany in 1923 (p. 84); Joffe was not Ambassador to China in 1923 (p. 100); the fifth Comintern congress was not held in March, 1924 (p. 106); the statutes in force at the time of the sixth congress obliged congresses to meet "at least once in two years," not "once a year" (p. 106); the office of Comintern president was abolished after Zinoviev's fall, not Bukharin's (p. 108). Mistranslations are also abundant: Zen-tristen are centrists, not centralists, the "Lehre" of socialism in one country is not the "lesson" of socialism in one country, and where the German edition says that "the right-wingers had not yet been excluded," the English (p. 106) says "the 'right' course had not yet been officially abandoned" (which is incorrect); the popular front pact in France was concluded in 1934 (as in the German edition), not 1927, as here (p. 116); a "gemeinsame" statement is not a "mutual" statement, and so on and so on.

In the German edition there are 928 footnotes (in the English they are not numbered consecutively) which give some useful pointers to recent publications, though it might be thought unnecessary to document the statement that Hitler's policies aroused anxiety in France. Dr Nollau has done his homework, but has given too little thought to digesting his material.

## Tramland

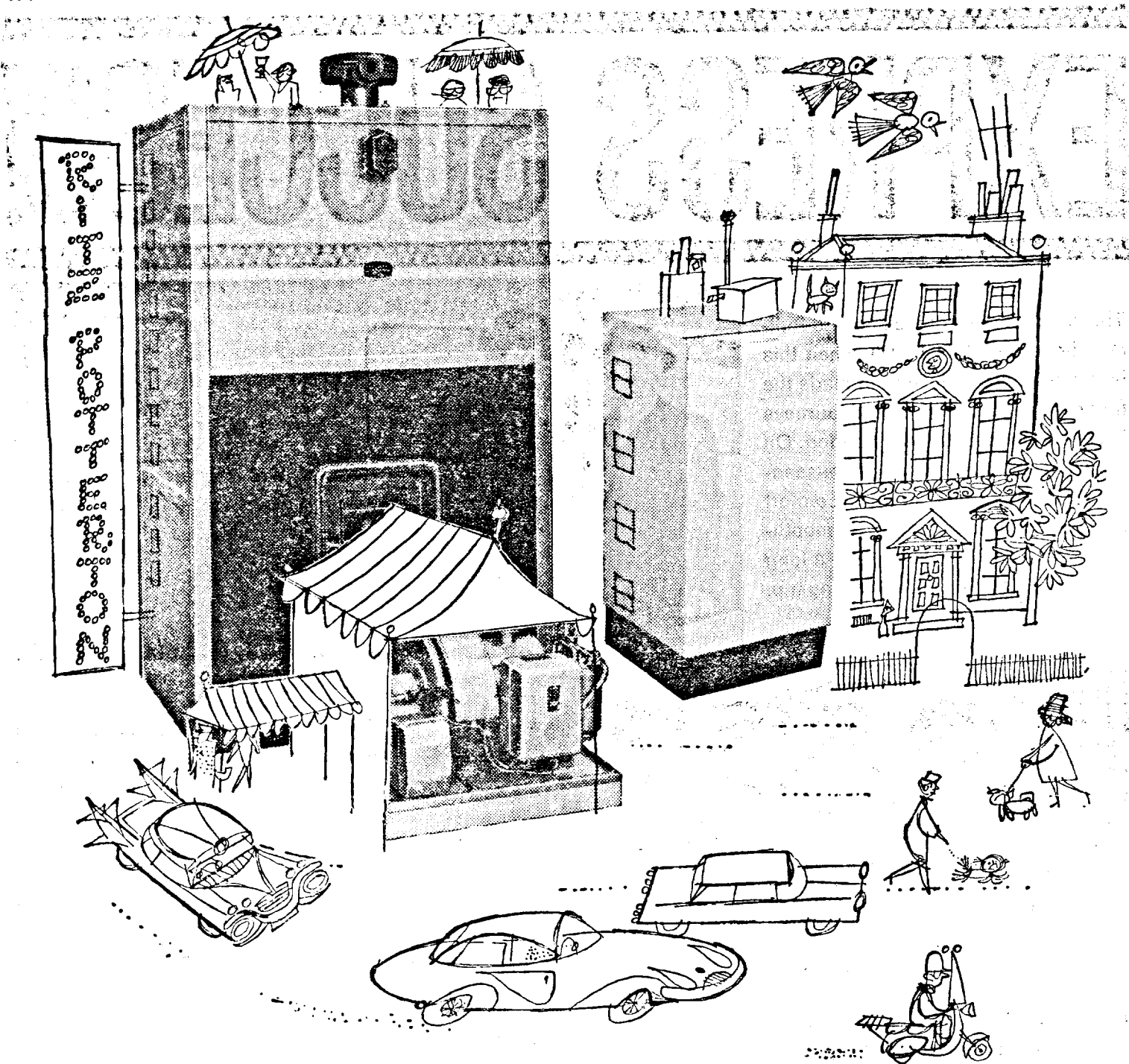
Victorian Suburb: A Study of the Growth of Camberwell

By H. J. Dyos.

Leicester University Press. 240 pages. 30s.

SO powerfully has Mr Betjeman influenced contemporary sensibility that the very words "Victorian suburb" are rich in poetic overtones. This admirable study examines in fascinating detail the stuff such dreams are made on. In writing the history of Victorian Camberwell Dr Dyos begins by clearing our minds about what a suburb is and goes on to show why and how a typical specimen developed. He ends by describing the quality of life to be found there in its late Victorian heyday, before the tide of population began to ebb in the years before the first world war, a life that will soon seem remote indeed as its last physical traces, except for the churches and the pubs, disappear to make way for new roads, offices and blocks of flats.

The author is ideally equipped for his task. Himself a Londoner, though now expatriated to Leicester, he unites a keen topographical sense, an eye both for the idiosyncrasies of Victorian architecture and



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Stubby's dismissal is causing consternation in the pencil sharpening trade, and a Union meeting has been called for tomorrow to "ascertain the seriousness of the situation."

Meanwhile, businessmen all over the country were today sending their secretaries out to buy Kent Kordless Electric Pencil Sharpeners. It looks as though automation is here to stay!

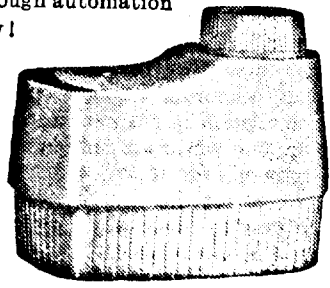
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## BOOKS

the less easily discerned niceties of social gradation, with a scholar's mastery of his sources. There is a firmness, a solidity of foundation, in this work such as was not, one feels, characteristic of the speculative building estates of Camberwell. And this virtue is attained without a sacrifice of any of the graces. Dr Dyos is a clear and elegant writer, never bored and never boring.

Then, as now, the crucial question for the suburban—to use an old word that the author has happily revived—was the question of transport. The early bus services were far beyond the means of the labourer and even the railways were at first too expensive. The introduction of the workman's ticket in the seventies and the spread of the tramway system both exerted a profound influence over the development of those parts of Camberwell that were not within easy walking distance of central London. In this, as in much else, the author establishes the point that the Victorian suburb was not so much the product of design as the cumulative result of changes and demands that had no necessary relation to each other. How different the life of that organism was to the modern suburb this volume amply shows. To take but one instance, it is unlikely that any modern candidate for holy orders would expect to perform the duty that apparently fell to the lot of the curate of St Chrysostom's of fitting "really deserving cases" with artificial teeth.

The book is handsomely produced with an excellent street plan and an introduction by Sir John Summerson.

## Guidance and Dividends

### The Social Credit Movement in Alberta

By John A. Irving.

Toronto University Press. London: Oxford University Press. 382 pages. 48s.

THE political explosion that in 1935 brought the first social credit government in the world into power in Alberta, one of Canada's western provinces, has been the subject of a series of political and social studies. This tenth and final volume examines the triumph of social credit doctrines under the aggressive leadership of William Aberhart. The story of his transformation from high school principal to premier is a fascinating and frightening one; his personality played a decisive part in the mobilisation of his long established and popular evangelistic movement for the promulgation of social credit doctrines, leading finally to political power, despite repeated denials of any political objective.

Alberta in the 1930s was a community uniquely ripe for conversion to Aberhart's personal version of social credit. That remarkable amalgam of evangelistic fervour, economic emotionalism and political simplicity found ready acceptance among

## THE ECONOMIST JUNE 3, 1961

people who were enduring economic and social disaster. They have had a social credit government ever since. As early as 1921 they had shattered the traditional party system by electing a United Farmers of Alberta government, whose leaders were themselves deeply suspicious of the eastern "money power," an attitude natural in a frontier community, heavily in debt to banks, mortgage houses and farm implement dealers.

As the depression of the nineteen thirties deepened and it became clear that the UFA government was powerless to find remedies, the electorate turned to the "glorious new movement," responding enthusiastically to Aberhart's confident assurances that social credit was the divine plan for economic salvation, a plan which, moreover, would not destroy private enterprise. Aberhart's use of radio and of a province-wide network of "study groups" to spread first fundamentalist beliefs and then social credit beliefs is an especially interesting feature of the astonishing political triumph of an able and domineering man who used to say to his high school mathematics students: "Never mind why."

## Complex Reign

### The Hollow Crown: A Life of Richard II

By Harold F. Hutchison.

Eyre & Spottiswoode. 296 pages. 30s.

A BIOGRAPHY is possibly the easiest way for the general reader to get a picture of a complex age. In the case of Richard II this is particularly true, because the events of the reign are so involved that the central thread of the king's personality is a useful focal point.

Culturally the reign is one of the most brilliant in English history. It saw the development of the perpendicular style in architecture, the completion of the naves of Winchester and Canterbury cathedrals, and the roof of Westminster Hall. It also saw the emergence of English as a literary language, with the works of Chaucer, Langland and Wycliffe; and, in painting, the Wilton diptych and the portrait of Richard in Westminster Abbey. Politically it is one of the most dramatic. The early years saw the Peasants' Revolt, when London was pillaged, and the situation saved only by Richard's personal courage. The king's first attempt at personal government was abruptly halted by a group of powerful lords known collectively as the Appellants, who forced him to dismiss or execute all his friends and advisers. Richard managed to free himself with the help of his uncle John of Gaunt, and finally in 1397 was strong enough to exact revenge. In 1399 he was deposed by his cousin Henry IV.

The reasons for Richard's downfall are still a matter for controversy. What is certain is that the proximate causes were, in the first place, his alienation of the feudal

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landowners by his disregard for the normal laws of inheritance, when he seized the Lancastrian estates on the death of John of Gaunt. The second cause was his departure for Ireland, leaving behind an uneasy baronage, many of whom had private armies, and Henry of Derby (Gaunt's heir) in exile in France. When Derby landed to claim his inheritance he found a large measure of support, and could face Richard with superior strength on interior lines. Richard, forced to leave his army in Ireland, found only a handful of supporters, and was tricked into deposition and death. Mr Hutchison does not follow the theory that Richard was mad or seriously unbalanced, but sees him as a man obsessed by the idea of revenge on the Appellants, and determined to strengthen the crown by the establishment of a strong official class of administrators.

Mr Hutchison has written a readable life, with some interesting references to contemporary sources, but he fails to be sufficiently clear or stimulating, and this complex and brilliant reign still lacks an authoritative popular account.

## Paperback Selection

Some idea of the size of the publishing stake in paperbacks is provided by the exhibition organised by the National Book League. Over 2,000 paperbacks, coming from 60 publishers, are on view, about half of them fiction, and they were all published within the twelve months ended April 1961. Many of them were published in America and are distributed here by British publishers.

Below is a guide to the paperbacks that have been received for review by this journal in the last six weeks.

### History:—

THE GREEK COMMONWEALTH. By Alfred Zimmern. Oxford University Press. 471 pages. 10s. 6d.

THE REFORMATION IN ENGLAND. By Maurice Powicke. Oxford University Press. 153 pages. 5s.

BYZANTIUM. By N. H. Baynes and H. St. L. B. Moss. Oxford University Press. 467 pages, 48 plates, 3 maps. 8s. 6d.

THE GREAT EXPERIMENT: An Introduction to the History of the American People. By Frank Thistlethwaite. Cambridge University Press. 349 pages. 12s. 6d.

THE CONSTITUTIONAL HISTORY OF ENGLAND. By F. W. Maitland. Edited by H. A. L. Fisher. Cambridge University Press. 576 pages. 15s.

### Philosophy and Politics:—

MARRIAGE AND MORALS. By Bertrand Russell. Allen and Unwin. 158 pages. 6s.

THE CONQUEST OF HAPPINESS. By Bertrand Russell. Allen and Unwin. 159 pages. 6s.

INTRODUCTION TO POLITICS. By Harold Laski. Allen and Unwin. 91 pages. 4s. 6d.

ZEN BUDDHISM. By Christmas Humphreys. Allen and Unwin. 175 pages. 6s.

SIX EXISTENTIALIST THINKERS. By H. J. Blackham. Routledge. 186 pages. 6s.

MYSTICISM: SACRED AND PROFANE. By R. C. Zaehner. Oxford University Press. 272 pages. 8s. 6d.

THE MYTH OF THE STATE. By Ernst Cassirer. Yale University Press. London: Oxford University Press. 315 pages. 11s. 6d.

### Science:—

THE INDIVIDUAL AND THE UNIVERSE. By A. C. B. Lovell. Oxford University Press. 125 pages. 5s.

## BOOKS

SCIENCE AND COMMONSENSE. By James B. Conant. Yale University Press. London: Oxford University Press. 356 pages. 11s. 6d.

THE EVOLUTION OF PHYSICS. By Albert Einstein and Leopold Infeld. Cambridge University Press. 318 pages. 13s. 6d.

ARTIFICIAL SATELLITES. By M. W. Ovenden. Penguin. 128 pages. 5s.

### Biography:—

A STUDY OF GOETHE. By Barker Fairley. Oxford University Press. 288 pages. 8s. 6d.

### Industry:—

THE CHARACTER OF THE EXECUTIVE. By Percin Steyker. Harper, New York. 249 pages. 12s. 6d.

THE PRACTICE OF MANAGEMENT. By Peter F. Drucker. Heinemann Mercury Books. 363 pages. 10s. 6d.

### Psychology:—

THE PSYCHOLOGY OF RELIGION. By Robert H. Thouless. Cambridge University Press. 311 pages. 10s. 6d.

MODERN MAN IN SEARCH OF A SOUL. By C. G. Jung. Routledge. 291 pages. 9s. 6d.

### Literary Criticism and Literature:—

The four books published by Edward Arnold, the first of a new series, ought strictly not to be included in this list, since they have hard covers. But they are intended for the same market as some paperback series—university students and sixth forms.

NOVELS OF THE EIGHTEEN-FORTIES. By Kathleen Tillotson. Oxford University Press. 344 pages. 8s. 6d.

THE ROMANTIC IMAGINATION. By Maurice Bowra. Oxford University Press. 306 pages. 7s. 6d.

DON QUIXOTE. By Salvador de Madariaga. Oxford University Press. 185 pages. 6s.

CHARLES WILLIAMS—SELECTED WRITINGS. Chosen by Anne Ridler. Oxford University Press. 252 pages. 8s. 6d.

SHAKESPEARIAN TRAGEDY. By H. B. Charlton. Cambridge University Press. 255 pages. 10s. 6d.

BAUDELAIRE. Edited by F. Scafe. Penguin. 332 pages. 6s.

FLIGHT TO ARRAS. By Antoine de Saint-Exupéry. Translated by Lewis Galantière. Penguin. 169 pages. 2s. 6d.

PROMETHEUS AND OTHER PLAYS. By Aeschylus. Translated by Philip Vellacott. Penguin. 160 pages. 3s. 6d.

MILTON: COMUS AND SAMSON AGONISTES. By J. B. Broadbent. POPE: THE RAVE OF THE LOCK. By J. S. Cunningham. JANE AUSTEN: EMMA. By F. W. Bradbrook. W. B. YEATS: THE POEMS. By A. Norman Jeffares. Edward Arnold. Studies in English Literature series. 64 pages each. 6s. each.

THE MODERN THEME. By Jose Ortega y Gasset. Translated by James Cleugh. Harper, New York. 152 pages. 10s. 6d.

THE ALCHEMISTS. By M. Caron and S. Hutin. Translated by Helen R. Lane. Evergreen Books. 192 pages. 6s.

COCTEAU. By A. Fraigneau. Translated by D. Lehmkuhl. Evergreen Books. 192 pages. 6s.

NATHANIEL HAWTHORNE. By Randall Stewart. Yale University Press. London: Oxford University Press. 279 pages. 11s. 6d.

Arts and Miscellaneous:—

THE LISTENER'S GUIDE TO MUSIC. By Percy A. Scholes. 10th edition. Oxford University Press. 97 pages. 5s.

THE ETRUSCANS. By Alain Hus. Translated by Jeanne U. Duell. Evergreen Books. 192 pages. 6s.

THE CATHEDRAL BUILDERS. By Jean Gimpel. Translated by Carl F. Barnes, Jr. Evergreen Books. 192 pages. 6s.

THE OLD TESTAMENT AND MODERN STUDY. By H. H. Rowley. Oxford University Press. 436 pages. 8s. 6d.

THE PENGUIN HANDBOOK OF FIRST AID. By A. C. White Knox and J. E. F. Guertiz. Penguin. 128 pages. 3s. 6d.



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## AMERICAN SURVEY

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

### America's President



**MR JOHN F. KENNEDY**, President of the United States, a Democrat and a Roman Catholic, 44 years old, elected last November by nearly the smallest majority in history but yet by almost a record number of Americans, comes this week to Paris, Vienna and London to meet General de Gaulle, Mr Khrushchev and Mr Macmillan. On this challenging journey may depend his future prestige at home as well as abroad and on his prestige may depend his success as a President. He comes not to negotiate (at least not with Mr Khrushchev) but to establish personal contact, not to settle differences but to clarify views—and to give warnings that America is even more determined to preserve freedom than it is to preserve peace. A correspondent in Washington who first described Mr Kennedy eighteen months ago, when he was only a Senator,\* now describes him as a President.

**A**FTER four months in power Mr Kennedy is still in the preliminary, tentative stage of his Presidency. His Administration has not yet taken on durable shape or substance. There is about it an air of improvisation and expediency, of high hopes rather than solid accomplishment, of calculated public gestures rather than deeply considered policies. To an extraordinary extent the President and his immediate associates act as if they were still campaigning for election rather than governing a nation and leading a world-wide coalition. There has been much attention to approach and appearances, suitable for a political campaign which is a competition in illusions, but the gritty, stubborn realities of being in office remain largely untouched.

Mr Kennedy's personal manner, elegant, drily witty, aloof yet urbane, has distracted attention from these fundamentals of his task as President. A notably friendly press has co-operated enthusiastically with the White House in laying down a barrage of personal publicity about the President and his attractive wife and children. But he has not yet assumed his part as the country's teacher on the great serious issues; the public mood remains as benignly complacent as it was during the Eisenhower years and popular understanding of impending problems is not discernibly greater. For example, Mr Kennedy criticised his predecessor for failing to provide "moral leadership" on Negro rights, but last week he himself kept almost silent during the racial violence evoked by the Freedom Riders' protest.

While the underlying popular mood remains the same, Mr Kennedy's activist approach has changed the surface tone of government after the passivity and immobility of the Eisenhower period. At press conferences and in impromptu speeches, where his predecessor's syntax wandered broken and homeless, Mr Kennedy is crisp, literate, sometimes humorous. Where General Eisenhower and Mr Truman operated in a formal way through statutory government bodies like the National Security Council, regular committee meetings and large staffs, Mr Kennedy works informally, cuts across bureaucratic lines of authority and tries to impose his personal stamp on decisions great and small. It is an impressive display of initiative and energy that has beguiled the press and the public.

But in terms of positive results achieved, what this means is not yet clear. The Cuban fiasco suggests grounds for doubting

its efficiency; the Eisenhower Administration's much-ridiculed lethargic, stately system of committees could scarcely have produced a worse result and by its very slowness it might have deterred that ill-conceived adventure. Nor have the President, the intellectuals on his White House staff and Mr Rusk and his senior officials in the State Department been able to concert their forces and work their will effectively on the important basic problems. Mr Kennedy, having sought the power of the Presidency single-mindedly for several years, now delights in the exercise of that power but the question persists whether he is fully in command of it. Some men are happy only when they are at the summit of affairs, but happiness is not the same thing as mastery.

Mr Kennedy's difficulties as President of the United States are quite different from those which he has solved in attaining his easy success as a popular public figure. Nor is that success necessarily wholly helpful to him in his new function. First, as the nation's leader, he has been unable to resolve the conflict between his intellectual insights and his political instincts. Secondly, as was noted when his personality was analysed in these pages earlier, there was very little in his previous experience as a legislator and politician to "demonstrate the depth and character of his convictions." The time for testing those still lies in the future. As an intellectual looking at his country's problems and the course of the cold war, he sees the need for bold, dramatic, far-reaching solutions. This is what impels him to sporadic bursts of rhetoric about sacrifice, hard work and dark days ahead. But as a politician he wears a mask of caution.

As he demonstrated by outdistancing his older rivals for his party's nomination, holding the issue of his Catholic religion under control, and edging past the favoured Republican, Mr Nixon, in the campaign, he is adept at gauging the public mood and at calculating nicely what line will be popular. He knows that at the present time hard measures and specific sacrifices would be most unpopular. In consequence there has been the odd gap between his militant rhetoric and his modest programme. His domestic measures have consisted of a shopping list of miscellaneous items,

\* See *The Economist* of December 12, 1959, page 1067.

many of them on the legislative docket for a dozen years or more. To clear the docket is commendable, but it does not represent pioneering on any "new frontier." Abroad, the President has made a worthwhile initiative in his "alliance for progress" for the economic development of Latin America, but on many fronts the shape of the Administration's policy remains vague.

**P**RESIDENT KENNEDY'S performance in these first four months has raised incipient fears that he may, like General Eisenhower, be guilty of regarding his personal popularity as a private treasure to be hoarded for future campaign purposes rather than a resource to be expended on behalf of unpopular causes and badly understood public needs. The President's associates, understandably enough, reject these fears as unfounded. They point to the incontestable fact that he never enjoyed the traditional "honeymoon" in his relations with Congress. The critical struggle with the conservative coalition in the House of Representatives over reform of the obstructive Rules Committee, an issue decided by only five votes, came at the very outset of the legislative session. Most of the Administration's Bills have been carried; particularly in the House, by comparatively thin margins. Less persuasively, Mr Kennedy's friends offer the question-begging argument that there is not the necessary support in the country for measures more vigorous than those which the President has proposed.

There seems little doubt that the narrowness of Mr Kennedy's victory last November has had an inhibiting effect on him. In the days immediately after his victory he was buoyant and confident, but as the time for his inauguration approached he acted more and more like a man hedged in by circumstances, aware more of his difficulties than of his opportunities. The loss of twenty Democratic seats in the House of Representatives contributed to this growing sense of constraint. The confident campaign talk about brave new departures in the first ninety days in office gave way to suggestions that perhaps only after the mid-term elections of 1962 or, indeed, in the President's second term after 1964 could bold measures be attempted.

He made in the pre-inaugural period the basic decision to which he has adhered—to assimilate the conservative Eisenhower past to the "new frontier" rather than to make a clean break with it. This has been particularly striking in his gingerly approach to the question of deficit financing and in his handling of the recession. In the foreign field the President reaffirmed this policy most recently in the aftermath of the Cuban affair by engaging in an elaborate round of consultations with former Presidents Hoover and Eisenhower, General MacArthur and Messrs Nixon, Goldwater and Rockefeller—all Republicans. These were not the consultations of a worried policy-maker in search of wisdom, but rather the instinctive manoeuvres of a canny politician wishing to blunt criticism of a mistake. Mr Kennedy would not be averse to enjoying his predecessor's status "above politics" and his immunity to personal attack.

President Kennedy tries to conduct something approaching a national, rather than a party, government. He chose Mr Douglas Dillon, a hold-over from the Eisenhower Administration, as his Treasury chief and selected little-known, unpolitical personalities for the chief portfolios of State and Defence, passing over leading figures in his own party. Beyond his judgment of the political necessities there is much in this national rather than partisan approach that is congenial to Mr Kennedy's temperament. His liberalism is cerebral rather than the product of his own experience. It represents not his passionate faith but his reasoned judgment. He is not insensitive, for example, to the human misery which unemployment represents, but he is disturbed more profoundly by it as an item of waste when the nation should be making full use of its men and resources to combat the communist strength. The same might be said of his attitude toward

racial discrimination. This outlook puts him in political agreement but not in emotional identity with his liberal supporters.

The paradox of large aims and mild measures, of liberal programmes and moderate men, of portentous rhetoric and a slow pace accounts for the tentative air, the unsettled quality of the Administration, and also for the undefined, unfinished, presidential style of Mr Kennedy. The situation, like the man, remains open—open to new experience, to facts, to reasonable arguments from ally and adversary alike. Poised, intelligent, well-informed, President Kennedy visits Europe this week confident that he can yet master the diverse tides of change that are running. His confidence, if not his record thus far, sustains the hope that the fresh access of energy, idealism and dedicated intelligence which he and his colleagues represent in American government will prove adequate to the need.

## Message Extraordinary

**E**XCEPT on the occasion of the statutory State of the Union Message in January it is unusual for the President to address Congress in person and it is even more unusual for him to present it with a package of requests ranging from more money for men in the moon to more money for small businessmen. Mr Kennedy's unexpected appearance on Capitol Hill last week underlined the urgency of his requests in order to impress Congress, the American people—and Mr Khrushchev. The President's latest proposals, he said, were to meet dangers which had become increasingly clear since he took office. But there was little in the message that was really new; chiefly it amounted to an acceleration, sometimes a very sharp one, and a broadening of existing programmes.

Nevertheless the message as a whole was a challenge to the Russians and particularly so in the race for the moon, in which Mr Kennedy now wants to enter the United States as a serious competitor, with 1967 as his target date for getting a man there. This change in his attitude from only a few weeks ago means presumably that he has been convinced either by his scientific experts that the United States has a real chance of being first on the moon or by his propaganda experts that the United States cannot afford not to be. It will be an expensive effort; the estimate is for an addition of \$531 million this year and \$7-\$9 billion over the next five years to the already high cost of the space programme. Mr Kennedy put the responsibility for deciding whether the effort was worth the money squarely on Congress and Congress seems almost certain to say "yes"; indeed so far the legislators' only doubts seem to be whether Mr Kennedy is asking for enough.

But Congress looks quite differently on his other request for a really large increase in spending—on foreign aid. He wants \$535 million added to his original request for \$4 billion for the coming fiscal year; of this addition \$250 million is for his contingency fund, to be used in emergencies, and the rest is for extra military aid for Latin America and south-east Asia. Military aid is now to be dealt with in a separate Act and economic aid is to be concentrated in a new Agency for International Development in the State Department. But this effort to revitalise the administration of foreign aid will hardly be enough to allay congressional suspicions of a proposal which is the heart of the President's request (and of his hope of making the programme more effective). This is his desire that much of the economic aid be put on a long-term basis and be financed by borrowing from the Treasury, thus avoiding the uncertainties of annual appropriations by Congress.

Among the President's various other requests for increased spending, the only ones related to the domestic economic situation, so recently his most pressing concern, are for increased loans to help small businessmen and for training schemes for the

long-term unemployed. This is a recognition not only that the recession is over but also that unemployment, as this week's figures demonstrate again, remains a serious problem. Liberals were disappointed that the President did not single out the improvement of social conditions at home as a matter of urgency but he himself is now obviously more worried about the inflationary potentialities of his latest proposals. They would add altogether about \$724 million to actual outlays in the coming fiscal year and as a result the deficit in June, 1962, is now estimated at \$3.5 billion. President Kennedy, however, argues that this will be cancelled out by increased tax revenues if the economy improves as rapidly as now seems likely. But the congressional conservatives will not take the prospect of an unbalanced Budget so calmly.

## Republican Texas?

**R**ECENTLY Mr Blakley, the Democrat appointed to take Vice President Johnson's place in the Senate until a special election could be held, sold his interest in Braniff Airlines to "devote himself full-time to his senatorial duties." No doubt Mr Blakley counted on the fact that Texas had not sent a Republican Senator to Washington since the days of Reconstruction, nearly a hundred years ago. But last Saturday, by the narrow margin of 8,000 or so votes, Texans picked a Republican, Mr John Tower. Ideologically there was little to choose between the two: Mr Blakley boasts that he has voted against every bit of President Kennedy's "new frontier" legislation and Mr Tower boasts that he has never supported a liberal cause. But unquestionably young Mr Tower was the more attractive candidate; tight-lipped, multi-millionaire Mr Blakley strikes many people as looking like an unfriendly undertaker and he is a poor speaker.

The underlying reason why Texas overturned its Democrat-only tradition is that memories of the Civil War have now been supplanted by the realities of present-day industrialisation; this has given Texas an urban civilisation, a prosperous middle-class and many northern immigrants who have no hesitation in supporting Republicans. The first sign came when Texas voted for Mr Eisenhower in 1952 and when Dallas sent a Republican to the House of Representatives. Mr Tower helped himself tremendously by putting up a strong fight for the Senate last November. Until then many conservatives thought that a vote for a Republican was a vote wasted in a Democratic state like Texas. Mr Tower was also aided by a relatively small turn-out; this gave more weight to the cities where he was strong and where the Republican organisation, fired by energetic young businessmen, was doing its best for him. He carried all the main cities—Houston, Dallas (Mr Blakley's home town), Fort Worth and San Antonio.

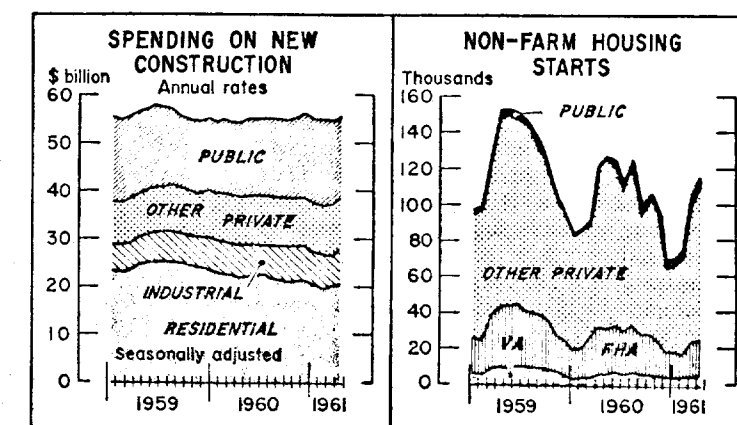
Finally, the Democrats were apathetic. Their leaders in Washington, with their big congressional majorities, had no incentive to make great efforts to save a reactionary candidate; indeed, some expect that Mr Tower's "Goldwater Republicanism," which is too right-wing for Mr Nixon, may prove to be a stone round Republican necks. In Texas itself some liberal Democrats "went fishing" on election day; others voted for Mr Tower to speed the coming of a two-party system which they hope will syphon the conservatives into the Republican party.

Such special circumstances suggest that the Republicans will have to work hard to consolidate and extend their victory. Moreover, Texas is at least as much a western as a southern state and a vastly wealthy one. Nevertheless Mr Tower's victory is a milestone on the road to the two-party system which is coming sooner or later in the South, bringing with it far greater competition in ideas than has existed under one-party rule.

## Tonics for Housing

**A**LTHOUGH the number of new houses on which work has begun has been moving up steadily since January, neither the government nor private house-builders expect a real boom which would push the economy as a whole on to higher ground. April was a disappointing month in that the increase was less than seasonal and, even if housing starts are, as expected, 4 or 5 per cent higher in 1961 than they were last year, this would still leave the total substantially below the million and a half new houses put in hand in 1959. Private builders report that there is simply not the market that there used to be for houses for sale; most of the demand comes from young couples or old people who cannot afford to buy or do not want the responsibility. While the dollar volume of all construction was slightly higher in April than it had been in April, 1960, it also was lower than in 1959.

To stimulate more demand in a basic industry, the government is moving on two fronts. One is to bring down the rate of interest on mortgages so that more people can afford to own their homes. Last week the Federal Housing Administration was ordered by the President to reduce from 5½ to 5¼ per cent the interest that can be charged on private mortgages which it insures. This is the ceiling



which already prevails on mortgages for ex-servicemen which are insured by the Veterans' Administration, and the reduction is the second ordered by Mr Kennedy. Higher prices will also be paid by the Federal National Mortgage Association, which buys insured mortgages in order to release more private funds for lending. Together, it is hoped, these moves will bring down rates in the other, larger, part of the market which does not benefit from government insurance. The Home Loan Bank Board also announced that many of its member banks are lowering the rate of interest which they charge to savings and loan associations; it is expected that this saving will be passed on to borrowers. None of these steps is likely to make the monthly cost of buying a house a great deal lower. But it amounts to giving notice to investors that the government is not going to allow economic recovery to force long-term interest rates up; this may unfreeze funds for mortgages and so press interest rates down.

The other approach is through the housing Bill which committees in both the House and Senate have just approved. It provides roughly \$5 billion (\$6 billion if loans to ex-servicemen are included) over a number of years for a wide variety of housing programmes, including authority for the FHA to insure 40-year mortgages, at limited interest, for middle-class houses; no down-payment would be required. This Bill is one of President Kennedy's "big five" and the one over which there has been the least controversy; indeed Congress seems more likely to add to the President's requests than to subtract from them, although the outnumbered conservative Republicans continue to complain that the measure is extravagant and inflationary.

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## Castles in Florida

FROM A CORRESPONDENT RECENTLY THERE

TOGETHER with coca-cola, hamburgers and self-improvement, the state of Florida must be classed as a national addiction. Without ever going down there to see what it is like, thousands of American couples dream of moving to the sunshine state as soon as their last pay cheque comes through, leaving their roots far behind them. Even the young and active respond to the call of America's southernmost state: three out of five of those questioned in a recent survey of industrial workers in Detroit said that they

would live in Miami if they could get a good job there. Florida's claim to fame is its climate. Night and day, summer and winter, temperatures never wander far from the annual mean of 75 degrees. In an average year, Miami has only eleven days in which the mercury goes above 90 degrees or below 50, while New York has 208 such intemperate days and Cleveland 242. For this, Florida-fanciers are prepared to overlook the long stretches of the summer during which the atmosphere has a good deal in common with a Turkish bath and the flat and uninteresting landscape.

During the last decade, property developers have been hard at work exploiting and fostering this addiction. As a result land values have soared. In many cases choice waterfront building sites have doubled in value every twelve months or so, while even land

## Taking Account of Expenses

WHEN Mr Dillon, the Secretary of the Treasury, appeared before the House Ways and Means Committee recently to testify in support of the President's tax programme, he carried a fat green book which sent shivers of apprehension through the members of America's famous "expense account society." It was a "Study on Entertainment Expenses" drawn up by the Treasury and based on 38,000 or so income tax returns by business firms which had been examined during the last three months of 1960. The total deductions claimed originally for spending on meals, lodging, transport and food and beverages bought in the line of business entertainment could not be extracted without putting an undue burden on both the taxpayers and on employees of the Treasury. But the rest of the tax deductions claimed—for fishing camps, yachts, African safaris and other exotic business expenses—totalled \$67 million; of this less than \$8 million was disallowed.

In many cases the law does not permit the Internal Revenue Service to be more stringent; in others the courts have come to the rescue of the taxpayer who feels that he is hardly done by. The report is full of startling examples. One concerns a dairy firm which claimed a deduction of \$16,818 that it had spent to send its president (and principal shareholder) and his wife on a six-month safari to Africa. The IRS allowed only \$1,200 of the total, but the Tax Court noted that the trip resulted in favourable publicity for the company and allowed the firm the whole of its claim. In another case a manufacturing corporation claimed \$463,000 in tax deductions for a luxurious resort which it maintained on a sub-tropical island to entertain executives of the firm and its customers. Fishing cruises were provided; so was air transport to and from the island. The tax authorities deducted sums which it felt were personal expenses of the firm's officers and employees but allowed \$269,000 for the upkeep of the resort, \$90,666 for air travel and \$15,277 for depreciation of the aircraft.

An undertaking firm succeeded in shift-

ing to the government part of the cost of a yacht on which it entertained visiting colleagues and clergymen; so did a shoe manufacturer who maintained a yacht on which to demonstrate a non-skid rubber sole. Indeed, firms which felt compelled, for business reasons, to maintain yachts included a metal fabricator, a cake bakery, a law firm, a brewery, an automobile dealer, a horse-racing handicapper, a manufacturer of paint and even a ship-



"Private enterprise has been dealt another blow. The government wants us to pay for this ourselves."

building concern. The president of another corporation, who is an enthusiastic sportsman, goes to Wyoming every year with four fellow-enthusiasts who, unluckily for the taxpayer, are in a position to send business to the firm; under the present law the cost of this yearly shooting trip must be accepted as a business expense. Such generosity—which is most characteristic of small, tightly-held concerns—costs a firm which pays a profits tax of 52 per cent only 48 cents out of each dollar—provided a tax deduction can be established. Sometimes, however, the tax authorities can get their own back by proving that such largesse constitutes taxable income for the recipient. Tax deductions are not allowed—as a matter of public policy—for the entertainment of government employees.

The biggest headache for the IRS and its agents is how—and where—to draw the line between business and personal expenses. Officials have been trying to solve the problem for forty years and consider that it will never be settled to the satisfaction of both taxpayer and tax collector. There are also headaches in substantiating expenses. In theory the claimant has to justify his expenses by presenting receipted bills but the IRS recognises that this is not always possible. In practice it follows the Cohan rule, which requires a revenue agent, when necessary, to try to reconstruct the allowable expenses from other sources. For costs of travel this is possible though time-consuming; but for the costs of entertainment there are few guides. Credit cards, as records of expenses, are unsatisfactory because they often omit details and do not distinguish between personal and business costs. All this fussing over expenses wastes time and effort and often gives the IRS a bad name with taxpayers; moreover even when the IRS is convinced that there has been fraud it often cannot prove—as the law requires—that the taxpayer meant to cheat the government.

The President's cure is to do away with the whole practice of tax deduction for entertainment. In his tax message he said he hoped the phrase "It's deductible" would vanish from the scene—but this depends on Congress. No tax deductions would be allowed for the entertainment of customers at cocktail parties, night-clubs, country-clubs, theatres and prize fights; or on yachts, fishing camps and so on. The deduction on individual business gifts would be limited to \$10. And—hardest of all—deductions for living expenses on business journeys would be limited to \$30 a day; by comparison government employees may receive \$16 a day for their expenses when travelling on their jobs if a Bill now before Congress is approved. Many businessmen contend that \$30 a day is not enough in big cities. But so far few voices—except those of hotel and restaurant keepers—have been raised in defence of the safaris or the costly business lunches. They may be the first of the new sacrifices which Americans are going to make for their country.



London 5.00 p.m.

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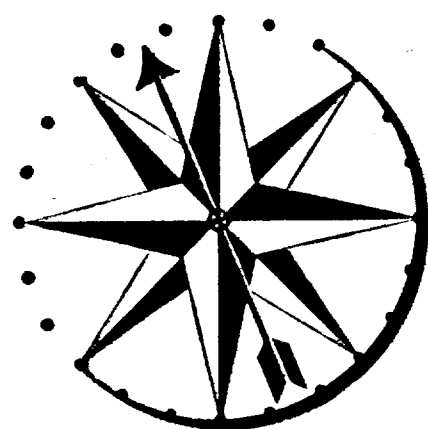
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that is remote from shops, roads and (sometimes) the sea itself can now claim a high price. A couple of years ago, when the boom was at its height, each week nearly a thousand people in the North were buying land which they had never seen. To drum up this degree of public interest, development companies embarked on massive promotional programmes which included direct appeals through the post as well as the placing of advertising booths at railway and air terminals and at other strategic points in northern cities. The acquisition of building plots on hire-purchase terms has also been encouraged; usually these require "\$10 down and \$10 a month."

For the first time since the boom got underway in 1952 land values have been moving downward. According to one estimate, prices have dropped about 10 per cent on the average, though some particularly high-priced plots have been selling at much larger discounts. A housing surplus became apparent in the Miami area about a year ago and since then it has spread to most other residential centres. Florida's construction industry—now the state's largest employer after the tourist trade—has been badly hit; for the last six months new housing starts have been running at 30 per cent or more below those of the previous year. In earlier postwar recessions Florida continued to attract new residents and



new industries in sufficient numbers to keep its construction industry working at full speed but this time it has experienced decidedly more than its share of the general slump in building and construction.

The lull in Florida's land boom is causing a good deal of consternation. The wild and disastrous speculations of the early nineteen-twenties, when investors convinced themselves that every mangrove swamp would someday support a future Monte Carlo, have not been forgotten altogether. But while many onlookers have for years been shaking their heads at the exuberance of Florida's postwar boom, few really think that a crash of anything like the proportions of 1926 is in prospect. For one thing, the earlier boom was largely a "paper" affair; little remained after the bubble burst except a few half-built communities intended for millionaires and some bizarre stretches of four-lane highway leading only to uninhabited swampland. By contrast, most of the land that has changed hands in recent years has been bought not for quick profits but for use, and a large amount of new building has already gone up. Moreover, Florida has a much more substantial population now—nearly 5 million compared with only 1 million in 1920—and one that is growing five times as fast as the national average. Some people already see signs of an improvement. One of the big promoters has reported a sharp increase in sales in March and April, both of houses and of sites.

It is even being argued that the drop in land values may have been a good thing. Much of the new development is in the hands of a few large and solidly-financed companies—the General Development Corporation, the Arvida Corporation and the Lefcourt Realty Corporation of New York. But there is also a substantial fringe of less reputable operators who depend on a constant flow of new sales to cover the costs of improving and selling their

existing holdings, and whose representations to the public have been a good deal less than accurate. It is these firms that have been threatened by the recent downturn in values and, if they are squeezed out of the business, no one will be sorry. More important, a drop in the cost of land will help the housing market. One of Florida's main attractions has always been the relatively low cost of its houses which, because of the climate, require neither central heating, insulation nor basements. But this advantage has been progressively eroded by soaring land values, and many people have felt that houses in Florida were pricing themselves out of their largest potential market, that provided by retired couples of modest means.

### *Voyage to Asia*

MR LYNDON JOHNSON is finding, as Mr Nixon found, that it is not easy for a Vice President to keep fully employed. Constitutionally, his only task is to preside over the Senate; this is no challenge to a man who used to hold that august body in the palm of his hand and Mr Johnson has seldom been seen wielding the gavel. Although the President has made a great show of consulting Mr Johnson, the chance to perform a useful mission in Asia—and to keep himself in the public eye—must have come as a welcome change to the energetic and ambitious Vice President. Primarily the purpose of his trip was to reassure the worried and sceptical countries of south-east Asia that the United States will not stand by idly and let them share the fate of Laos.

The unrestrained tributes which Mr Johnson paid to such authoritarian leaders as General Chiang Kai-shek and President Diem of South Vietnam, the Vice President's insistence that the new Administration has no intention of recognising Communist China and his promises of more military supplies for South Vietnam and Thailand have aroused some concern in Congress. Verbally Mr Johnson may have been exuberant, but substantively, in spite of his free-and-easy Texas ways, he does not seem to have had much rope. He carried letters from President Kennedy to each Head of State; the statement drawn up after the Vice President saw President Diem had to be approved in Washington before it was released; no American troops were promised; and Mr Johnson emphasised that his task was to listen and learn. It even looks as though the promised increases in economic and military aid for south-east Asia may have been decided upon before the Vice President left Washington. Usefully, however, Mr Johnson reminded each country that social and economic reforms were expected to follow. Like Mr Nixon, who also conducted himself like a politician on his travels, Mr Johnson made a great effort to get among the people—partly no doubt from gregarious habit, but partly also as an example to Americans stationed in these countries who are sometimes too fond of their air-conditioned comforts.

The effect of his trip on the Vice President has not been negligible; after two weeks, he has come back "a zealot for aid" and full of at least surface optimism about raising the standard of living and thus undercutting the appeal of the communists. Recent events in South Korea, however, provide some sobering thoughts. This is a country into which the United States has poured \$3 billion in aid and in which it controls the armed forces. Yet under the very nose of General Magruder the freely elected (if not very vigorous) government of Mr Chang has been ousted by the military. The new men say that they do not mean to establish a permanent dictatorship, but the dissolution of all political parties is not promising. It looks as though once more the United States will be forced to support an anti-democratic government for lack of an alternative—and because a democratic government was so slow to suppress corruption and introduce reforms.



## boy on wheels

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## THE WORLD OVERSEAS

### Dr Amini's Fifty-Fifty Chance

FROM OUR MIDDLE EAST CORRESPONDENT

Teheran

ANYONE who knows what is really going on in Persia must be grossly misinformed. However, so far as one can see June 9th promises to be a fateful day for Persia if the unofficial opposition, the National Front, sticks to its present plans. By then parliament will have been dissolved for a month, and according to the present constitution it will be time for general elections. Although the Shah's decree dissolving the chamber waived this clause in the constitution, the National Front leaders declare that they do not recognise the validity of the waiver, and that from June 9th they will regard Dr Amini's government as being in breach of the law. They threaten to register their protest by widespread demonstrations, supported by strikes—some of which seem to be beginning ahead of time.

The prime minister has committed himself both in his public statements and in private conversation to several drastic reforms. These include a cut of perhaps 10 per cent in government expenditure, the reduction of luxury imports, the division of big estates, and a purge of corrupt elements in the government machine. He has used strong language in denouncing past malpractices and has said that he will resign if he is hampered in carrying his policies out. By stressing the radical nature of the government's programme, the more outspoken members of the cabinet have already disturbed the conservative groups in the country. It is in the nature of things that any drive against extravagance and corruption must antagonise the established ruling class in direct ratio to its effectiveness.

Caught between this cross-fire from the conservatives on the one hand and the National Front on the other, Dr Amini has perhaps been over-bold in provoking hostility from other quarters as well. Last week there was considerable effervescence in the army because five generals were arrested without similar action being taken against civilians of equivalent rank. This, together with the ban on army officers wearing their uniform while off duty, suggested that the government was singling out the army for its special attention. There is reason to believe that the Shah, although abroad at the time, was able to smooth out these differences at least temporarily. Now that he has returned to Teheran this is undoubtedly one of his main preoccupations.

There has also been a dispute between the government and the press which began with a government announcement that the press law was to be applied more strictly than in the past. This led to a mildly farcical incident when about thirty newspaper publishers sought "sanctuary" in the press club, only to file out again when soothed by official explanations. Despite its funny side, this episode has done little to endear the government to the press or to that proportion of the public (probably small) that is influenced by what it reads in the newspapers.

The public outcry against corruption is not as easy to satisfy as might appear at first sight. Although it is common knowledge that corruption is rampant in Persia, the most important offenders have naturally been careful to cover their tracks, and factual

evidence that would be acceptable in a court of law is hard to come by. As Dr Amini has announced his intention of acting within the framework of the law, culprits may find it easy to slip through the net. There is also the practical consideration that if every case of corruption were tracked down and the offender punished there would be precious few experienced people left to run the country.

There are also serious political obstacles in the way of Dr Amini's attack on corruption. Much is topsy-turvy in this country: the fact is that the roots of evil lie high up. If the prime minister really intends to eliminate the malpractices he must reach towards those rarified levels that have hitherto enjoyed a virtual immunity from attack. As all prime ministers derive their authority from the Shah, he therefore risks sawing off the branch he is sitting on. Strength and weakness are delicately balanced in Dr Amini's position. His strength derives partly from the fact that he is certainly "a personality" with a deserved reputation for political shrewdness. He comes from one of the best known families in Persia (though this in certain circumstances could become a source of weakness). Above all, he enjoys the support of the Shah; and as long as he continues to do so the prestige of the monarchy should counterbalance the hostility of the conservatives. His weakness is that he is politically independent and has no popular organisation behind him. Provided he has the support of the army, he can control the National Front. On the other hand, if he could come to reasonable terms with the National Front, he might be able to stand up to the army, especially if the Shah continued to give him his open support. But in his present isolated position between the army and the front he must walk warily if he is to have a fair chance of survival. So far he has disdained to do so.

ALTHOUGH the National Front has chosen to fight Dr Amini on the issue of immediate general elections, this is a constitutional dispute that finds little echo among people who are much more interested in the fight against corruption and the rising cost of living. Therefore, the front is certain to intensify its propaganda on these two issues; and unless Dr Amini can point to real progress before June 9th he may be in for serious trouble. The Shah has always shown himself sensitive in the matter of public disorder.

Fortunately for Dr Amini the National Front is not a strongly organised political force. It is a loose grouping of intellectuals and business men who have made themselves spokesmen for popular grievances of every description. They are pressing for immediate elections in the confident and well-grounded expectation that if these were held they would be the victors. What would happen then is anybody's guess, except that it is fairly certain that the front would immediately split into fractions of varying political complexion. The one true cohesive force within the front today is the unacknowledged presence of members of the communist Tudeh party, who, by virtue of their discipline and their relatively clear

aims, exercise an influence out of proportion to their numbers. They enjoy the advantage that, never having been in power, they can approach the public with hands that are clean.

In the present fluid circumstances where no firm estimate can be made of the real intentions, let alone the real strength, of the political forces at work, the best placed prophets here are notably cautious. Few would give Dr Amini either more or less than a fifty-fifty chance of survival. Inevitably there is speculation about the chances of a coup staged either by the army or by the National Front. A third possibility, based on the assumption that the army and the front are not distinct entities but shade into one another at certain levels, is a National Front coup backed by some army officers. This from the point of view of the regime would be the most dangerous of all. Much will depend on the Shah's personal appraisal of developments, and on his decisions now that he is back from his travels in Europe.

## Generals on Trial

*Generals Maurice Challe and Marie-André Zeller were each sentenced in Paris on Wednesday to 15 years' penal servitude. Our Paris correspondent gives his impressions of the trial.*

FACING the nine judges of the special military tribunal General Challe looked like a rugged player sitting for a team photograph, not knowing exactly what to do with his massive arms. Yet, even in mufti, he kept a certain air of authority. Sitting next to him, General Zeller looked insignificant, a broken old man; when his turn came to speak, he mumbled and collapsed. Since the two other members of the junta, Generals Salan and Jouhaud, are still at large, together with the colonels who inspired the insurrection, the trial of the Algiers coup of April 22nd was, in fact, reduced to the trial of General Challe.

In the crowded, ornate courtroom, it was hard to realise that, not six weeks ago, France faced a major crisis. What about that threat to drop paratroopers on Paris? According to the defence, it was no more than a figment of M. Debré's imagination. General Challe's intention, so he now says, was quickly to end the Algerian war and then hand over to Paris a pacified French Algeria. The scheme failed not because of the active resistance of officers loyal to the government, but because too many commanders were lukewarm and hesitated, and because national servicemen were undermined by the "communist cells" in their midst.

The story of General Challe is sadly grotesque. Appointed commander-in-chief in Algeria by General de Gaulle in December, 1958, he was relieved from his post in April, 1960. It is hard to see how he hoped to achieve in a few weeks what he had failed to bring about in fifteen months of command. Yet, for all the incredibility of its main argument, the defence handled the trial with greater facility than the prosecution. Reasonably enough, their case was helped by the fact that it was in everybody's mind that three years ago another regime was brought down by officers to the same tune of *Algérie française*. It was simple, too, for the defence to prove that the army was given repeated assurances that it was to stay in Algeria, and thus to present the officers as men driven desperate by the conflict between discipline and conscience. But the defence did not over-emphasise its points; rather, it behaved as if a tacit agreement had been reached to minimise the whole affair. The prosecution's case was made more difficult by the flimsy available evidence of loyalty within the officer corps. Asked how many commanders categorically refused to join him, General Challe replied that he himself had thought they could be counted on the fingers of two hands, but that his colleagues had argued that this was an over-estimate.

"What would have happened had the loyal officers resisted?" The conditional in the question of M. Patin, the president of the tribunal, strengthened General Challe's point. General Gambiez, who as commander-in-chief in Algeria was arrested by the insurgents, tried to explain the officers' bewilderment by the fact that an officer does not learn at Saint Cyr how to fight against his colleague. In many respects, the coup was a family affair. Commanders consulted one another, discussed the pros and cons by telephone or over lunch. There was no clear-cut frontier. Most officers hesitated to join the Challe venture not because it was wrong, but because it was unlikely to prove successful.

Earlier this year, in a different courtroom of the same Parisian Palais de Justice, the so-called barricades trial dragged to its farcical end. It was farcical because the prosecution confined its case to civilians, refusing to examine the ambiguous part played by the military command (that is, by General Challe and his colonels) in the insurrection of January, 1960. This time, the preparations were swift, the trial lasted only three days and the verdict was severe. Yet the feeling remains that the tribunal did not go to the heart of the matter. Maybe the Fifth Republic has some difficulties in judging its officers' corps. After all, where the military commanders are the main body to be consulted before policy decisions are made, the tendency appears inevitable for the military pronouncement to replace the time-honoured ritual of the parliamentary crisis. The Challe trial is over, but it has not given a clear picture of the ambiguous place which the armed forces occupy in the political life of General de Gaulle's Republic.

## SOUTH AFRICA REVISITED—II.

### Battle-Ready

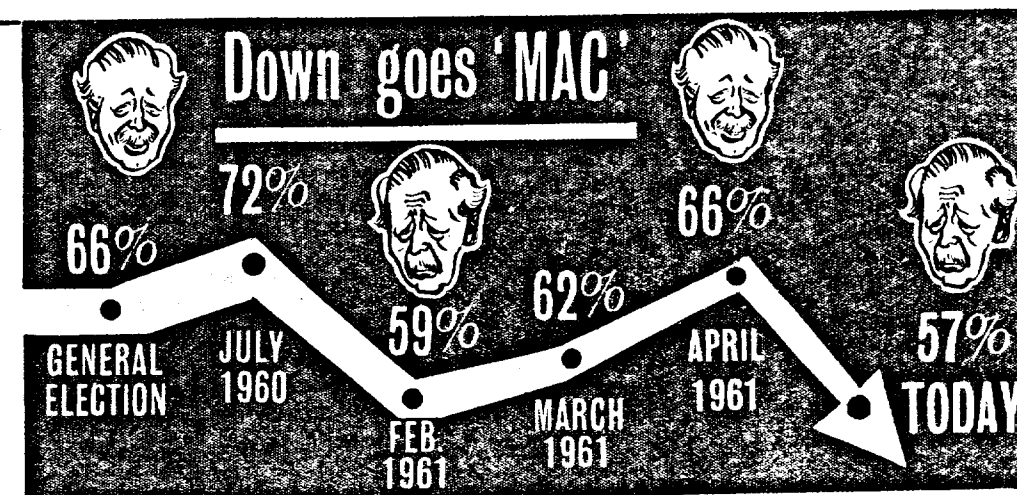
BY OUR SPECIAL CORRESPONDENT

WEDNESDAY was South Africa's Day of the Republic. Inside the laager Afrikaners dance, and often pray, as they await the savage war-whoops of an alien world. When the barbarians come charging down the hill they will meet the bullets of a nation whose God is in His heaven, and whose powder is dry. Six weeks before, Senator Wessels told his fellow legislators once again the story of how the Creator introduced Christian civilisation from Europe into South Africa. It was He whose hand could be seen in the discovery of the Cape; in the coming of the Huguenots; in the Great Trek; and in the advent of Union in 1910. "As He gave the land of Canaan to the Israelites, He also gave us a measured inheritance in Africa." The same hand appointed the leaders of the nation. There were trials for the people, yes, the hand of the Father had often chastised them, "but it moved us to greater dependability and unconditional trust," proclaimed the senator.

Dr Verwoerd also has great temporal forces at his command. The anxious days have driven a number of white South Africans towards liberalism, but for every new recruit on the left there are at least four or five new Nationalists. Entrenched in parliament, the party answers the handful of doubting Afrikaner intellectuals and theologians by quoting election results. As a long-term policy the more dangerous critics can be weeded out and destroyed by the inexorable force of the *Broederbond*—the secret organ of the Afrikaner establishment.

This week the extra-parliamentary opposition was proved still unable to meet the power of a well-armed police force backed by a ruthless administration. Not all the available shots were fired by the government. Since 1948, when they gained control in parliament, the Nationalists have steadily added to the stock-

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## Electrical Aids in Industry

## Data Sheet No. 18

### Factory Heating-1

The space heating of factories by electrical means can be achieved in a variety of ways which will be dealt with in the next Data Sheet.

Before deciding on any form of factory space heating—whether by means of electricity or not—it is as well to have clearly in mind all the components of the total annual running cost, and not merely the fuel cost, of the installation.

They are:

- (A) The cost of the fuel or the electricity,
- (B) Interest and depreciation on the capital cost of the installation,
- (C) Labour,
- (D) The cost of running auxiliary plant such as fans and pumps,
- (E) Maintenance,
- (F) Insurance.



In comparing fuel costs it should be borne in mind that electric heat is refined heat and has had all the fuss, bother and dirt of the conversion of fuel into heat taken out at the generating station.

In arriving at the true figures for capital cost and depreciation, maintenance and insurance, those connected with such items as boilerhouse, chimney, fuel store and access road should be included; labour costs should

include such tasks as ash disposal. None of these items occurs when electricity is used, although space will be required for the electric boiler and storage vessels in the case of the type (h) following.

Electricity provides the ideal answer to the requirements of the Clean Air Act, the impact of which has introduced an important new factor during the last few years.

The following list gives the main types into which electric heating installations fall:

- (a) High temperature ("infra-red") overhead heaters operating at near red heat.
- (b) Medium temperature panels operating at surface temperatures of 400° to 600°F.
- (c) Extended surface heating in the shape of floorwarming operating at temperatures up to 80°F.
- (d) Oil and water filled radiators.
- (e) Tubular heaters.
- (f) Unit heaters.
- (g) Storage block heaters.
- (h) Electric boilers and water heaters operating in conjunction with hot water radiators or panels either with or without water storage.

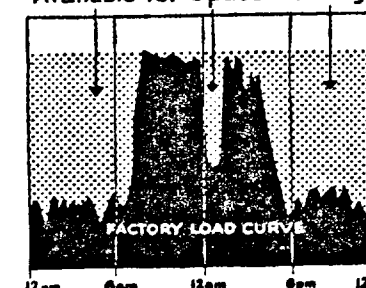
All these methods of electric heating can be divided into two distinct classes:

- (a) Those that utilise electricity during "off-peak" hours and store the heat so generated for use at a later period.
- (b) Those that use electricity whenever the heating system is in use (i.e. direct electric heaters).

The use of a heat storage system in a small works on a block tariff takes advantage of the lower tariff offered for an off-peak supply, and in the larger factory on a Maximum

Demand tariff means that the heating load will not incur any M.D. charge. Alternatively there may be cases where the use of direct

### Available for Space Heating



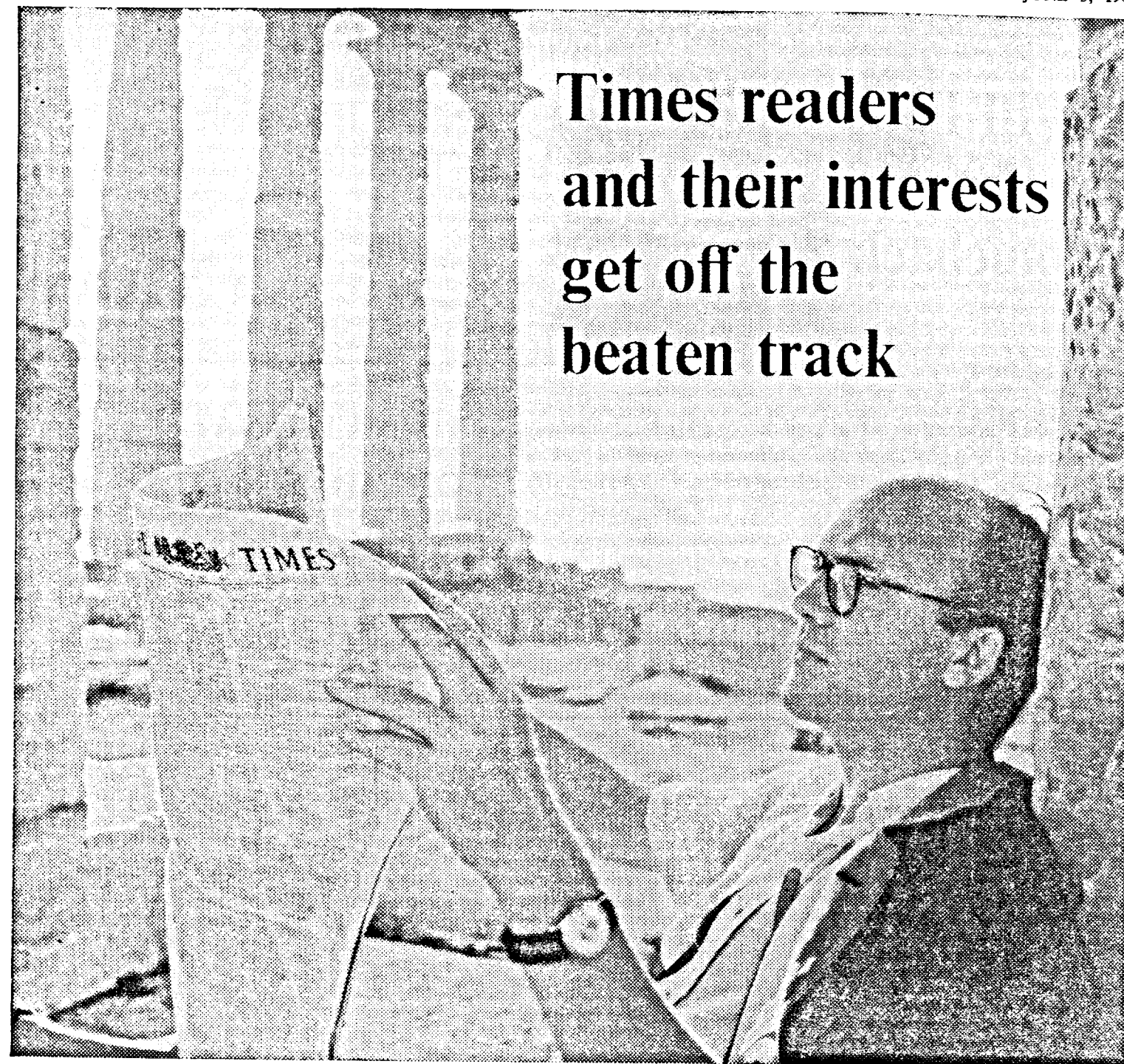
electric heaters can be integrated with other factory loads in such a way that they are not used during the factory peak periods and will thus incur no additional M.D. charge.

For further information, get in touch with your Electricity Board or write direct to the Electrical Development Association, 2 Savoy Hill, W.C.2. Tel: TEMple Bar 9434. Excellent reference books on the industrial and commercial uses of electricity are available. An example is "Higher Industrial Production with Electricity" (price 8/6 each, or 9/- post free).

E.D.A. also have available on free loan in the U.K. a series of films on the industrial uses of electricity. Film and Book catalogues and Publications List sent on request.

(12/7/61)





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pile of oppressive legislation started by the Smuts government at the end of the war. The police-state republic is still partly hidden in the statute books: a stroke of the president's pen could bring it fully into action. Yet, like generals who worry over their nuclear fire-power, the Nationalists still feel the need of new legal weapons. At the beginning of May they whipped through a bill giving the attorney-general power to detain anyone for twelve days without trial. This was expressly designed to deal with the proposed three-day strike. But by simply declaring another emergency, the government could have called on far wider powers.

Against the fear of increasing non-white opposition, a widening range of tactical legislative devices is assembled. The choice, already rich, is likely to grow richer. South Africa remains the rare country where black people are not winning victories. Elsewhere the power attacked by the black revolution has itself been divided. In Africa, the blacks were helped to ascendancy because the British and the French withdrew; in America federal troops and federal justice weigh the scales in favour of the Freedom Riders. Even Angolans, seeing what is happening to French Algeria, can hope for a change in Portuguese colonial policy. In South Africa the Africans are alone. It is hard to see how increasing desperation on both sides can be avoided. The police state must come fully into the open. If the Nationalists have a political weakness at present it lies in the lip service they pay to democratic methods when dealing with Europeans. This cannot last.

**S**OUTH AFRICA'S economy can probably stand a lot more battering than many people think. The talk everywhere is of a "siege economy"; the likelihood is that the siege will last a long time. Most business men expect a slower rate of expansion to be forced on them in the next few years; some expect a reduction in the standard of luxury living; very few fear a complete economic collapse in the near future. About half the country's annual imports are accounted for by exports of gold and uranium; sales of diamonds, wool and basic metals account for a large part of the rest. Even if fruit exports were wiped out by boycotts (in fact sales increased last year), this in itself would not be a mortal blow.

There is plenty of room for belt-tightening, as the latest round of economic measures shows. At the beginning of May the government took steps to stem the outflow of capital by putting up Bank rate, cutting down loans, tightening import controls and closing some of the many loopholes in the exchange regulations. Much more could have been done, and may yet be done. Bank rate went up by only ½ per cent, tourists can still take out £500 each a year, emigrants can still take £5,000, and cuts in imports of motor components and cars could be much harsher. Foreign-held capital can still move freely. Eleven home made components are now compulsorily included in all locally assembled cars, and the proportion is increasing. The state-owned oil-from-coal plant, Sasol, could not produce enough to meet the country's requirements of oil, even in a "siege economy," but few South Africans believe that, at a time of a world oil surplus, a total embargo on sales of oil is likely. A partial embargo might be a blessing in disguise, for although the government is reluctant to incur unpopularity by further reducing the amount of motoring pleasure available to South Africans, about a sixth of the country's import bill goes on cars and oil. Petrol rationing may have to come in any case.

The danger point will be when industry is prevented from importing raw materials unobtainable elsewhere. Industrialists say that the country is already too near this point, but in fact it is only near to the point where more expensive substitutes will have to be bought locally. In the short run, many local industries will benefit from import controls and this may stave off widespread unemployment. In any case, the first employees to be dismissed

in any industry would almost certainly be Africans. Job reservation laws prevent specific racial groups from doing designated jobs and the government is about to take further powers to control the movement of Africans. Previously Africans could not normally be sent to the reserves if they were born in urban areas, but under the new laws it would be possible to dismiss Africans and send them to the tribal areas, filling their posts with jobless whites.

All this adds up to a prospect of a slow, steady reduction in one of the highest standards of living in the world. Economic warfare will not immediately defeat South Africa: what is more likely is a long-drawn-out bleeding to death. And while there is gold there will be immense reserves of strength to help the victim bear the pain.

The military threat to South Africa is not immediate. Yet, at the end of April, the minister of defence, Mr Fouché, announced that South Africa was to be put on a "battle-ready" footing, with the accent on internal security. The Citizen Force was to be brought to "wartime strength" with a nine-month continuous call-up instead of the previous six months spread over three years. The force will be armed with automatic weapons, and can rely on the support of an expanded, fully trained regular army and a modern air force, including two squadrons of Sabre jets and seven jet helicopters.

Officers have studied French methods in Algeria, and the first battalion of paratroops is in training. Fifteen men were sent to Britain for preliminary training last September. Two million pounds has been spent on Belgian machine-guns and automatic rifles; 160 concrete watchtowers are being erected to guard military installations. The chairman of the state iron and steel corporation, Dr F. Meyer, has been given the task of mobilising local industry to produce military requirements within the republic. "Mobile watches" armed with tanks and armoured cars have been set up to move quickly to regional areas of trouble. These changes complete the Nationalist reorganisation of the defence force, which began in 1958. The majority of officers are now Afrikaans-speaking government supporters; the principle of conscription by ballot has been introduced: the accent has been put on internal security. South Africa is well set to face a guerrilla army—the only kind that could reasonably be expected to appear in the immediate future.

Few can doubt that Afrikaner nationalism will one day come to an end. But perhaps only Senator Wessels ("God is the Giver of all things which we enjoy") could safely predict how and when it will happen.

## Tibetan Go-Slow

FROM OUR HONGKONG CORRESPONDENT

**T**IBET stubbornly remains a thorn in China's face. For the second time in four years, the Peking politburo has been compelled to announce a postponement of five years in "democratic reforms for the socialist transformation" of Tibet. The glum awkwardness with which this second respite has been announced reflects considerable official embarrassment. It may indeed be reasonably surmised that Chairman Mao Tse-tung, having blundered twice, will not revoke this 1961-66 reprieve as rashly and prematurely as he ended its 1957-62 precursor. The new retreat has been bravely sounded by Comrade Chang Ching-wu (the politburo representative in Lhasa who runs Tibet):

In order to consolidate the achievement of democratic revolution in Tibet, the Chinese Communist Party, under the inspired leadership of Chairman Mao Tse-tung, pledges that it will not launch socialist transformation (in Tibet) in the next five years, and will not establish agricultural and livestock-breeders' co-operatives or people's communes in that period.

Here is a dismal echo of Chairman Mao's benevolent acknow-

ledgment in 1957 that some primitive Tibetans—indeed, alas, most of them—were not then “quite ready and prepared for collectivisation,” and his indulgent assurance that the Communist party, firmly resolved never to impose even the wisest reforms upon the unwilling, would amiably tolerate this backwardness until 1962. “Consolidation” was then, as now, the magic word. However, the coincidence of the desperate 1959 uprising in Tibet and the intoxicating exhilaration of the “great leap forward” in China was strong and heady enough to induce Chairman Mao to revoke his reprieve and to seek to force speedy and ruthless collectivisation on the Tibetan laggards.

Clearly, Mao's second humiliating reprieve once more reflects difficult conditions inside China as well as inside Tibet. On the one hand, the new and chastened party line of harder planning, lowered industrial targets and priority for food production in China; on the other, the frustrating mood of passive resistance,



Retreat from Lhasa

obdurate conservatism and continued guerrilla fighting in Tibet. Evidently, the guerrilla resistance in the wild border regions, however patchy, is pinning down large forces of the People's Liberation Army, while the “liberated serfs” themselves are ungratefully refusing to co-operate with the Chinese party cadres and the “mutual aid teams” which were acclaimed as shining successes last year.

Real and practical deficiencies of communication also play a part. The two roads to Lhasa from China, which were completed in 1955, are still impassable at some points for several months of the year, and the projected railway from Sining is still in blueprints. Until these communications are made properly effective, Peking cannot substantially increase military reinforcements or the flow of “colonisers” needed to co-operate with the liberated Tibetans in the “socialist transformation” of the region. The Dalai Lama has recalled with anguish in exile that Chairman Mao genially assured him in 1956 that the population of Tibet would eventually be increased from two to ten millions by massive and selfless Chinese immigration.

It may well be, in fact, that the current five-year respite for Tibet sets a realistic timetable for the improvement of communications with China. In any event, the harassed politburo is probably well satisfied to relax doctrinal and ideological pressure in Tibet if this restraint will at least ensure that, in the agricultural crisis, a partly placated Tibet will produce enough grain and food for the local population, the Chinese army garrison and the regional party establishments and cadre forces. Some diverting contradictions mark the party's somewhat red-faced attempts to rationalise this second postponement of Tibet socialisation. Thus, deputy chairman Pebola Choliehnamje, of the preparatory committee for Tibet, argues nervously that the delay in introducing infallible party reforms for increased agricultural and livestock production “will undoubtedly create a direct impetus for the development of agricultural production and animal husbandry.” He also makes a memorable point in double-talk by stressing that “the task in 1961 is to carry out continuously the democratic reform movement,”

although the theme of his apologia is that democratic reform is being withheld for five years.

The Panchen Erdeni, who continues to collaborate faithfully with his Peking masters, makes one significant claim which, if true, would indicate that the party at least stands pat on a solid base for consolidation during the respite. He asserted that in April this year there were 13,000 “mutual aid teams” (embryonic co-operatives) in Tibet, embracing 140,000 “emancipated peasant families.” The previous official figures (in November last year) were 15,000 teams and only 100,000 families; thus the trend has been towards increased conscription into fewer, and therefore larger, organisations. Peking's expedient decision to bow again to adverse conditions is, in fact, a retreat, not a defeat, and another example of the Mao regime's realistic flexibility. It is a humiliating and frustrating retreat, all the same.

## Baghdad's Arab Policy

FROM A CORRESPONDENT

AFTER three years in power General Qasim's future survival may well depend as much on the success of his Arab policy as on any development at home. The systematic unfolding of this policy over the past eighteen months or so is one of the most solid achievements of the regime, and may eventually take the stuffing out of the assaults of the extreme Arab nationalist opponents. In essence, the policy consists of a gradualist, unemotional approach to the goal of Arab unity, resting on three propositions. First, that no one Arab state has all the qualifications required for leadership; second, that different social and political systems should not be an obstacle to closer inter-Arab relations; and, third, that Arab states should, to begin with, unite on a basis of equality, frank speaking and mutual confidence around an institution—such as a reactivated Arab League. Next month the league is going to make another attempt to put teeth into its feeble sixteen-year-old charter.

This may not sound like a revolutionary programme, but its chief architect, Iraq's foreign minister, Dr Hashim Jawad, considers solid foundations, however humble, more valuable than vast,

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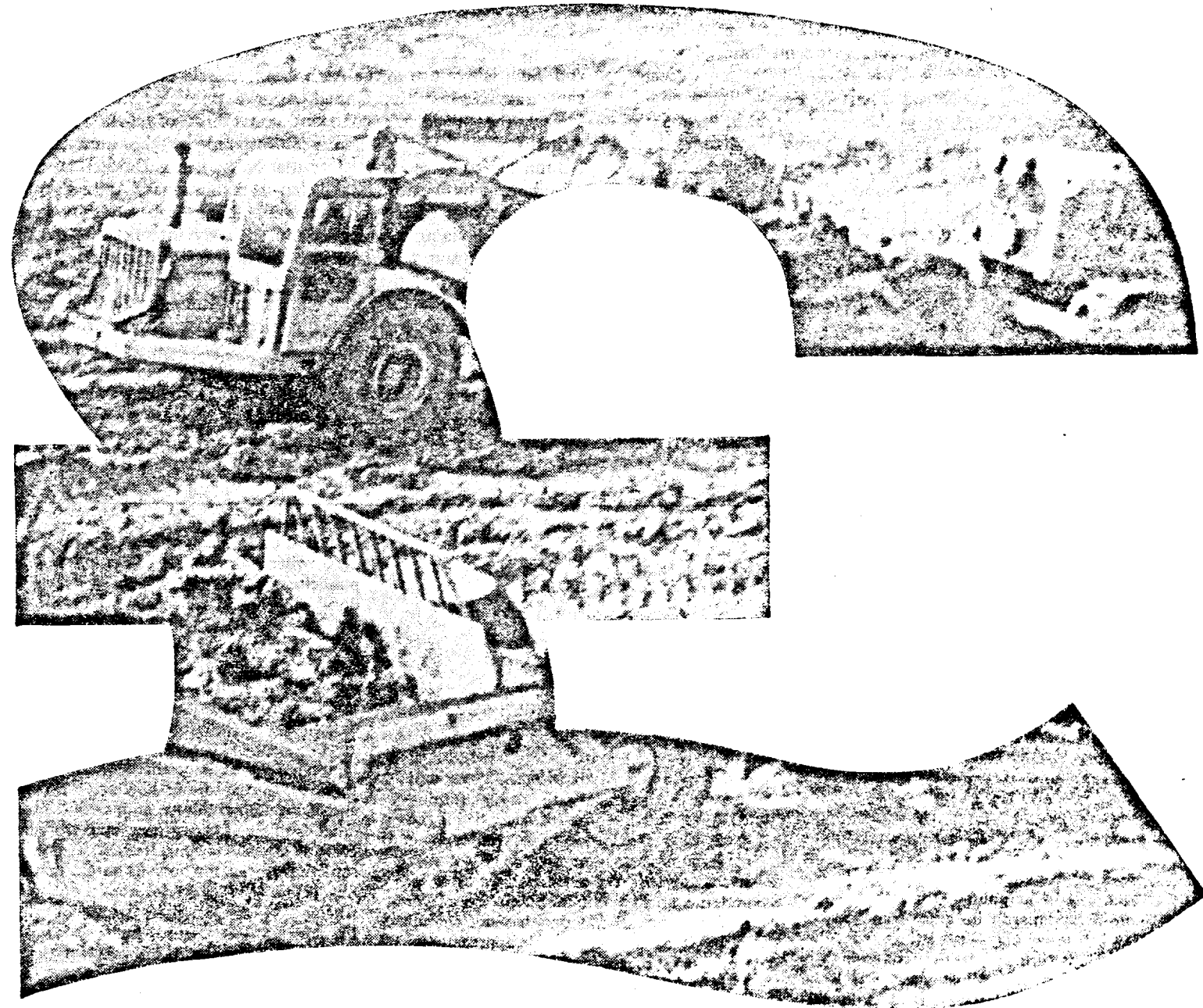
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dreamy edifices. He believes, too, in the salutary effect of more candid talk between Arab leaders on both Arab and international questions. "Arabs," he told your correspondent, "must learn to disagree without giving offence. Frank discussion of the real situation in each Arab state is more valuable than unanimous, but vacuous, resolutions."



Dr. Haskim Jawad: no dreamer he of a single Arab state "from

the Atlantic to the Gulf" for at least another generation. Cairo's reaction has been sceptical. The press, linking Dr Jawad's strategy with King Hussein's recent overtures to President Nasser and Tunisia's return to the Arab League, finds evidence of a great conspiracy against the United Arab Republic. Mr Hassanein Heikal, the president's confidant and editor of *al-Akhbar*, has written of a "spring offensive," inspired by the imperialists. Behind these charges is the fear that Nasserism is threatened with containment by friendship, and that its revolutionary Arabism may be blunted with smiles and sweet talk about Arab solidarity.

These seemingly unexceptionable views have had a mixed reception. Some Arab nationalists in Iraq believe that Dr Jawad's policies are no more than a blind for Iraqi separatism, while others grant his good intentions but maintain that his step-by-step approach will set back the goal of a single Arab state "from

the Atlantic to the Gulf" for at least another generation. Cairo's reaction has been sceptical. The press, linking Dr Jawad's strategy with King Hussein's recent overtures to President Nasser and Tunisia's return to the Arab League, finds evidence of a great conspiracy against the United Arab Republic. Mr Hassanein Heikal, the president's confidant and editor of *al-Akhbar*, has written of a "spring offensive," inspired by the imperialists. Behind these charges is the fear that Nasserism is threatened with containment by friendship, and that its revolutionary Arabism may be blunted with smiles and sweet talk about Arab solidarity.

Dr Jawad vigorously denies any such sly intention. "There has been," he says, "no contact between Iraq, Jordan and Tunisia with a view to creating a front or to isolating any Arab state. There is only one axis and that is an Arab axis." The Iraqi authorities criticise the tone of Egyptian declarations on Arab questions. The UAR has pledged itself to combat feudalism and imperialism as well as to struggle for Arab unity and social justice. In the name of one or other of these slogans it has, at one time or another, launched attacks on most of its neighbours.

This, Dr Jawad maintains, runs counter to the charters of the

## Spain's Fabled Shore

FROM OUR BARCELONA CORRESPONDENT

SPAIN is expected to have more tourists than ever before this year. The Easter traffic was exceptionally heavy and bookings for the rest of the year already show a big increase—travel agencies talk of 30 per cent more British visitors to the Costa Brava. Last year foreign visitors to Spain numbered more than six million, a jump of 46 per cent over the previous year's figure.

An important point is that the proportion of foreigners who make some sort of stay in the country—as distinct from day excursions, cruise parties and so on—is high compared, for instance, with Italy. Tourist spending last year is officially calculated to have been more than £100 million, which would have paid for nearly half the country's imports. The fact that such earnings are likely to continue, and increase, is of immense importance at a time when the future of Spain's exports, and the possibility of developing its industries to compete with other countries, are still in doubt. It is particularly welcome at the moment because internal trade has not yet recovered from the stabilisation policy.

Spain, of course, has always had its attraction for foreigners, and certain resorts, such as Majorca, Sitges, Alicante, Malaga, and the Andalusian towns, have an old fame, particularly among retired people and those wintering abroad; but the present tourist boom is only a matter of the last ten years. In 1951 the figure for foreign visitors passed the 14 million mark and during the subsequent period the number of hotels in Spain has more

than doubled—without taking account of the private rooms to let, which have often increased more than the hotels.

The tourist boom has occurred almost entirely on the Mediterranean coast and islands. Andalusia still draws foreign visitors, but has not developed in the same way; the Canary Islands, for long a winter resort, have only very recently started to attract a summer tourist traffic; and the north coast of Spain, even San Sebastian and Santander, has not shared in the expansion—Spaniards appreciate its fresh sea breezes more than foreigners. It is on the now famous "costas"—the Costa Brava, the Costa Blanca, and the Costa del Sol—and in the Balearics that the changes are to be seen.

Ten years ago the Costa Brava was hardly known as a holiday resort. By 1955 there were 119 hotels. By 1960 the number had risen to 437, and this gives only a limited idea of the accommodation available for visitors, as the villas, flats and rooms to let, the hotel "annexes" and the 25 camping sites have probably increased accommodation by half as much again. The expansion is far from ended—new hotels are being put up and extensions made all the time—and is all the more spectacular because mostly concentrated in the central stretch of the coast, particularly between Lloret and Playa de Aro, since the north-east end, near the French frontier, is comparatively quiet. Similarly the Costa Blanca—the coast round Alicante, including the now well-known resort of Benidorm—was only

launched on its present success five years ago, when British European Airways publicised the name and started its London-Valencia air service. On the Costa del Sol—the province of Malaga—it is the same story. Although Malaga itself is an old winter resort, the tourist traffic to the adjacent coast only started, slowly, about ten years ago, and the real expansion only dates from the charter plane services in 1955. In 1959, the last year for which figures are available, there were 51,000 foreign visitors to the hotels of Malaga and Torremolinos alone, and, allowing for other forms of lodging, the figure for the coast as a whole is estimated to have been something near 120,000. The Costa del Sol is now fashionable not only with foreigners—British first, followed by French and Americans—but also with Spaniards: it draws the smart set from Madrid as well as international celebrities.

BUT Majorca, which was already a magic name to Mediterranean holiday makers and retired British officers and civil servants before the "costas" were discovered, is still the outstanding success of Spanish resorts. In 1948 it had 46,000 visitors; but last year it had 370,000, and the figure refers to hotel visitors only—people who rented houses, together with cruise parties and visiting navies, would add another 60,000. The little island of Ibiza, further south, is having a tourist boom that is spectacular in that it started from practically nothing only six or seven years ago.

In many places this sudden influx of foreigners has revolutionised local life. Its effects can be imagined when it is considered that Lloret, on the Costa Brava, for instance, had, in 1959, only 3,300 local inhabitants but a population of well over 14,000 at the height of the season; and that Benidorm, whose inhabitants, making

United Nations and the Arab League; it also represents a false conception of history. Many states with vastly different social and political systems and international obligations co-operate amicably. The Arabs must learn to do the same.

How does this Iraqi-UAR debate affect the balance of forces in Iraq itself? The credo of the nationalist opposition is Arab unity—that is Iraqi membership of the UAR. But, in the last year or so their ardour for an immediate merger has been tempered. One reason for this is that they have come to realise the strength of the forces at home that oppose union. There are the large ethnic and religious minorities, Kurds and Shi'is, afraid of being swamped in the Arab mass; few people are prepared for the thought of sharing Iraq's oil revenues with their Arab brothers; and, perhaps most important, the army tends to stand for Iraqi separatism, the senior officers wanting power and plum jobs for themselves. The Communists, thrown on the defensive in Iraq, remain dedicated opponents of Arab unity on President Nasser's terms. Their current tactic—in Iraq as in the UAR and Lebanon—is to clamour for democratic freedoms, less out of conviction than to avoid proscription. It is on both these counts—opposition

to Nasserism and defence of democracy—that the Communists now seem desirable allies to Mr Kamil Chaderchi, the veteran leader of the National Democratic party, who has come out in favour of a popular front.

Another consideration influencing the nationalists is Syria's experience within the UAR. Most of them would agree that this was a lesson in what to avoid rather than in what to emulate. There is no question of their accepting the dissolution of political parties, as happened in Syria. If and when they come to power in Iraq, the nationalists—who have recently grouped themselves into a Nationalist Front—envisage a grand confrontation with President Nasser. They intend to challenge him to abandon his authoritarian ways and remake the UAR, so as to include Iraq, on an entirely new and democratic basis. Some would even say that any such new arrangement would have to allow for a considerable measure of local autonomy for each member state in the union. Nationalist thinking has indeed come a long way from the heady days after the revolution when immediate, unconditional union was the goal. It may even, one day, shade into Dr Jawad's own gradualist, empirical approach.

a hard living as farmers and fishermen, had been reduced by emigration to 2,000 before the growth of the tourist trade, now has a peak seasonal population of 30,000. The fishermen find that during the season it is more profitable to act as porter, guide, boatman and entertainer to tourists than to fish. They also let rooms, and the farmer, the shopkeeper or anyone who can rake together some money starts building a villa or a "casita"—sometimes no more than a two-roomed pillbox—to let to visitors. Some of these "casitas" are abandoned half-finished when the money runs out. Enterprising people who can find the money put up hotels, often with little regard to suitable sites or to providing conveniences and service. Customary local standards are thrown into confusion by the cosmopolitan invasion, and there is reckless overcharging and jerrybuilding. In some resorts—such as Majorca, Sitges (on the Barcelona-Tarragona coast) and Benidorm—the local authorities have managed to control development; but the abuses are glaringly obvious, for example on the Costa Brava and in Ibiza, an island of peasants and fishermen where the price of building land is now soaring.

The huge increase in the summer population puts a great strain on the public services. Railway communication is often bad, some roads are rough and dangerous, drainage and water supplies are inadequate, telephone and telegraph services inefficient. Majorca has excellent air communications; but every year, at the height of the season, there are not enough boats from Barcelona, and Ibiza is badly served both by boat and plane.

The Spanish government is active in trying to promote the tourist trade and correct failures. The *Servicio de Credito Hotelero* has had its fund multiplied many

times over since it was established in 1942 and had financed a tenth of the hotel accommodation by 1958. Hotel prices are fixed according to the hotel's category and fines for overcharging are frequently imposed. A national tourist plan was drawn up in 1953 and entrusted to inter-ministerial commissions, and the result has been a number of regional studies and proposals for orderly development. Work on a plan for the Costa del Sol is expected to start this year. It includes modernising



the coastal road, building landing stages and improving the drainage and the water and electricity supply, as well as re-afforestation and the provision of access to beaches. A stricter control of new building has already resulted, since it was discovered that nearly three-quarters of building work was undertaken without licence from the town council and that it was the general practice to ignore regulations and standards. A plan for improving the drainage and water supply of the Costa Brava, to be completed in three years, was recently approved by the cabinet, and work has started on improving the roads from Barcelona to the coast. Commissions have also been studying the development of other areas at present less

frequented by foreigners—the Barcelona-Tarragona coast (now officially named the Costa Dorada), the coasts of Almeria and Murcia in the south, and the much-neglected resorts of the Pyrenees. Tourists will hear before long of the Costa Verde (the splendid but rainwashed northern shore on the Bay of Biscay); and the search is going on for an appropriate, not too bibulous, name for the extreme southwestern shore adjoining Cadiz and Jerez. Apart from all this promotion, the Spanish state continues its admirable standard-setting work with its chain of *paradores*, excellent hotels usually converted from historic houses.

SPAIN has great natural advantages to enable it to maintain its place in the European tourist trade: the charm and grandeur of the landscape, the noble and lovable qualities of the people, the singular flavour of Spanish life, and the sun. The pull of the sun and the sea upon the great mass of holiday-makers account for the concentration on the Mediterranean resorts and the success last year of the efforts to increase winter traffic. But Spain is also benefiting at the moment from the devaluation of the peseta in 1959 and the fact that prices since then have remained fairly stable. Now that multiple exchange rates for the peseta have been done away with, the Spanish foreign exchange reserves are at last getting the benefit of the tourist boom. Food, drink and lodging are still appreciably cheaper for foreign visitors than in France, Italy and other Western European countries. This is a variable factor, like the travelling taste itself. Though booming, the Spanish tourist industry is not yet secure; it needs to acquire efficiency, and maintain stable prices for a time, if its present success is to be put on a firm basis.

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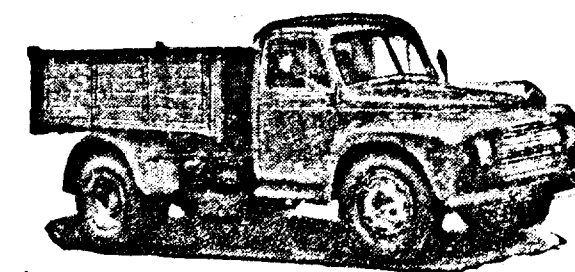
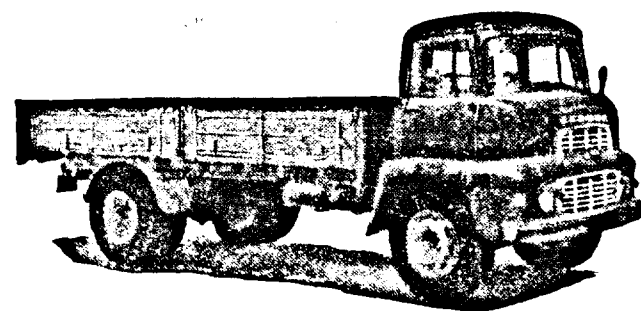
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## HOME REPORT

In HOME REPORT members of the editorial staff and local correspondents report on life and happenings in and around Britain.

## Unions at School

FROM A CORRESPONDENT

LAST year, at Douglas, Isle of Man, the general council of the Trades Union Congress presented a long report on the present state of trade union education in the United Kingdom and proposed sweeping changes for the future. The report was accepted by the delegates—though there was no discussion on it—and the general council this week considered a plan from the TUC education committee for a new system of trade union education which would involve adding 2d. a year to the present affiliation fee of 9d.

Unlike the trade unions in many western European countries—those in Sweden and western Germany particularly—the British trade unions have not yet developed a unified and centrally controlled trade union educational organisation. Yet British trade union education, in one form or another, is much older than the systems in these other countries. In 1899 Ruskin College was established to provide further education for working people. In 1903 the Workers' Educational Association was founded. And in 1910, after a breakaway from Ruskin, the more left-wing Central Labour College was formed. In 1921 the National Council of Labour Colleges—an organisation that elected to remain independent of all university and state educational bodies—was set up. The NCLC was responsible for running the Central Labour College until the college closed in 1929.

The result of these developments is that trade union education today overlaps considerably with the work of the organisations providing general adult education—the extra-mural departments of the universities and the WEA. The Amalgamated Engineering Union in Leeds and Bradford, for example, has arranged for the extra-mural department of Leeds university to provide its senior shop stewards and district committee members with two courses of lectures covering industrial relations, collective bargaining and the national economy. But, this overlapping apart, it could be said that the two main organisations providing trade union education are the NCLC and the WEA, with the latter's subsidiary group, the Workers' Educational Trade Union Committee.

Altogether, according to the general council's report, 80 unions affiliated to the TUC, with a total membership of nearly 7 million, have educational schemes with the NCLC or the WETUC or with both—though the number of trade unionists who actually take advantage of these educational facilities, on which the TUC spent £79,000 last year, is another matter. Last year 700 trade unionists also attended short residential courses organised in London by the TUC. In addition, some trade unions have their own educational schemes and full-time education officers, and, in the case of the Transport and General Workers and the General and Municipal Workers, have a postal courses department. All this involves considerable duplication and much waste of money.

Trade union education should be designed to train functionaries for responsibilities in all levels of the movement, and a very wide range of subjects are—and should be—taught. The NCLC's postal courses, for example, now include more than 60 subjects, ranging from

English to automation and including elementary economics, science and industry, industrial law, national insurance and work study. Ruskin College's postal courses for external students cover many of the same subjects. So do most of the local classes run by the NCLC and the one-day and weekend schools run by the two main organisations and by some individual unions.

Many unions also take advantage of a wide service of branch lectures on contemporary topics. The TUC's courses in London train union officials, branch secretaries, shop stewards and others not only in subjects like chairmanship, secretaryship, trade union branch administration, but also in industrial management, industrial law, and work study methods. This college was formed some ten years ago when the Anglo-American productivity teams recommended more education for active trade unionists.

This system has achieved much for the trade union and Labour movement over the past forty years. Most trade union leaders—and some political leaders such as Mr James Griffiths or the late Aneurin Bevan—have given credit to the guidance they got from their movement's own educational bodies in their early days. But the unions are not at all satisfied that the money they allot to education is being spent as economically as it could.

If the TUC rationalises the whole system and brings it under a central controlling body the NCLC, the WETUC, some of the individual union schemes and the TUC's educational department will all be merged. The WEA will not be brought in because that organisation has always offered, and undoubtedly will continue to offer, a much greater variety of subjects than a trade union educational scheme would need. It is not intended to bring Ruskin College into the new scheme because Ruskin, while it has strong trade union connections, is still an independent college.

It is quite likely that the new organisation the TUC has in mind would be something like the present NCLC nation-wide machine. This would mean the appointment of district full-time educational officers who would be responsible for local programmes, but it would also include a postal courses department, presumably based in London, and facilities for short residential courses, branch lectures and weekend schools. Its success, however, will depend on whether the unions agree to raise their affiliation fee when they meet in congress next September.

What is certain is that with central control by the TUC more money would be available for running courses, providing suitable local premises, and paying the fees of specialised lecturers. If this scheme succeeds the unions should be assured of a steady supply of highly trained and competent future officials. It should help to answer the call for more highly qualified shop stewards so strongly urged by the Minister of Labour's committee on the motor industry. But at a higher level the unions would still face the danger that their brightest trained men may be lured away by better pay outside the trade union movement.



Epstein at the TUC

# Alarms and Incursions

FROM OUR SPECIAL CORRESPONDENT

NIGHT raids on banks in quiet suburbs receive much publicity from a press otherwise poorly supplied with sensation; and it is something of a disappointment to discover that the value of breaking-and-entering loot is (at least in London) less than £1.5 million annually. The chagrin caused to conscientious burglars by this figure will be somewhat mitigated by the qualification that only non-residential properties are concerned: the additional losses from houses and flats of film starlets' jewels, lady magnates' furs and expense-account Jaguars do much to restore the professional respectability of criminals.

That the loss is as low as it is from the richest sources is due largely to the skill and tenacity of the makers and installers of

alarm devices; for the police, ever thinner on the beat, could not begin to keep an effective watch on every building containing theft-worthy property. Skill and tenacity are needed. As the alarmers point out, the criminal classes are in their methods far from being contemptible: indeed, on their view, £1.5 million must be taken to be small reward for the efficiency, determination and devotion to duty displayed by Britain's burglars. It is to the alarmers' credit that they manage to keep ahead of these baleful intelligences.

Burglar protection tends to mean (even to industrial widows with £30,000 worth of diamonds to leave in their dressing-tables) barred windows, a safe or a loudish bell operated by door or window contacts. But



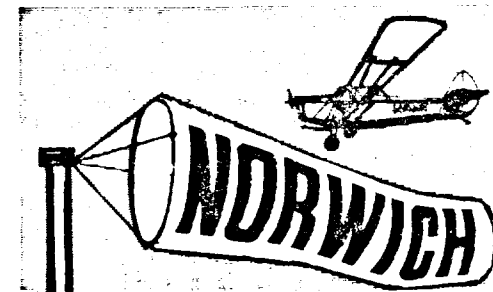
bars are as butter to bolt-croppers, safes are less than absolutely safe and bells (should even the most elementarily incompetent thief omit to derange them) are habitually ignored by passers-by. These things have their place in the best systems for keeping the ungodly from one's gains; often, however, they are mere fronts for devices designed effectively to frustrate the most diligently cautious of burglars.

The idea behind all alarms is to gain time, and during that time to mobilise the nearest police force and get it to the scene. For it is the police who must be set to catch the thief: in Britain, such efficient means of retaining one's ownership of goods as man-traps, self-locking doors, automatically guillotining grilles, spring-guns and port-cullises designed to pin down the thief *in situ* are not allowed. It is not unknown for thieves to claim damages from the erectors and owners of burglar-alarms which have injured them; and in any case the burglar, no less than anyone else, is entitled to protection from physical assault. It is felt, too, that the blocking of escapes from enclosed spaces might provoke in the thief a violence he would not otherwise have thought necessary.

BEING limited to detection, then, alarms must give the earliest possible forewarning of the crime: once the thief has got to his target undetected, there is no way of preventing him from hitting it hard

## East Anglian Airport

FROM A CORRESPONDENT IN NORWICH



NORWICH Corporation has recently been offered by the Ministry of Aviation civil flying facilities on the big fighter airfield of Horsham St. Faith's, which lies immediately on the outskirts of the city, and has now gone into reserve as far as the RAF's operational requirements are concerned. The proposal, which is under negotiation, is that civil airlines and the RAF shall have joint use of the field, and that the RAF shall operate the airport on payment of landing fees.

This comes after fifteen years of frustration, during which Norwich, although surrounded by military airfields, many of which are now disused, has been unable to re-establish the hopeful little civil airport for light aircraft that it possessed before

the war. Now it is promised the use of a field, within ten minutes' drive of the city centre, that will take any size of aircraft. But for the moment the question is how much internal traffic it may be able to develop as a feeder station for the main airports, and possibly as a helicopter port: customs facilities and international services are still in the lap of the future.

Norwich has good claims to air-mindedness. The Boulton and Paul structural engineering works built 2,500 FEs, Camels and Snipes in Norwich in the first world war, and in 1919 designed and built the first British all-metal aeroplane. Later on the firm pioneered a revolving gun-turret, and also built the tubular steel structure of the ill-fated airship R 101.

In 1930, Norwich corporation developed its own modest airport, run by the local aero club. During the war, however, the airport was bombed and its buildings destroyed. It later became a housing estate, and the survivors of the aero club, and their aspiring successors, raged that the fruits of the pre-war enterprise had been lost. Norwich, though pervaded by the scream of jet fighters from the military airfield on its boundary, was itself grounded. Nevertheless, there has lately grown up a proliferation of light aeroplane and gliding clubs on fields fifteen or twenty miles from the city.

Hopes are now fixed on Horsham St. Faith's—a field of a capacity beyond anything the corporation was ever likely to provide for itself. Many people regard its prospective use as a civil airport as not undue compensation for the years of disturbance suffered from the manoeuvres of jet fighters. But there are dissenters among the inhabitants of the adjoining suburbs who, rejoicing in their new-found quiet, are not looking forward to the expected helicopters and possible airliners of the future. There are signs that there is still a battle to be fought with the suburban parishes before Norwich gets its airport.

(and very little hope of getting back what he takes: in 1959 only 11.7 per cent of stolen property was recovered). It is to achieve this early-warning without the knowledge of the thief that most systems are designed. Some pressurise the room to be guarded and trip when the pressure differential between the room and the outside air is disturbed; others depend on the accurate collection of inaudible sound, and others again on multiple infra-red beams and photo-electric cells. If the prospective loot is small, it is put into a safe, which in turn is enclosed in an easily penetrable box heavily impregnated with alarm contacts, so that any tampering is registered long before the target is reached.

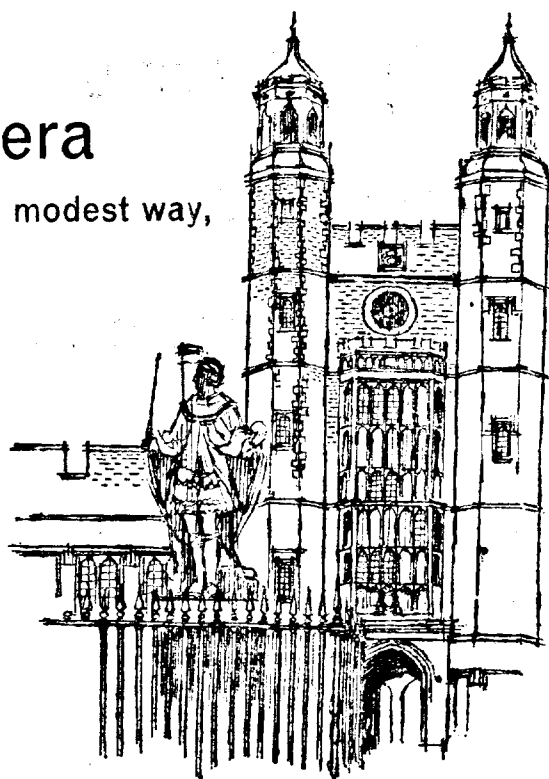
In most of these systems the intruder is unaware of his detection: for who is to take the slight draught from a surreptitiously opened door as the signal for the ringing of tocsins in the ears of policemen, or to know that his vanity in adjusting his little black mask before a mirror begins an automatic telephone conversation with Scotland Yard, or to appreciate that the telephone wire he cuts as a matter of routine has been transmitting continuous coded pulses whose interruption will shortly bring the truncheons down about his ears?

In a side street in Holborn, perhaps unintentionally concealed behind an innocent façade, lies the chief of fourteen control rooms operated by one of the largest of these companies whose business it is to see that the wages of sin are lower than union rates. Into this cubicle, packed with enough electronics to keep a small town in telephones for ever, run over 7,000 private lines, each monitoring the firm's equipment in buildings as various as banks and betting shops. The most elaborate analysis is undertaken of each building's workings, and the client co-operates by keeping to a strict daily routine. Any deviation from the standard opening and closing times or techniques will trigger the alarm, so that even an authorised person working at an unauthorised time cannot go undetected.

**T**HE control rooms are necessary in London and large cities, where the undermanned police cannot afford the time or men for the invigilation of alarm systems (there are over 20,000 in London). But in country towns, lines are fed directly to the police station. The efficacy of the latest alarm devices is not in doubt, and the knowledge that they are so good is a major deterrent to the burglar looking for a soft touch—much more so than the mere installation of a safe, vault, strongroom or citadel which is not proof against a really determined thief using modern equipment. But no protection or deterrent is perfect, and if, after having spent anything between £25 and £5,000 on an intricate and delicate system, one is told it is fool-proof, it is as well to remember that among the dedicated cracksmen there are some who are by no means fools.

## Eton's Ephemera

The Fourth of June is, in a modest way, a publishers' occasion



FROM OUR SPECIAL CORRESPONDENT

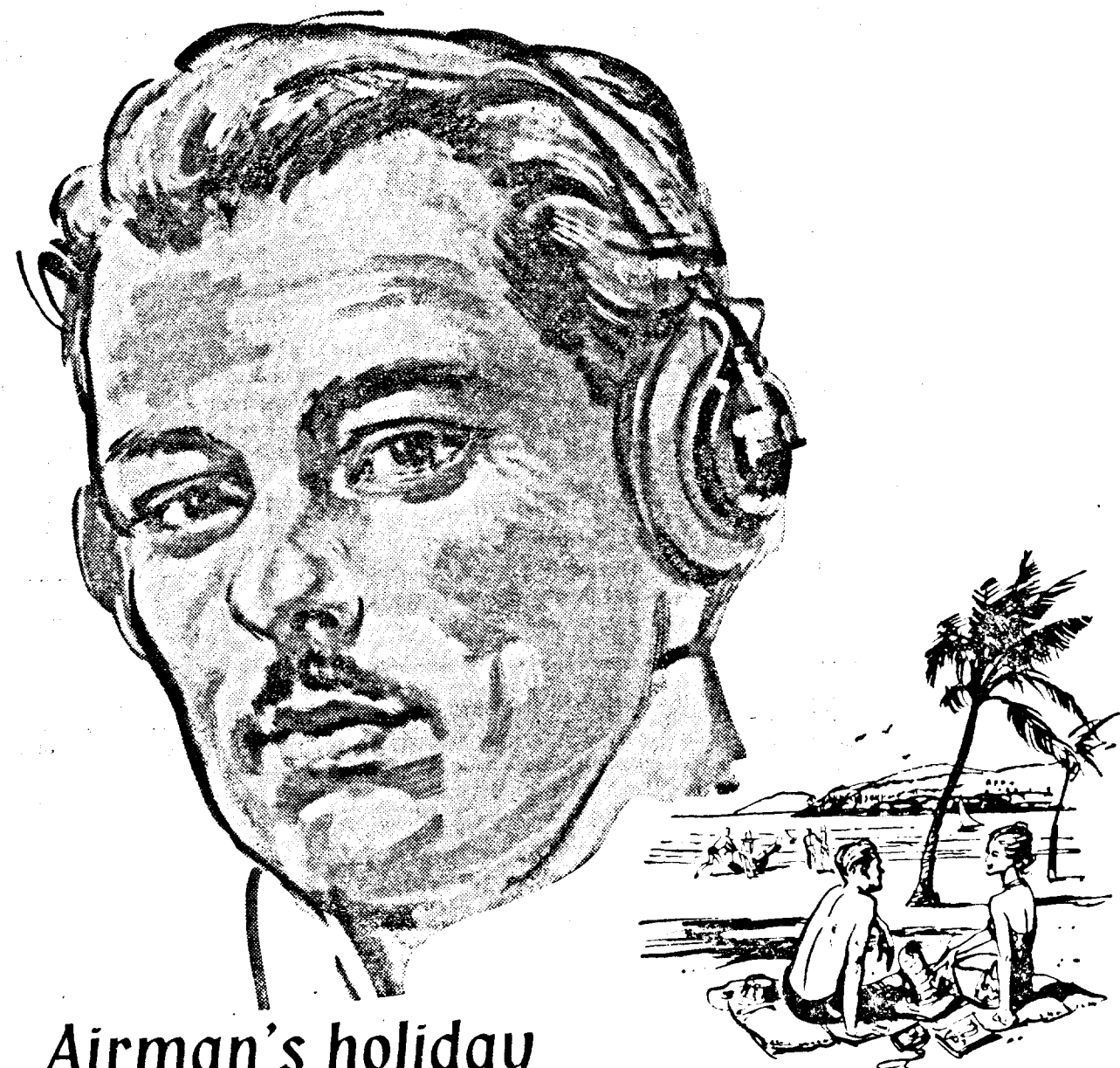
**M**OST English public schools have, in addition to annual or quarterly magazines, occasional collections of school writing for distribution on speech days and high days. These ephemeral journals are produced, by and large, by the conscientiously literary sections of the school population; and this has been so for a surprisingly long time. Those at Eton are thought to have originated in the late eighteenth century, and certainly during the nineteenth century (when they numbered Shelley among their editors) they flourished mightily. Old copies afford fascinating glimpses of the very great when young, but the harsher pressures of mid-twentieth century education (which leaves little time for dilettantism) have reduced these papers to a level of literacy which would have lacerated the sensitive Shelley.

The run of ephemera is a good deal more concrete in its economics than in its content. Printing is not cheap, and it is a crafty (and not entirely unassisted) editor who can produce the average 36-40 pages of bilious verse, derivative gun-fiction, kafkaesque nightmare and parodic Swift for less than £300. They are distributed, at about half-a-crown and by a system of extortion, to parents and boys on (at Eton) June 4th and St Andrew's Day, and as many as 4,000 may be printed and sold, of a good product. Their titles do little to assist their sale: *Spasm*, *Fresco*, *Taboo* accord ill with the accepted picture of Etonian parenthood, if not with that of Etonians. But in recent years only one has lost money.

**F**OR this June 4th Eton has produced two ephemerals, neither of which has any connection with that repository of the college's skill at letters, the Praed Society.

One was produced entirely by the boys of a single house—and is no worse, nor no better, for that. The other is somewhat more interesting: called *Kryptos*, it is produced by six science specialists with the avowed aim of proving that, when it comes to publishing a magazine, the new science man is no whit inferior to the senile humanist. Which may well be true. What is certainly true (and this is perhaps not exclusively the attribute of scientists) is that a certain business sense inhabits the editorial mind of *Kryptos*: its advertisements paid for its printing and more, and its printing was done not in grasping Slough but at philanthropic Crewe for something less than two-thirds of the expected amount. At the end, if they sell not a copy more than the worst ever recorded (1,500), they should be well in the black, and the Eton Mission at Hackney Wick will profit accordingly.

The note it strikes is less one of eager stylistic exhibition than one of weighty self-importance which, in the event, is less unpleasant than it sounds and preferable at least to much of the self-conscious aestheticism that has gone before. It is well backed with mature and, indeed, distinguished talent. But apart from its guest contributions the material of *Kryptos* is almost unrelievedly portentous and solemn; and it is remarkable for uncovering, embedded in its concern for Oxford scholarships, the Gough loudspeaker cabinet and Art as Seen in a Humanist Framework of Ideas, a pervading preoccupation with the horror of The Bomb, evinced in its reviews and stories. Whether this is other than a healthy preoccupation is open to question: but it at least possesses the admirable journalistic quality of the unexpected. Humanists had always supposed that this was their particular field of worry.



## Airman's holiday

Lying here on the beach he has time to reflect with pleasure upon the interest in electronics which crystallised into intense enthusiasm by the time he was twenty. For it is because of that—and Air France—that he now finds himself relaxing in the Caribbean\* sunshine. Call it an airman's holiday if you like; this off-duty spell that he is enjoying with his wife and which will take in Barbados, Port of Spain, Georgetown and Martinique before returning home. He has been a Radio Operator with Air France for ten years. At the moment, he is based at Anchorage in Alaska. He flies twice a week from there to Tokyo when his crew take over the Boeing Jet Intercontinental for the second leg of its 8,000 mile flight Europe-Japan over the Pole. You can imagine that he appreciates this change of scene from arctic to tropics.

\* Twice weekly you can leave London in the morning and reach the Caribbean via Paris late the same afternoon; and there are two additional overnight flights. All by Air France Boeing Jet Intercontinental, of course.

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# THE BUSINESS WORLD

## What Danger for Sterling?

ONCE again sterling is under fire. Selling has not been very large, or continuous, and the pressure is in no way comparable with the scramble out of sterling that followed the 5 per cent revaluations of the mark and guilder in early March. But the fears and uncertainties that followed that bungled operation, although initially countered by the belated essay in central bank co-operation, have remained near the surface, and recently they have been rising. How long will the Continental central bankers hold on? If sterling is weak in early summer, what will it look like by autumn?

"The economic history of Britain since the war is really very boring," an academic economist complained drily at a private gathering this week. "One sterling crisis after another—seven, is it, or eight now?—each greeted with pained surprise and each followed by carrying on exactly as before." But one of Britain's present troubles is that the existence of this past sequence has acquired a force of its own. People have come to expect autumn difficulties for the pound, to expect Zurich to sell sterling short, and as a result shadow and substance have become hopelessly confused. Certainly this year it has been in London that fears for the pound were raised first. In the recent phase of pressure the main weight of selling has been quite conspicuously on domestic account—by traders and bankers, more than by professional speculators. Such action is quickly noticed abroad, and has led in turn to distrust of sterling in some Continental circles, and notably Germany. Americans on the other hand seem to take a calm view: there has been a tendency for sterling to pick up in late afternoon, as New York opens.

It was always fanciful to believe that the fate of the pound was in the hands of the bankers of Zurich rather than the people of Britain. Now, moreover, the influence that is exerted by movements of private funds from country to country is being countered by concerted action by central bankers, and plans are in train to develop a continuing means for such counter-action through the International Monetary Fund. These schemes, if they are properly carried through, would indeed provide that "freedom from Zurich" for which the boldest spirits were crying a few years ago. They could not, of course, shore up a continuing deficit in the balance of payments. But they could go a long way to remove Britain's special disability arising from the large overseas-held sterling balances, which have remained remarkably stable in the aggregate over the postwar years, but represent a huge contingent danger at times of strain.

If the new arrangements are to command the full confidence of the public, however, they must first command the full confidence of the central bankers. Unfortunately this cannot be said of the present arrangement, under which European central banks build up short-term balances in centres from which funds are being withdrawn. The central bankers who met at Basle immediately after the exchanges had been thrown into upheaval by the German revaluation were visibly pushed into mutual co-operation by force of circumstance. While the details of the arrangement are a well kept secret, the reservations that some central bankers have about it are not. The Swiss National Bank, it is widely said, is trembling for the fate of the 700 million Swiss francs (just under £60 million) that it has accumulated in foreign balances in the past three months. Why is it trembling? Most of the help given under the Basle agreement is believed to be in the form of forward swap transactions, which have their own built-in exchange guarantee. In any case, the central bankers know, even if the wider public too often forgets, that under the European Monetary Agreement any balances held by a European central bank are in effect automatically guaranteed against depreciation beyond the existing lower support point—\$2.78 in the case of sterling. The guarantee is in dollars and not, as most bankers would now prefer, in gold, but at the worst it puts sterling on a par with the dollar in this respect. When the Basle arrangement is supplemented, as it ought to be later

STERLING BALANCES SINCE THE WAR  
(£ million; end of period)

|            | Total all countries | Rest of Sterling area | Non-sterling countries |               |               |           |                    | Non-territorial organisations |
|------------|---------------------|-----------------------|------------------------|---------------|---------------|-----------|--------------------|-------------------------------|
|            |                     |                       | Total                  | North America | Latin America | W. Europe | Other Non-Sterling |                               |
| End-1945*  | 3,567               | 2,327                 | 1,240                  | 34            | 163           | 351       | 692                | ...                           |
| End-1958   | 3,353               | 2,519                 | 834                    | 58            | 18            | 408       | 350                | 623                           |
| 1959 March | 3,337               | 2,574                 | 763                    | 45            | 13            | 345       | 360                | 538                           |
| June       | 3,379               | 2,649                 | 730                    | 52            | 14            | 303       | 361                | 709                           |
| Sept.      | 3,443               | 2,677                 | 766                    | 54            | 14            | 335       | 363                | 705                           |
| Dec.       | 3,507               | 2,704                 | 803                    | 60            | 12            | 387       | 344                | 705                           |
| 1960 March | 3,492               | 2,670                 | 822                    | 58            | 25            | 408       | 331                | 688                           |
| June       | 3,614               | 2,674                 | 940                    | 91            | 41            | 489       | 319                | 661                           |
| Sept.      | 3,743               | 2,577                 | 1,166                  | 133           | 60            | 632       | 341                | 604                           |
| Dec.       | 3,887               | 2,480                 | 1,407                  | 303           | 65            | 699       | 340                | 549                           |
| 1961 March | 3,719               | 2,443                 | 1,276                  | 143           | 48            | 747       | 338                | 553                           |

\*Regional figures for non-sterling countries not quite comparable.

this year, by a Bernstein-type system of medium-term loans to and borrowings from the International Monetary Fund, the gold guarantee would be applied universally.

So what are the creditors worrying about? Where else can they hold interest-bearing gold? If in the end the support operations turn out to have been misplaced, if the deficit of the borrowing country can after all be reversed only by a depreciation, the cost of the miscalculation will fall not on the lenders but on the borrower. Here is a system for guaranteed credits to give time to countries that feel they need and can use time to sort out their difficulties. The Basle agreement, stumbled upon as it was, ought to mark a milestone in the development of international central banking. In practice, too many people have the impression that it is something the central bankers are worried and rather ashamed about. Its psychological effects on the exchanges would obviously be very different if the central bankers made it clear beyond a doubt that, in one form or another, the system is here to stay: specifically, that the Basle arrangements will be renewed until IMF gets in enough marks and other Continental currencies for a drawing by Britain in these currencies. Events are in any case drifting in this direction. The magic factor of confidence would surely be better served if the authorities were more clearly seen to be guiding them.

Confidence at present is more than usually difficult to measure, as a result of the supporting operations themselves. Thus the published fall in Britain's gold reserves for the last three months—the figures for May are due to be published shortly after this issue appears—has been reduced by the accumulation of central bank balances. The extent of these accumulations is again obscured in the figures of sterling holdings published earlier in the week. These are also distorted by the temporary inclusion of £131 million for the Ford take-over included at December 31st. Allowing for this, balances of North American countries—which are not directly affected by the Basle agreement—fell by £29 million to £143 million in the first quarter, and balances of Latin American countries were also sharply reduced, by £17 million to £48 million. West European balances, on the other hand, rose by £48 million to £747 million; here the really interesting question is by how much official balances went up and private balances went down. Some light should soon be thrown on this in the quarterly bulletin of the Bank of England.

STERLING at the beginning of 1961 was more than usually vulnerable to foreign withdrawals, since so much had come into London in 1960. The identified inflow of sterling balances and short-term capital amounted to £550 million, and a good deal came in unidentified. The British authorities, it should not be forgotten, made specific provision for meeting part of any future outflow by voluntary payments to IMF, which together increased Britain's drawing rights to \$2½ billion—almost as much again as the central gold reserves. The outflow of private funds so far, on the most pessimistic unofficial guess, has been far short of the 1960 inflow; so that there is a good deal more money that could still go out.

So far, with the exception of the short panic in March, there have been few disorderly withdrawals; the tendency has rather been for bills or short-term loans not to be renewed

on maturity. Bankers and traders everywhere are reluctant to leave exchange risks uncovered or to carry open positions. German banks have again put money into dollar deposits—secured by the guarantee provided free by the Bundesbank. But German businessmen have become determined to avoid the risk of a second loss on claims held in foreign currency; and since no foreign importer wants to commit himself in marks, and since the forward market in marks is almost entirely one-way, German firms have redoubled their efforts to match their future claims in foreign currencies by taking foreign credits. The Bundesbank estimates that in March alone these operations caused an exchange inflow of DM 800-1,000 million—up to £80 million. And Britain shows a rise in acceptances outstanding to non-sterling countries in the three months to end-March of £29 million to £122 million.

EUROPE'S confidence in exchange stability, regained for two years after the move to convertibility, has not yet recovered from the shock of early March. In the wisest banking houses one hears the view that anything may happen. But what is in everyone's mind is whether anything is going to happen to the pound. It is normally best, if one does not believe in it, to ignore any talk about possible devaluation, as talk on either side leads some people to believe that the issue is being considered officially. There is not a jot of evidence that this is the case; and it seems time that the counter-arguments to devaluation were publicly set down:

(1) First and foremost, there is no question of Britain's hand being forced by withdrawal of short-term funds. The facilities available at IMF, aside from any central bank co-operation, are sufficient to look after that.

(2) The proper point of issue is Britain's balance on current and long-term capital account. The official estimate of an apparent current deficit of £344 million in 1960 was admittedly a shock, though too few people noticed that this was more than accounted for by unidentifiable inflows of money, of which, on the basis of past experience, around £100 million is likely to have been in current receipts. The true deficit is likely to have been a good deal less than half the extraordinarily large increase of £570 million in domestic stocks in 1960. This year the payments balance is getting relief as stockbuilding slows down. It is still too early to make any realistic forecast for the whole year. Exports so far have shown a rather disappointingly small increase, though export orders have risen in engineering and this could mean better figures in coming months.

(3) The weakness of Britain's current balance in the last few years is attributable to a number of separate factors—increased imports accompanied by an inadequate increase in exports; lower net earnings from oil, shipping and investments; and higher government spending abroad. The deterioration of the trade balance does reflect a worsening of Britain's competitive position, but the other two factors are not connected, and it is bad luck that all three turned sour together.

(4) The main revision in the balance of payments was to increase the estimate of overseas profits earned and re-invested in Britain. This is a reduction in net current earnings that correspondingly reduces net capital outgoings. The relatively high interest rates prevailing in Britain in fact draw in long-term as well as short-term funds, and to that extent they relieve, for a time, the burden on the current balance. This, too, is a temporary rather than a permanent relief. The lasting solution, everyone can agree, must come from an improvement in the competitiveness of British industry. The point of the whole debate is whether devaluation is the means to achieve this.

One devaluation of recent years has been an outstanding success. That is the French operation of December, 1958. It was accompanied by a stringent programme of retrenchment made possible at a time when the political power of the parties and the industrial power of the unions was more or less broken. In other circumstances, the fate of France's previous devaluations, and of Britain's own devaluation in 1949, were very different. Pretty drastic internal measures to hold down money incomes are necessary to make sense of a devaluation. And since there is no evidence that British prices at present are out of line, there is no reason to think that these would not be enough to correct the situation by themselves.

But there are two more factors involved, arising from sterling's position as a world currency. A devaluation would certainly raise a great cry that Britain should compensate the holders of the sterling balances even where, as is mostly the case, there was no formal guarantee. If Britain felt unable to assume this considerable burden, there would be an obvious danger of massive withdrawals to escape a third depreciation; and the likely result would be to force Britain into an ordered funding of these obligations, which total £2½ billion to other sterling countries and more than another £1 billion to others, involving a very heavy continuing burden of repayment.

Secondly, and perhaps most important of all, it is still far from certain whether it is possible for Britain to effect a relative devaluation of its currency, even against the major industrial countries. One of the most respected exchange dealers in Zurich made the point himself this week:

Suppose, then, that the pound is devalued. What happens? It depreciates, and everyone rushes in to buy. What do they rush out of? The dollar. So that will be next. And that's why I don't think it's going to happen.

## The Doctor's Task

The railways acquired a new leader this week, but he would probably be the first to recognise that their problems cannot be quickly solved

FOR the past two months Dr Richard Beeching has spent his time moving between two giant organisations that could hardly be more dissimilar. He may well have found it difficult to convince himself that they exist in the same country and the same century. The utter contrast between Imperial Chemical Industries, with a glittering array of high-grade managerial talent able to cope with all the demands placed upon it, and British Railways, where good managerial ability is so scarce, might frighten almost anyone.

Blame for the crucially weak state of railway management today can perhaps be traced as far back as the amalgamations of the twenties, which brought virtually a complete halt to management recruitment. The rate of intake was still dismally low during the slump and the days of the "square deal" campaign that followed. Since then, too, there has been hardly any proper system of management training, formally or by responsible delegation. This lack of highly competent people tends to perpetuate itself. It creates a situation in which good top men never decentralise anything. But what-

The fact is that Britain's industry has been insufficiently competitive, and its current surplus inadequate, not for the past two years, but for the past forty. Devaluation is not an untried instrument and, while it has its place, it has not proved an especially effective one for Britain in postwar years. The steps that the Government has been tentatively taking to open Britain's economy to freer competition are likely to be much more rewarding, though the Government still lacks sufficient urgency. Is there any way in which the desired effect could be better achieved than by a sharp unilateral cut in tariffs now? One should no doubt search for piecemeal measures to shore up the payments balance in the meantime. Interest rates should certainly be kept high, the Government should reconsider whether it was wise to give actual tax incentives to firms not to remit their overseas earnings, and it should make an attack on the £215 million of its own military expenditure abroad—which some pundits question on military grounds.

But no one should expect too much from such shrimping. The draught of foreign competition is much more important, and provides one of the few practicable means of checking inflationary tendencies in Britain without slowing down the whole industrial machine. The first effects to emerge in the Treasury white papers might not be favourable. With the help of the new international financial credit arrangements, this need not matter. The Bernstein plan may not be the ideal long run solution, but it should look after the pound and the dollar for five years. It should make Britain no more—though also no less—vulnerable to temporary external deficit than countries that are not still saddled with their war debt on current account. And those inclined to forecast perpetual external deficit should remember what has happened to this kind of forecast in the past.

ever the reasons, clearly this is one of the first tasks of the many with which Dr Beeching now has to concern himself on assuming the chairmanship of the Transport Commission and as the designated chairman of the future British Railways Board. Without first-class managers, at the centre and out in the regions, no amount of shining new equipment, no charter of freedom from age-old restrictions, no new contrivances of costing and regional accounting will by themselves assure a lithe, efficient and viable railway system.

Renovation must start at the top. During the discussions before the Government formed its plan to reorganise the railways it was sometimes argued that an injection of really good people at various points lower down the hierarchy could invigorate the structure and create a sound managerial pyramid in several years' time. But however good the talent may be lower down in any organisation, there is always a dominant tone throughout that can only come from the top. Besides, recruiting this kind of younger talent is, and will remain, extremely difficult. The railways may have huge,



technical problems to test the single-minded, but they are not exactly exciting problems; nor does the work offer the glamour, or even the definite future, that is now attached to various other forms of engineering, and to other industries. Railways have nothing but sheer money to offer to get good people, and none too much of that compared with prospects elsewhere. Recruiting a few key managerial people is the prime need; most of the rest will have to be grown within the organisation itself.

Even this will not be easy. Too often, for a railwayman, the fact that his predecessor a generation ago combined, say, four responsibilities, A, B, C and D, makes him feel compelled to go on doing them—to take on chaps to do C or D would merely imply that he was not able to do his job. In big private firms like ICI the pressure on everyone to decentralise his job and get other people to take responsibility is pervasive: it can even be exaggerated. But on the railways this hardly happens at all. Even if the new broom does succeed in bringing in some outside administrative reinforcement and if the dearth of available ability pushes him initially to more centralisation than he would eventually like on some things he will not earn popularity, but it may be the only way to get the management spring-clean going.

THE proper balance between control at the centre and responsibility by the region—and between what should be delegated at any level of railway management and what should not—is not immutable over time. The Government's own ideas in the white paper last December, in which it was stated that the main board would "perform only those central functions which are essential to the running of the railways as a single entity" were perhaps deliberately vague. It is quite clear, however, that in some matters the present balance between the centre and the regions is not right. For example, freight traffic, especially merchandise traffic (as distinct from coal and minerals), is so unpredictable and diverse and consists of such a profusion of small, intermittent streams crossing and re-crossing the entire system that it demands some general operating control—and analysis—at the centre. At present, this does not exist.

There are, however, a great number of matters of day to day, month to month, or even—at certain levels—of year to year operation that can best be handled by the region, district, line or even lower. But devolution of authority becomes meaningless if the responsible local manager is not equipped with the information on which he can base sound decisions. How, for instance, can the commercial staff know the minimum price they can afford to accept for a particular consignment of freight if they do not know what it will cost the railways throughout its entire journey? Regional accounting certainly can be made useful; but much more essential will be a parallel system of costing. Because of the large elements of arbitrariness in railway costing it can never be made perfect. But a struggle for perfection, since the railways first began to take serious interest in costing some ten years ago when commercial freedom came into being, seems to have prevented them getting even moderately good costing done. Most businesses are able to arrive at some formulae to allocate overheads that cannot be precisely assigned. The railways run a rather more complex operation than most: in essence they produce a vast number of joint products and in

batches rather than in one continuous flow. But it should not be impossible to find ways of arriving at a fairly good idea of what each part of the business earns.

The railways will, indeed, have to do so if they are ever again to pay their way. The Select Committee last year came to the view that "a large-scale British Railway system can be profitable." This was largely a statement of faith. To make it true the new railway managers will have to make good an operating loss of about £60 million a year, pay capital charges that, even after writing off a large part of the railways' indebtedness, will amount to another £60-£70 million a year in four or five years' time, and hope in addition for some surplus for reserve and replacement—all from a business that last year grossed about £480 million. It is clear that modernisation has fulfilled few of the financial hopes that were even by now to be expected. But it is equally clear that the Government cannot now radically change its commitment. To withdraw altogether from investing in the railway system would merely mean that it would soon be faced with demands for extra road capacity that it could not possibly contemplate.

The Government is entitled to expect, on the other hand, that future modernisation borrowings will be spent in a wiser and more economical manner than hitherto. In default of a sufficiently taut control of investment schemes by the top railwaymen themselves, scrutiny by the Ministry of Transport seemed perfectly reasonable, and justified, when it began a year ago. The costing of many capital projects had been sloppily done; railway engineers have too often shown themselves addicted to lavish construction designed to last for centuries, and few of the financial estimates for individual projects have been checked back afterwards to see how good they were. There have been some serious and avoidable mistakes of planning—the fiasco over vacuum braking for mineral wagons, for instance. But the Ministry of Transport is not the best place for this kind of vetting exercise, and the task will soon have to be passed back where it belongs—to central management.

EVEN on what, one imagines, are the railways most productive schemes of modernisation, the expected rates of return hardly seem impressive. Concentration of marshalling yards in the north-east region, involving closing down about sixty old yards and building four large, modern ones, is reckoned to yield a net return on new capital invested of only between 12 per cent and 20 per cent. The London Midland's main-line electrification scheme is expected to earn about 13 per cent net—or 19 per cent if the figuring is done in a different way. Railwaymen say that these yields have been conservatively estimated. That may be so, but these examples are two of the key projects, on which hopes of viability are mainly founded, in a railway system that is presently making a loss equivalent to a shade over 10 per cent on its written-down capital. The railways will have to do better than that, and there is not much doubt that they could. It is difficult to believe that the best use has been squeezed out of their new toys: wagon turn-round time, for instance, has actually increased since modernisation began. The obvious concomitant of modernisation is a new production plan, or timetable, particularly for freight. This can properly be done only at the centre, on a picture compiled piecemeal from lower down. The opportunity will arrive when more major schemes have reached

fruition. But there is very little sign of preparation for it so far.

This may be because no firm view has yet emerged about the size and shape of Britain's railway system of the future. Dr Beeching can hardly be expected to arrive at an immediate answer to this, nor has the Government yet made the basic choice that would enable him to do so. Boiled down to its essentials, the issue is simply how, in practice, the railways reconcile, or are expected to reconcile, their two principal but conflicting duties—paying their way and providing a public service. Between the two extremes, for example, of lopping off dead branch lines which even in aggregate do not save much, or of closing down great mileages in Scotland, which would save a great deal but would be politically indigestible, there is plenty of room for determined and feasible retrenchment. A sharp knife ought to be applied to stopping services and the stations they stop at. If the railways were themselves able to go into the bus business, as they can in trucking to collect and deliver freight, or to charter any outside passenger carrier to run train feeder services, public acceptance might become less of a stumbling block. But attitudes of public service are also ingrained deep in the railwaymen themselves, to an extent that sometimes seems almost ludicrous. Because the chairman of one of the former railway companies is known to have said that he "paid his dividends out of bank holiday excursions," his successors faithfully put on the same trains every year. This may be virtually the only time the local staff can really play at trains, and finding a path for these specials through the timetable can be a fascinating exercise. But how many of them any longer make a profit? How many of the coaches trotted out at peak holiday times spend the rest of the year in the siding empty?

If the railways could indeed turn themselves into a "base-load" transport carrier, refusing all peak and "on call" traffic

that was just not worthwhile taking, there would be no doubt at all that they could become profitable. Assumptions of public obligation apart, there are a number of practical obstacles. By far the biggest is the entrenched position of "C" licence fleets, which take much of their owners' regular traffic and largely leave the difficult and the irregular loads to the public carrier. A recent decision of the Transport Tribunal, making easier the carrying of return loads for other firms in private lorries, will make even grimmer (if it is upheld on appeal) the position of the public carrier. So will the motorways, which largely follow the pattern of trunk lines laid down by the railway pioneers a century or more ago. But a permanent improvement in the reliability of railway freight services could make some difference: it is reliability, rather than speed and cheapness, that seems to be the decisive factor in competition between road and rail. Ultimately, making ends meet may well turn on how successfully the railways meet this challenge of the "C" licence. Conversely, it could be that over the course of decades mounting congestion on the roads will make essential the permanent retention of an extensive railway network, whether it pays or not. What Dr Beeching does over the next five years could largely determine which alternative it is to be.

The circumstances of his arrival will put him in a much stronger position than his predecessor, Sir Brian Robertson, in the uneasy relations that prevail between the chairman of a state board and the politically responsible minister. Indeed, Mr Marples will find that dealing with a tough business administrator is a very different matter from dealing with a general. Sir Brian served the railways and the country with comprehension, diligence, and uprightness; it was his quality, but also his fault, that throughout his seven years he was too loyal to his political masters and too ready to put up with their caprice.

## BUSINESS NOTES

### IN THE MARKETS

#### *Shadow from Sterling*

THE setback in equity prices has gone farther and faster this week. *The Economist* indicator fell by 8.4 in the week to Wednesday to 412.7. Then on Thursday the market had its worst day for months and the *Financial Times* index dived by 7.4 points to 344.1—6 per cent below the mid-May peak. The market is not surprisingly feeling the backwash of its early exuberance, which carried equity prices up by more than a fifth between December and May. Now it is again turning its attention to the likely hazards, which are not new, but which were largely ignored while investors were in their buying mood. Company chairmen have for many months given warnings of pressure on profit margins. It is only in the past fortnight, with weighty warnings from ICI, Guest Keen and Stewarts and Lloyds, that the market has taken heed of them.

The underlying cause of the change of mood is the pressure on sterling. The first impact from the weakening in the exchange that began just before Whitsun was on the gilt-edged market. This week the fall was temporarily checked, with War Loan around 55½, and the big impact was on equities. Investors are still sensibly reluctant to revert to old habits and to regard bear points for gilt-edged as bull points for equities. They also fear that the Chancellor's new power to raise indirect taxes by 10 per cent may be implemented before long. Certainly the Bank rate prospect has changed right round within a few weeks.

Meanwhile demands on the capital market continue to rise. The compilation made by the Midland Bank shows that issues in the first five months of the year totalled £240 million, compared with £215 million in 1960. This week the terms of

the proposed Rolls Royce debenture have been announced. The issue will be of £12 million 6½ per cent stock 1981-86, offered at 99. Another call on the institutions' money has come from Granada, which has arranged a private placing of 350,000 "A" shares from the holdings of the Bernstein family trust. The placing is at 59s. 3d., a small discount on the market price.

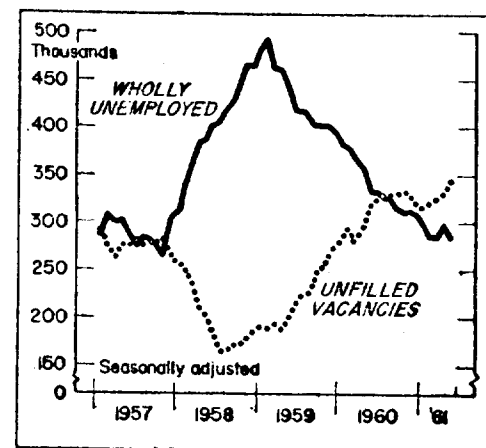
In an unusual operation, Derbyshire County Council has advertised, directly, an offer of 8-year bonds at a price of 98. No limit is set on the offer, and the bonds are not marketable. Advertisements for money by local authorities have become a familiar sight in the local and occasionally the national press, but the distinguishing feature of this one is the discount on the offer price, giving the usual tax-free bonus on redemption. Only a few local authorities have acquired the right of issuing bonds at a discount, and the size of this is regulated by the Treasury, at ¼ per cent for each year to maturity with a maximum discount of two points. A direct offer of this kind is in a sense a means of by-

passing the queue of corporations waiting to borrow in the gilt-edged market. But the lack of marketability, as well as in this case the not too popular eight-year life, is bound to limit the response, and City institutions say they are not worried.

## MANPOWER

### Pressure on Labour

ON May 15th there were 299,272 people out of work in Britain, 40,789 fewer than when the previous count was taken on April 10th. Unemployment usually falls at this time of the year and although the latest decrease was more than seasonal, it did no more than compensate for a smaller decrease than usual in the previous month. Indeed, the fall between mid-February and mid-May of 58,000 in the numbers wholly unemployed, excluding school-leavers, was exactly what would have been expected seasonally. The underlying trend in unemployment is no longer downwards; it has steadied off a little below the average for the last twelve years and at about the same level as in the autumn of 1957, at the outset of the recession.



But, as the chart shows, the demand for labour is increasing. On May 10th there were 353,519 unfilled vacancies notified to the labour exchanges, some 63,000 more than in February, although the usual increase in these months is about 40,000. The fact that employers are looking for extra hands gives some support to the opinion expressed this week in the National Institute's *Economic Review* that from now on output should rise. The argument behind this view is that although demand rose appreciably in the first quarter, output did not react because of the lower rate of stockbuilding; but the "stock effect is probably mainly over". In the absence of Government intervention, the Institute predicts that by the end of the year the national product should be some 3½ per cent or more higher than a year earlier.

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### CUNARD SUBSIDY

#### Investing Backwards

THE Conservative election "promise" to help Cunard replace the *Queen Mary* was ill-considered, and the Government's implementation of it has been miserably conducted. The committee stage of the bill that will authorise this grant and loan of up to £18 million was this week marked by low votes and by the lowest Government majorities in this Parliament. The new Parliamentary Secretary to the Ministry of Transport was obliged, by the contrast between the qualification to the Government's commitment two years ago that "there were genuine commercial prospects of a successful service" and the plain fact now that there are none, to split invisible hairs between "commercially justifiable" and "commercially attractive". The only possible shred of justification the Government can produce for pouring money into the Atlantic is prestige, and the value of that is exceedingly doubtful.

Vice-Admiral Hughes Hallett also had the sorry task in a maiden speech from the despatch box of explaining away the contradiction between Mr Marples' statement less than a month ago that Cunard simply "could not find enough capital, either from its own resources or by borrowing on the market" to put into the new liner more than £12 million of the total cost of £30 million, and the evidence of the Cunard chairman, Sir John Brocklebank, to the Air Transport Licensing Board a few days later on Cunard Eagle's application to fly across the Atlantic, in which he said that it was not inability, but unwillingness. The group could find the resources, Admiral Hallett admitted, by not investing in other new ships or by mortgaging its assets, but £12 million was as much as it was prepared to put at risk on this project.

Even if the Government had come clean in the first place it would hardly have earned any more support. The real issue is whether the weekly express liner service across the Atlantic ought to be maintained: not how it could be, which is what the Chandos committee was asked to discuss. The only liner other than Cunarders now providing a five-day crossing is the *United States*, to be joined shortly by the *France*. Both are new, but both are heavily subsidised and both are smaller than the liner Cunard wants to build—53,000 tons and 60,000 tons respectively against 75,000 tons. Cunard argues, and eventually prevailed upon the Chandos committee to agree, that a ship of this size is needed to ensure a cruising speed of 29½ knots, an economic balance between working space and revenue earning capacity, and the "right" kind of public and private passenger accommodation. A smaller vessel—such as the *United States* and the *France*, or the *Canberra* which left on its maiden voyage this week—would simply not do, the company said. Admit-

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tedly, the *Canberra* has been designed for the Pacific and Far East trade where competition from sea and air is less intense, though increasing. But it is only two knots slower, can carry slightly more passengers, and its price of £16 million is half what the new Cunarder is expected to cost. It is no secret that most British liner companies remain totally unconvinced by Cunard's argument.

## GOLD

### The Deadline Passes

ON Thursday, June 1st, it became illegal for citizens of the United States to hold gold anywhere in the world. The deadline set by General Eisenhower in mid-January as one of his last presidential acts has fallen on a gold market that bears little resemblance to its feverish condition in the last months of the Eisenhower administration. President Kennedy in fact succeeded very quickly in scotching the idea that he would raise the dollar price of gold, and speculative buying of gold gave way to a small stream of liquidations. As these were accompanied by a resumption of sales by Russia—which also seems to take the Kennedy administration at its word on this point—the price of gold soon came tumbling down. In early March it fell below the price of \$35.08½ at which New York sells to central banks. Central banks have conspicuously avoided any aggressive buying on the London market, and the price has stayed steady in quiet markets.

This week demand has revived, and the price in London has risen a shade from \$35.06 to \$35.07½. Some private buying from the Continent has been reported. It is not certain whether this modest revival in business above the stagnant level of recent weeks is connected with the American deadline: it may be that some intending buyers had been holding off in the hope of picking up cheap gold from American liquidations. In fact there has been little evidence of last-minute sales. Most well-placed observers guess that over the months United States holders have sold the bulk of last winter's purchases, which are now put more conservatively at around \$100 million. But United States holders who are really determined to hang on and are prepared to act against the laws of their country have obvious means of doing so. Meanwhile some operators feel that \$35.06 is a good level at which to buy. They are taking less of a risk than those who bought last October at \$41.

## MAGAZINES

### Two to the Wall

THE two illustrated women's weeklies that were killed by the Daily Mirror group last week-end did not die for lack of

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readers: one was selling nearly a million copies a week and the other close on three quarters of a million. These are impressive figures by any standard. But there is not enough advertising money in the country to support seven mass circulation women's papers, however widely read. Those who like this kind of reading like it very much indeed and buy several magazines a week—there was no sign that the women's reading market had reached saturation even with seven competing papers. But this success carries the seeds of its own destruction, since advertisers can reach as many people by buying space in two magazines as they could by buying it in all seven. This is precisely what they have done. As they switched their spending, and somehow stretched their advertising budgets to cover higher television charges and more elaborate press advertising, so the fat papers for women grew fatter and the thin ones grew thinner.

Yet as long as there were two competing magazine publishing giants, neither was willing to lose face by shutting a magazine that was losing money. The Odhams-Mirror merger has changed all this and the two sickest papers in the group, the Mirror's own *Woman's Illustrated* and Odhams' (originally Newnes') *Woman's Day*, have gone to the wall. The papers with which they have been merged may, if they are lucky, pick up perhaps a third of the joint circulations of the two defunct weeklies—they cannot expect more since so many women must already have been buying both papers.

The question that must greatly exercise the Daily Mirror board is whether the process will stop here. Is there enough advertising to keep five women's weeklies alive, or will a new rot begin to attack the next two papers at the bottom of the league? The selling price of highly coloured journals like these covers less than half their cost; they are much more dependent on advertising revenue than, for example, the more expensive monthly magazines printed in colour. There are signs that the Daily Mirror group may be planning changes in editorial policy that would make some of the remaining five more specialised, and so make it less easy for advertisers to switch from one to another. And it is, presumably, planning new magazines to use surplus colour printing capacity.

## THE POWER FAILURE

### Too Close to the Margin

THE power failure in the south and south-east one Monday evening last month was caused by a series of errors of judgment and the committee of inquiry set up by the Central Electricity Generating Board has been frank enough to say so. The first mistake was faulty setting of an automatic tripping device—a kind of fuse—at the Wimbledon sub-station. This isolated the

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sub-station before its load had become critical and before the regional controlling engineers had expected. A chain reaction—"cascade tripping" to the electricians—then started as other stations became overloaded and were cut out in turn. Further errors hastened this process when certain loads were disconnected to safeguard essential supplies but the fall in the speed of the generators became too great to allow recovery.

The failure would not have been so widespread had the entire system not been operating so uncomfortably close to the margin. Three of the six transmission lines linking the blacked-out area with the rest of the grid system were out of commission for normal maintenance. When Wimbledon failed, pressure was immediately put on the two remaining links, Chichester and Deptford West, and when these automatically cut out, the whole of the 132,000 volt grid in the south-east was isolated. The total demand in the area was then more than could be supplied from the plant available, and station after station was closed down, automatically or by the engineers, to prevent damage to the generators.

Although maintenance has to be done at some time, the initial surge of load that started the trouble at Wimbledon—said to have coincided with the end of *Wagon Train*—was by no means exceptional and ought to have been allowed for. A seemingly minor mistake at one sub-station, caused by unfamiliarity with a new type of equipment, has revealed the tight fit between peak demand and available capacity in an area where the load has been increasing by an average of ten per cent a year. The CEBG has said it is taking steps to reduce the chances of the same mistakes recurring. But the situation will only be eased, as Sir Christopher Hinton forewarned more than eighteen months ago, when the south-east is connected to the 275,000 volt super-grid. This will not be accomplished for another four or five years—primarily because, Sir Christopher could not resist emphasising, of the time taken attending to public objections to new power lines. Until then, he could not guarantee that similar power failures would not happen again. But it might in the meantime be a good idea to learn to use automatic tripping devices properly and to see whether maintenance arrangements can be improved.

### Straws in the Wind

THIS happens also to be the week chosen by the Generating Board for the formal opening of its £2 million nuclear laboratory, an installation that will cost about £1 million a year to run and will employ between 250 and 500 people. There is nothing that this laboratory can do which could not be done equally well by the Atomic Energy Authority, using plant and research teams already in existence and very probably under-employed. The question arises, therefore, why the Generating Board ever decided to build it; and the answer lies

in the strained relations developing between these two mammoths, the same kind of strain that arises when a bride is asked to share a kitchen with her mother-in-law.

Up to the present time, the Generating Board has been paying the Atomic Energy Authority an atomic consultancy fee running to about £300,000 a year, in return for which the AEA advises the Generating Board on nuclear power station tenders, keeps it in touch with new trends in design and carries out certain types of research on its behalf. The Generating Board is plainly getting tired of this arrangement, and is showing a tendency to criticise and find fault with the AEA's work. Sometimes it has reason to grumble, and to feel that the Authority has been over-complacent—although it is perilously easy to be wise after the event. But a great deal of the Generating Board's dissatisfaction with the Authority is based, quite simply, on the fact that the Generating Board does not intend to remain permanently *in statu pupillare* in nuclear matters. It has been recruiting over the years some of the AEA's best—and most dissatisfied—scientists, and has now taken the logical next step of providing them with a laboratory in which to work. It has done a great deal to encourage industry to go into the business of manufacturing nuclear fuel so that it will have an alternative supplier to play off against the Authority. The next step may well be the ending of the consultancy arrangement with the AEA, preceded or followed by a momentous clash of wills over the next stage in nuclear power station design.

The opening of the CEBG's Berkeley laboratory is merely one of several straws in the wind, pointing towards a reduction in the role and importance of the Atomic Energy Authority and the de-centralisation of nuclear research and engineering. This is a normal and healthy development always provided that it is accompanied by the appropriate reduction in the AEA's physical size; otherwise it is merely so much duplication of effort. But is the Authority closing departments as the Generating Board takes over some of its business? This is perhaps a question for the Minister of Science to ask Sir Roger Makins when next they meet.

## ATOMIC ENERGY

### An Important Decision

THE decision of the US Atomic Energy Commission to cut the prices of enriched uranium fuel by between 20 and 24 per cent is most important and will spread its ripples far beyond the American pool. The AEC has held the price of enriched uranium unchanged since 1956, in spite of protests from American companies that the price of natural uranium from which it is made has halved and that this ought to be reflected in the price asked for the finished product. On the published American prices for enriched fuel have been



based all estimates of the cost of power from reactors using enriched fuel in preference to natural uranium. In the last few months these prices have put such power producing reactors at a distinct disadvantage compared with reactors using natural uranium costed at today's low market prices. Now all these sums must be worked out again in the light of the new AEC figures. They do not mean that enriched uranium has suddenly become cheap—it can never be that. But they do give designers of enriched reactors the option of lower fuel costs or simpler engineering, and both spell lower power costs. By the stroke of a pen, the AEC has altered overnight the prospect for nuclear power. The effect of these lower prices extend over the whole field of nuclear design, to reactors planned for the mid-1970s as well as those discussed for the end of this decade. The fact that the AEC has at the same time cut the price it will pay customers for their used reactor fuel merely injects a note of reality into the proceedings. Public utilities dislike this kind of notional bonus and it is already counted for little in British calculations of nuclear power costs.

#### ISSUES BY TENDER

##### *A Trial Run*

IT is almost eighteen months since the Stock Exchange Council turned down the suggestion that offers for sale by tender should be reintroduced for equities. Since early in this century issues by tender have been restricted to water companies. Substantial oversubscription of many recent issues and the large premiums over the issue price to which the shares have soared have now persuaded the council to allow this method to be used for a small issue next week.

When applications for such an issue were received last year the council members decided that they could not give permission until they had fully discussed with other interested parties "all safeguards which may be necessary under modern conditions". The scheme devised by Kleinwort Benson seems likely to meet these requirements. In offering the shares for sale by tender, Kleinwort Benson will state the minimum sale price at which the shares have been underwritten. To protect those who submit too high a price and to ensure a sufficiently broad distribution the highest applications will be accepted only if they are in numbers considered adequate by the issuing house both to cover the issue and to give a fair spread of shareholdings. If not, such tenders will be included with those at a lower price and the price at which all shares will be allotted will be the lowest price accepted.

Such safeguards are clearly designed to make sure that the small investor is not at a disadvantage with the professional stags, who have been doing well lately. But the small investor might be dissuaded from making applications because of ignorance of what a reasonable price might be, although

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he ought to find a fair amount of advice on that score—it will be interesting, indeed, to compare the performance of the financial columns in spotting the right price for successful tender. The stag moreover is a resolute animal and there are already suggestions in Throgmorton Street of a possible consortium putting in a tender. The Stock Exchange Council stresses that this offer is an experimental one. An equally satisfactory result could be obtained if issuing houses (rather than investors) were able to make closer judgment of the right market price for their issues.

#### SPACE RESEARCH

##### *Closing the Ranks*

IF the Minister of Aviation gets European support for the development of Blue Streak as a launching rocket for satellites, then the British and Western European aircraft and electronics industries will have to arrange among themselves who builds what. This is equivalent to asking a wolf pack to share out the bones but it must be done if the space club is not to be torn apart by quarrels among its members. And the urbane atmosphere of the biennial Paris Air Show, now in its closing stages at Le Bourget, provides as good a background as any for preliminary discussions. It is important for the aircraft industries in Britain, France, Italy, Germany, and Sweden to be able to present their separate governments with a united front, but it would help their case considerably if they were also able to join forces with the telegraph companies and put forward a joint plan for a system of communications satellites based on Blue Streak.

The attitude of Sir Harrie Massey, the Royal Society's spokesman on space research, shows plainly how tepid scientists are towards Blue Streak; this is a much larger rocket than is needed to launch scientific satellites, and scientists in Britain and Western Europe have their own joint space research programme in which Blue Streak plays no part. Unless the governments of Western Europe decide privately that they want to get into the ballistic rocket business, the only excuse for reviving Blue Streak is to launch commercial communications satellites. Scientists generally agree that such a network is feasible and offers bright commercial possibilities, but governments might find it easier to make up their minds if some of the European telegraph authorities showed the same enthusiasm and gave some indication of how much they were prepared to venture in such a network.

#### SOUTH AFRICA

##### *Devaluation Talk*

SOUTH AFRICAN gold shares have been rising in the past two weeks: but this recovery has an ominous foundation. It

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reflects fears that the South African rand may be devalued. Mr Dönges, the South African Finance Minister, has denied these "unfounded" rumours. The financial community nowadays places little faith in such affirmations from finance ministers; but since South Africa's difficulties arise wholly from withdrawals of capital on political grounds, there is a good case for saying that devaluation is by no means the appropriate remedy.

The rises in gold shares have been less sharp on the London stock exchange than in Johannesburg. This is a result of the South African Reserve Bank's recent ban on forward exchange cover for stock exchange transactions, which has hit arbitrage business badly. London dealers have had to adjust their prices to cover themselves on the exchange risk, and the price differential against Johannesburg has widened.

Forward cover is also withheld for imports of consumer goods, to back up direct restrictions on imports. Together with exchange controls and the raising of Bank rate, these moves add up to a serious attempt to stem the vast outflow of capital, which has more than halved South Africa's gold and currency reserves from £150 million at the end of 1959 to £73 million. It would be surprising if the government were to consider devaluation until the effects of these measures can be assessed. The government has indeed implied that there are many more restrictive steps that could be taken to offset the outflow of capital. Moreover, devaluation would have only a small impact on South Africa's payments balance, as many of its external debts and also freight charges are denominated not in its own currency but in sterling.

But whether South Africa will be able to mark its first weeks as a republic without a major financial crisis may depend on the report of a three man delegation from the International Monetary Fund which recently visited the country in response to South Africa's request to draw a second tranche of £13½ million. Such a drawing will not be so freely available as the first; South Africa's loss of reserves has stemmed entirely from a lack of confidence in the policy of the Nationalist government. The IMF delegates can hardly have been given assurances on this score.

#### OIL

##### *More Weight to the Wedge*

THE marriage between Continental Oil and Jet Petroleum is of mutual convenience. Continental, which has bought for an undisclosed price the whole of the capital of Jet, needs European markets badly. It is a member of the consortium of three American producer companies with one of the biggest finds in Libya, and in about a year's time will have ready a pipeline with a capacity of about 300,000 barrels a day to bring the crude oil to the Mediterranean coast. Neither Jet, which claims about 1½ per cent of the retail gasoline

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## Post-Mortem on Forecasting

THE National Institute has always been bold about its predictions, avoiding the vaguenesses and qualifications that are only too tempting. Now, with exemplary courage, it has made public a check on their adequacy. From an article in the current *Economic Review* the table below assembles the forecasts the Institute made in January and May of the last two years against the showing of the official statistics.

The results are not very good. Broadly, the Institute underestimated the strong upsurge of demand in 1959 and its rapid levelling out in 1960. It was too pessimistic about growth in 1959, too optimistic about it in 1960. The May forecasts did not make sufficient allowance for the acceleration of demand released by Mr Amory's give-away budget or for the damping-down effect of the credit restrictions last year. Indeed, rather disconcertingly, if the forecasts for the two years were reversed, they would probably have given truer pictures as a whole. On the other hand, some of the individual forecasts were very near to the mark.

The Institute has had at its disposal few basic data beyond those available to other investigators, although it has carried out its own surveys of spare capacity in industry. Its methods of prediction are informal; it does not rely on rigid formulae. The estimates of public spending, for instance, are based largely on the Government's own estimates; the export forecasts are produced after an assessment of market prospects in different parts of the world; and prospects for fixed investment depend largely on the Board of Trade's inquiries into intentions together with data on the state of order books. Investment in stocks is "little more than a guess." Assumptions are made about the growth of incomes, hours of work, productivity and prices and the final forecast of the change in national product is

arrived at by piecing together all the separate items and then "juggling them until they fit into a consistent pattern."

If all this seems a bit haphazard, what is the alternative? Considerable research was done on the Oxford econometric model before it was tried out at the end of 1958. Close on forty equations were brought into play to predict that industrial production would fall substantially in the first half of 1959; it rose. Prediction with the aid of advanced mathematical techniques was much wider of the mark than the results obtained much less formally by the National Institute, the Government or the London and Cambridge Bulletin. This is not to damn econometric forecasting. But judgment enters into this type of prediction, too, particularly on the variables that should be fed into the equations. Moreover, it is only too likely that the equations will have over-simplified the relations between different economic quantities. Econometric forecasters cannot escape the same problems that afflict other forecasters.

Whether these problems can be overcome is anybody's guess. But the Institute hopes for improvement as it gains experience with some of the newer statistics. As yet, nobody is too sure how to interpret the Board of Trade's collection of industry's investment intentions which have not always compared closely with what was actually spent. Nor is a great deal known about the significance of the data now published on order books. Perhaps the greatest gains will come from better use of the four-monthly questionnaire sent out by the Federation of British Industries which, according to the Institute "appears in retrospect to have been a sensitive indicator."

On the other hand, is there much hope for an improvement in the forecasting of exports? This has proved so difficult, has

gone so badly wrong and yet is so important in determining the general picture of demand. The assessment of export chances is an immense task, involving trends and policies throughout the world. At least the National Institute has sized up the problems in forecasting and can claim that its forecasts, if not on the bulls-eye, are at least as good as any others.

### Changes in Demand

|                                              | 1958 IV<br>£ mn.<br>1954<br>prices | PER CENT CHANGES   |                    |                    | 1959 IV to 1960 IV<br>Forecasts<br>Jan., May, Actual<br>1959 1959 | 1959 IV to 1960 IV<br>Forecasts<br>Jan., May, Actual<br>1960 1960 |
|----------------------------------------------|------------------------------------|--------------------|--------------------|--------------------|-------------------------------------------------------------------|-------------------------------------------------------------------|
|                                              |                                    | 1958 IV to 1959 IV | 1959 IV to 1960 IV | 1959 IV to 1960 IV |                                                                   |                                                                   |
| Consumers' expenditure of which durables...  | 3,409                              | + 1½ + 2½ + 4      | + 3½ + 3½ + 1½     | + 9 + 6 - 2½       |                                                                   |                                                                   |
| Public authorities' current spending         | 732                                | + 1½ + 1½ + 3      | + 4 + 3½ + 6       |                    |                                                                   |                                                                   |
| Gross fixed investment                       | 752                                | - ½ + 5 + 10       | + 8 + 7 + 6½       |                    |                                                                   |                                                                   |
| Exports of goods and services                | 1,077                              | + 2 + 2 + 7        | + 6½ + 5           | NH                 |                                                                   |                                                                   |
| Total demand, excluding investment in stocks | 5,970                              | + 1½ + 2½ + 5½     | + 4½ + 4 + 2½      |                    |                                                                   |                                                                   |
| Total final demand                           | 6,007                              | + 1½ + 3 + 6½      | + 4 + 3½ + 3½      |                    |                                                                   |                                                                   |
| less imports of goods and services           | 1,176                              | + 4½ + 6 + 10      | + 7 + 7 + 8        |                    |                                                                   |                                                                   |
| less factor cost adjustment                  | 568                                | + 2 + 2 + 10       | + 6 + 6 + 6        |                    |                                                                   |                                                                   |
| Gross domestic product (from expenditure)    | 4,263                              | + 1 + 2½ + 5       | + 3½ + 3 + 1½      |                    |                                                                   |                                                                   |
| Industrial production                        | ...                                | + 3 + 4½ + 9       | + 6 + 7 + 2½       |                    |                                                                   |                                                                   |

market in Britain, nor Sopi, the small independent distributor in Germany and Austria which Continental bought last year, will solve Continental's marketing problem, but they will provide a useful toe-hold. The company has yet to say where it will refine its oil. One of its partners in the consortium, Ohio Oil, plans to build a refinery in Spain, but it seems more likely that Continental will prefer to make arrangements with—or perhaps to buy—one of the independently-owned refineries in Italy or Germany.

For Jet, the take-over would appear to be clear gain. It gets a permanent supply of petrol, in place of short-term contracts with independent refineries on the mainland of Europe, and it will have readier access to capital to achieve its ambition of doubling or trebling in the next few years the number of petrol stations it supplies—at present about 400—in an endeavour to get nationwide distribution. But, while the present chairman and managing director of the company are to remain, they will no longer be their own masters. Continental Oil sells petrol at cut prices in the United States; and Jet has said that its prices here, which are about sixpence a gallon below the majors', will not be changed. Continental may decide however that, while a cut-price policy and short-term contracts with dealers may be right for a small distributor, an attempt by a producer to broach the British market in a big way, and permanently, may call for a somewhat different strategy. It will have to find markets for the heavier refined products as well as gasoline. Although Libyan oil is a light crude and although Jet already sells some fuel oil, derv, and distillates, this could be another reason for mounting a more normal type of marketing programme. The cost of entry into the British market does not encourage cheap prices.

### MINICABS

#### Making Them Legal?

WELBECK MOTORS, the car hire firm that aims to inject more life into London's transport services with "minicabs" later this month, has evidently had second thoughts about the advisability of directly challenging the present taxi licensing regulations. It has now decided not to allow a minicab driver to carry a customer after radioing his order to the central control room. Instead the driver will act solely as a booking agent: the order will be met by sending another cab. Welbeck will use some of its cabs simply as mobile booking offices, cruising the streets between parking at certain strategic points. This will mean that the cab fleet will be used less intensively and that their customers will have to wait longer, but Welbeck believes that it will make its service incontestably legal. If, however, it finds it is mistaken, it will run the service purely on telephone bookings, in the same way as the other

minicab services already running in London.

The cabs will be distinguishable from other red Renault Dauphines by posters: this advertising space will improve the economics of the venture. Gotham Advertising has formed a company called Minicab Advertising and has contracted to buy all the advertising space available at £70 a year for each cab. On a fleet, initially planned to number 500 cars, Welbeck will thus get about £35,000 a year. Without this revenue, fares of 1s. a mile, with 1½d. a minute waiting time when stationary in traffic jams, would be out of the question.

### SUGAR

#### Price Problems

THE International Sugar Council has been flattered, if not a little embarrassed, by the ready response of prices to the measures it has taken to control the sugar surplus. Spot sugar in London recovered from below £26 a ton to £30 a ton. In New York, where Cuban sugar is now *non grata*, supplies of other sorts have been driven to a premium of up to £1 a ton over Cuban sugar, which virtually had the free sugar market to itself. Other producers with sugar to spare have been busy calculating their probable share in the re-allocation of import quotas for the remaining 1 million tons of sugar needed by the United States this year, on which suppliers will receive the American premium over world prices. But politics run deep in sugar: the assassination of Trujillo might pave the way for the restoration of full rights for Dominican sugar in the American market, and it will certainly inject an added spice of uncertainty. At its last meeting, the council chose as its price indicator the mean of London and New York values, converted to represent a fas price in Cuba. The discrepancy between these two sources has ranged up to 0.15 cents a lb, and the council has now decreed that when the difference exceeds six points, the lower price will be taken, augmented by 3 points and used as its guide.

The council's calculated price on the old basis had momentarily touched 3½ cents a lb, which, if sustained over 17 trading days, would have brought the automatic restoration of the 2½ per cent cut in export quotas made in February. Though not in keeping with the real state of the market, an increase of 150,000 tons at this point would not do too much harm, except perhaps to the council's rather neat equation of free market supplies with requirements at 8½ million tons after allowing for some members falling short of their quotas by a million tons. Together with the recent reaction in prices, basing the price indicator in effect on the lower London value, now £29½ a ton, has made this contingency a little less likely.

Cuba, going it alone without American direction, can (contrary to some people's

expectations), produce 6 million tons of sugar a year. This leaves Cuba with an uncomfortably large surplus, which might amount to about 1½ million tons at the season's end after filling all its expanded quota in the free market and exports to communist countries. India, a non-signatory of the International Sugar Agreement and therefore unable to sell more than limited quantities of sugar to members, desperately needs an outlet for 1 million tons of high-cost sugar. Adding confusion to the market's devious structure, white sugar from Europe's beet surplus is being offered below the cost of raw sugar. Occasionally, unrefined sugar can command a genuine premium over refined: Japanese consumers will not accept beet sugar as a substitute for cane; in Ceylon, some sugar is consumed raw, so that reconverting refined sugar could even be good business. There is certainly a grey market in sub-production-cost white sugar inching into raw sugar's territory.

### SCIENTIFIC POLICY

#### Trial and Error

THE Department of Scientific and Industrial Research has grown considerably in stature since the appointment of a Minister for Science. As a Minister without a ministry, Lord Hailsham has no experienced departmental heads to advise him on matters of scientific administration and there are signs that the DSIR is moving in to fill the breach. In its report for 1960\*, the Department sounds some sensible warnings about the pitfalls in drawing up long-term plans for research. Here the DSIR can speak with some authority, based on its own experience. When it was freed some years ago from annual Treasury control and given a five-year budget, the DSIR immediately attempted to draw up a five-year research plan over which to allocate its new-found wealth. This was a failure. As the current report points out, research is essentially unpredictable; projects can crop up unexpectedly and a research organisation must be able to fit them into its plans without throwing its entire budgetary arrangements out of kilter.

DSIR has now proposed a new form of five-year budget to Lord Hailsham and the Treasury, in which a firm figure will be given for the next twelve months' expenditure, based on knowledge of work already in hand, and a moderately firm estimate proffered for the following two years, based on assumptions about how work ought to progress. For the fourth and fifth years of the plan, it will propose what the report describes as "less definite forecasts." This kind of plan will be revised every year, so that DSIR will always be thinking five years ahead, never reaching the end of its road.

Before research can be started, scientists must be found to do it. Some branches of

science, including biophysics or oceanography, are temporarily out of fashion. DSIR is trying to coax students and teachers back into these fields by special grants to universities. Will this horse drink? The report points out that it is easy to see the gaps in Britain's research effort, but more difficult to persuade the universities or industry that they need filling; DSIR may have found a new and potent weapon in the probings and reports of its new economics division into the research needs of various industries. Machine tools and shipbuilding have become noticeably more research conscious since this spotlight was turned on them. The Department is now turning its attention to the foreign office and to the importance of scientific attachés at British embassies—of whom there are only five.

### HIRE PURCHASE

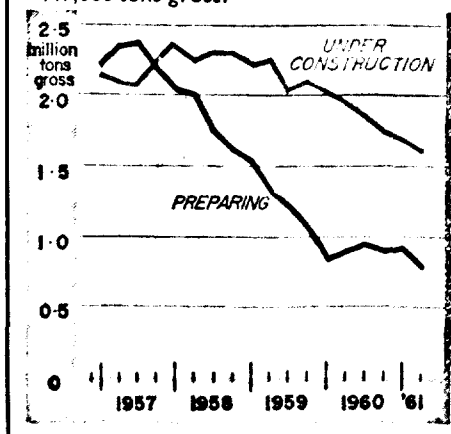
#### Towards Personal Loans?

THE Industrial Bankers Association has a good record of bright suggestions. Its latest is that the finance houses should consider making personal loans. Plans at the moment are fairly sketchy, but it has in mind the system already widely used on the Continent and in North America in which the finance house grants credit directly to its customer, allowing him to buy goods on instalment from stores and dealers of his choice.

Under this system the customer would own the goods and not merely hire them, as he does at present, and the finance company would lose the right of repossession

### SHIPBUILDING

The lament over the shortening of order books continues and at the end of March shipbuilding in the United Kingdom was at its lowest level since 1945. There were 249 ships under construction and 96 "preparing," i.e., their plans had been approved or materials ordered. Activity in nearly all yards has been sharply reduced over the last year—in Clydeside work in hand has been cut from 647,000 to 449,000 tons gross.



\* Cmnd. 1365. 4s.



for a lien over the goods. But the real security for the loan would be the customer's credit-worthiness, which the company would have to assess at first-hand, and not through dealers. The loan interview would allow many questions to be asked, especially on earnings and commitments, which the present hire purchase form conspicuously omits. Personal loan interviews, however, as bankers will readily admit, are tricky, and the finance houses' first problem would be to find adequate skilled staff for this delicate task.

For the customer the scheme would mean lower charges, since the dealer's commission is eliminated; a single payment to one finance house for any number of credits purchases; and income tax relief on the loan interest, which the Inland Revenue will not allow on hire purchase charges. For the finance houses it could mean the opportunity of building up goodwill independent of the dealers, and no responsibility for defective goods (which the courts thrust upon a finance house in a recent hire purchase dispute).

The main obstacle to the introduction of personal loans by the finance houses appears to be the Moneylenders Act, which in effect limits the rate of interest chargeable on loans to a true rate of 10 per cent or flat rate of just over 5 per cent. The banks are exempt from the provisions of the Act and most charge a flat rate of 6 per cent on their personal loans which, on the average balance outstanding, is a true rate of nearly 11½ per cent. This and other legal and administrative problems, especially the question of credit control, are being studied by the Board of Trade and the Treasury. If all goes well, the finance houses may soon be free to develop a class of business which outside commentators have been recommending for some time.

## COTTON

### Clouded Futures

THE United States has not been a leading light in international schemes to support commodity prices, but the rock-like consistency of American cotton export

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prices since 1958 is certainly sheltering smaller producers, who would feel aggrieved if prices were to collapse. American production has not risen over the past decade; because of acreage restrictions the cotton area has contracted from a pre-war average of 28 million acres to something like 18 million acres this year. But other producers have planted at least 10 million acres more. China now has almost as much land under cotton as America and India has more. But acreage restrictions in the United States have produced such a big improvement in yield that it still produces about one-third of the world's output off only one-fifth of the total cotton acreage, and as largest consumer and exporter has the market firmly in its grasp. That is just as well because the International Cotton Advisory Committee forecasts a rise in world stocks this season after four years of reduced surpluses.

What is meat to the Latin American and African countries where cotton is an important cash crop is poison to the cotton futures market in Liverpool. For more than two months the spot price of American middling 1-inch cotton has stood at 24.10d. a lb. Throughout most of last month the transaction of a bargain in the futures market was an event. Demand for actual deliveries has also faded as order books of the cotton manufacturers which once ranged up to eight months have been run down, though orders for raw cotton have piled up in America where the increased export subsidy of 8½ cents a lb will be paid on all cotton hoisted aboard the steamers after the end of July.

Next week, the Liverpool Cotton Association meets to discuss a scheme for its reorganisation to preserve the raw cotton market in Liverpool. The £100 shares of the association, £20 paid, once changed hands at £1,000 a share. They were worth £600 when the exchange was reopened after the war, but slumped to £45 before the possibility of a capital reorganisation arose. Though traders agree that in the present straitened circumstances of the British cotton industry, two cotton exchanges would never be built, hopes that the Liverpool and Manchester Associations might be amalgamated have come to nothing.

## AERO-ENGINES

### Rolls-Royce and Napier

THE decision of Rolls-Royce to buy a half-share in the Napier aero-engine business of English Electric ties up some of the loose ends in the government's scheme for rationalising the aircraft industry and, possibly the most important aspect of the deal, brings Rolls-Royce for the first time into the helicopter market. Napier has been dogged by bad luck since the war. It developed an outstanding turbo-prop engine, the Eland, only to find that no British aircraft manufacturer had an aeroplane that could use it. The Fairey Rotodyne has outgrown the engine, which

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powered the prototype, but is unlikely to be used for future versions of the Rotodyne if, indeed, any are built. It is only recently, several years after the Eland was first available, that the engine has begun to find a market in troop transports for the Canadian Air Force and as a conversion for piston-engined Conquairs in need of modernisation. Other projects, such as small rocket motors, were cancelled through no fault of Napier's, but the tide seems to have turned at last with the development of the Gazelle turbine engine designed specially for helicopters. Big military orders during the past twelve months have boosted production of the Wessex and Belvedere helicopters, both powered by Gazelles.

This is a field new to Rolls-Royce, and obviously of great commercial value to the company. Details of the arrangement reached between Rolls-Royce and English Electric have not yet been made public but the two companies intend to form a jointly owned subsidiary, Napier Aero Engines, which will take over the aero-engine side of Napier's business leaving the rump of the company, with all its general engineering work, as a wholly-owned English Electric subsidiary building, among other things, diesel engines, and de-icing equipment. This consolidates the production of every important aero-engine built in this country with one exception in the hands of two companies, Rolls-Royce and Bristol-Siddeley. The exception is the de Havilland Gyron; de Havilland's engine company is now part of the Hawker Siddeley group and so is the small engine division of Blackburn. The only engine builder still outside the big five is Alvis.

## FOOD PRESERVING

### Food by Sublimation

WHAT is claimed to be the first plant for the accelerated freeze drying of food on a commercial scale has been built by Vickers for the Irish Sugar Company at Mallow, Eire. Much has been claimed for this process, which extracts the moisture from food after it has been deep-frozen. This is said to make the final product virtually indistinguishable from fresh food, once the water has been replaced, because nothing else has been removed. Normal drying methods remove salts as well. But if the water in the food is turned into ice, and the food is then heated in a vacuum, the ice will turn into steam—it is, in the technical phrase, removed by sublimation—and after eight hours the food will be completely dehydrated but otherwise almost unchanged. Its advocates maintain that freeze dried food can compete with quick-frozen: it does not require refrigerated transport or storage space. But the complexity of the process and the airtight packages it needs may more than offset the advantage of easier storage. Its appearance may also be against it.

Unilever has taken the most interest so

## THE ECONOMIST JUNE 3, 1961

far in developing freeze drying in Britain. Unilever recently bought the Ministry of Agriculture's research plant at Aberdeen, where the process used by the Irish Sugar Company was developed, but plans to undertake more research before going into commercial production. Little has yet been said about the likely retail cost of freeze dried food. Irish Sugar has said nothing so far. Until it does, the commercial prospects of the process remain uncertain. Coming after quick frozen foods have become established, the task will not be simple.

## BARLEY

### Flop of the Season

DEFICIENCY payments, which appear to graft the form of a free market cleverly on to a system of guaranteed prices for farmers, can yield a ridiculous hybrid. The crash in barley has exposed the danger of mixing these two incompatibles in the wrong proportions. Britain's barley goes from strength to strength; output reached 4½ million tons last year, only 169,000 tons short of production in Canada, and exports are at a useful level. By contrast, imports have contracted sharply in the past two years. In 1960, they fell to about 700,000 tons, little more than half the 1958 level, though in the first four months of this year they have risen from 172,000 to 409,000 tons, of which 239,000 tons have come from foreign countries which together did not sell a thousand tons here in the same period of the previous year. An extra 250,000 acres has been put under barley in England and Wales this year, compared with 3.4 million acres planted in Britain in 1960, and unsold stocks are higher than is normal at this time. There is therefore less room for outsiders in the British market, and it may prove more difficult to sell all the domestic crop than at any other time since the end of the war. But any producer is free to sell in the British market, though imports of unprivileged foreign barley are subject to an import duty of ten per cent.

A year ago Canadian wheat fetched £27½ a ton, maize £21½ and barley £21½; now wheat costs £27 a ton, maize £19½ and a seemingly inexhaustible amount of French or Russian barley can be bought at £15 a ton before payment of 30s. import duty. The market price is now dictated by Russia's apparent need of sterling (any tactical advantage gained in the market should be short-lived) and France's attempt to clear its bins to find space for the new crop after discovering that its delivered crop was much greater than its estimated one. Canada and Australia concluded timely deals with China and have thankfully bowed out of the market. America has exports of 2 million tons of maize at stake in this market, but though compounders of animal feeding stuffs can shift between barley and maize and may take up to 20 per cent more

## BUSINESS NOTES

barley because of the present extraordinary price differential in its favour, America has not increased its export subsidies to a level that would make its maize competitive. Compounders have to use a certain amount of maize and the economics seem to favour holding off at this stage, and meeting only these minimal requirements.

Compounders pay the market price for the barley they use; deficiency payments are stretched to cover the gap between this

## SHORTER NOTES

The Austin-Healey Sprite and 3000 are now being sold in Mark II versions. The Sprite has a new bonnet, with the headlamps mounted in the wings and a grille resembling that of the Innocenti version of the car; engine power has been increased from 42.5 to 46.5 bhp. It costs £641, £10 more than the old model. The Mark II 3000 has a three carburettor engine which develops 132 bhp instead of 124 bhp, and is claimed to use less petrol. Its price is unchanged at £1,168.

The directors of Stewarts and Lloyds say that higher labour and material costs have cut profit margins, and profits for the current year will therefore be lower than those for the year ended October 1, 1960. The interim dividend is raised from 3 to 5 per cent on the £27 million ordinary capital before the April rights issue, solely to reduce the disparity between the interim and final dividends. A final dividend of 10 per cent is forecast on the increased £33 million capital. For 1959-60 a total dividend of 15 per cent was also paid.

From August 1st, imports from the dollar area of wine, beer and gin will be freed of import control. Canned apples, grapefruit, orange and grapefruit juice remain controlled, but imports of all other canned fruits will be freed. Controls were maintained on some categories of imports after the liberalisation of dollar imports in 1958 and 1959 for reasons other than protecting the balance of payments. After August, rum will be the only alcoholic drink remaining controlled. The vestigial dollar import controls include coal, potatoes, pharmaceuticals and large aircraft.

English Electric has made an offer worth more than £2 million for the whole of the share capital of W. H. Dorman which makes diesel engines at Stafford. For every twenty of Dorman's 11 per cent non-cumulative preference shares, eleven £1 English Electric ordinary shares are offered; for every 14 of the 592,000 2s. ordinary shares, five £1 English Electric shares; and for every

figure and the farmers' guaranteed £27 11s. 8d. a ton. Anomalous prices may not persist for long; the pressure of French sales was relaxed on Wednesday. If they do, they may prove a far more punishing experience for the Exchequer, which has to make deficiency payments on upwards of 4 million tons of barley, than for the two contestants in this minor war over a corner of the barley market here and on the continent.

four of the 2,330,000 2s. "A" ordinary shares one £1 English Electric ordinary share plus 2s. in cash. The directors have accepted the offer on their own behalf and are recommending acceptance to other shareholders.

Building is still going from strength to strength. New construction and repair work amounted to £669 million in the first three months of 1961, eight per cent more in volume than the year before and two per cent higher in price. For the first time for years output in the first quarter of a new year was higher—by 2½ per cent—than in the last quarter of the preceding year.

The British Motor Corporation is now fitting attachment points for safety belts to all its cars. It has chosen a belt which combines a diagonal strap and a lap strap, costing £5, and made by Britax. The standard Britax diagonal belt has already been chosen as an approved accessory by Rootes, Standard-Triumph International and Vauxhall.

Penguin Books has agreed to buy privately from the executors of the late Mr Howard Samuel his holding of about 40 per cent of the 258,000 ordinary shares of Associated Book Publishers. The two companies are to discuss ways of developing this link.

## COMPANY AFFAIRS

Comments on pages 1061, 1062 and 1063 on:  
Guest Keen Associated Portland  
Turner and Newall United Drapery  
Wilmut Breedon Consolidated Zinc  
Land Securities London Asiatic Rubber  
Highlands & Lowlands Stoll-Moss  
Reports from Industry

## LONDON AND NEW YORK

Stock prices, yields and security indices on pages 1064 and 1065

## LONDON STOCK EXCHANGE

The week's movements reported on page 1063

## MONEY AND EXCHANGES

Money market report, exchange rates and public finance on page 1066

## EIU Quarterly Economic Reviews

covering 57 countries or groups of countries  
Out this week:

### BRAZIL

This report considers the forceful measures by which the Quadros administration is tackling the country's serious economic predicament, particularly the introduction of a far-reaching exchange reform, and the use applied to public over-spending. It also deals with the vital support given to this policy by the massive aid provided by the U.S.A., the I.M.F. and European Creditors.

Further details from:

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## COMPANY MEETINGS

## CAMMELL LAIRD &amp; COMPANY LIMITED

CONDITIONS REMAIN DIFFICULT BUT PROFITS SHOW IMPROVEMENT

MAJOR RECONSTRUCTION SCHEMES COMPLETED

COMPETITIVE POSITION STRENGTHENED

## ADMIRAL SIR MICHAEL DENNY'S REVIEW OF GROUP'S ACTIVITIES AND PROSPECTS

The ninety-seventh annual general meeting of Cammell Laird & Co. Ltd. was held on May 31st at Birkenhead, Admiral Sir Michael M. Denny, GCB, CBE, DSO (Chairman), presiding.

The following is the Chairman's Statement circulated with the Report and Accounts for the year ended December 31, 1960:

I am glad to be able to report an improvement in the profits of the Group for the year ended December 31, 1960, compared with 1959. Our thanks are due to the Management, Staff and Workpeople of all our Companies for their continued loyalty and hard work which have produced this improvement. So far as Shipbuilding is concerned conditions have remained difficult but there are more enquiries and we feel that we have obtained a reasonable share of the business available. Our steel-making Subsidiary Company, The Patent Shaft Steel Works Limited, is not yet out of the wood and I deal with its affairs in more detail below. I also deal with the future prospects of our other Subsidiary and Associated Companies under their respective headings, but in attempting to assess the overall picture I do not take too pessimistic a view. The profitable development of the Group is, of course, ultimately dependent upon a revival in shipbuilding and wagon building, both of which industries are, for the time being, somewhat depressed. Our reconstruction programmes have, however, placed us in a strong competitive position.

During the year we have appointed to the Board Mr Roderic Aylward O'Connor, TD, MA, Barrister-at-Law. Mr O'Connor is Vice-Chairman of W. and R. Jacob & Co. (Liverpool) Limited, and Joint Managing Director of Associated Biscuit Manufacturers Limited. We welcome Mr O'Connor to our Board and feel sure that his experience in other fields will be of value to us.

## ACCOUNTS

## CONSOLIDATED PROFIT AND LOSS ACCOUNT

We have slightly altered the form of our Consolidated Profit & Loss Account to conform with modern practice, in that we have now shown the Group Profit after charging and crediting the items shown inset.

The Group Profit for the year ended December 31, 1960, amounted to £311,834 compared with £427,192 for the previous year. This is a considerable improvement, but less satisfactory than at first sight appears, since the main cause of the improvement is the carry over of completions in shipbuilding from 1959 into 1960 as a result of the strikes from which our Shipbuilding Company suffered during 1959.

Depreciation for the Group is much increased following upon heavy capital expenditure both at Wednesbury and at Birkenhead. Loan and Bank Interest is also much increased. Dividends and Interest received on Investments are less than in 1959, with the exception of Trade Investments, which have produced a little more than during the previous year. Our income from English Steel Corporation Limited was somewhat greater in 1960 than in 1959 but Metropolitan Cammell Carriage and Wagon Company Limited has, in common with other rolling stock manufacturers, been suffering from the lack of orders, and our income from that source has therefore been reduced. Other Investment Income and Interest has been reduced as the result of earlier realisations of investments.

Because of increased profits there is a considerable reduction in income tax credits compared with the previous year. The Net Group Profit for the year amounted to £606,017 compared with £272,391 in 1959. Taxation and other adjustments in respect of prior years are much reduced, compared with 1959, at £14,837, and subsidiary companies in 1960 retained £318,770 compared with net withdrawals from subsidiary companies of £346,772 in the previous year.

The Net Profit dealt with in the accounts of Cammell Laird & Company Limited, in respect of the year ended December 31, 1960, is therefore, £302,993 compared with £575,541 in the previous year, and the balance brought forward from 1959 amounting to £97,296 must be added thereto, to give an amount of £400,289 available for appropriation. Against this must be charged the Interim Dividend of 3 per cent, less tax, paid on October 29, 1960, and your Board now recommends the payment of a Final Dividend of 9 per cent, less tax, for the year 1960 amounting to a further £293,541. If this recommendation is accepted this will leave £8,901 to carry forward to 1961.

## CONSOLIDATED BALANCE SHEET

The Fixed Assets of the Group have increased by more than £1,675,000 during 1960. This is largely a measure of the continuing investment in our Birkenhead Shipyard where our big new No. 5 Dock is now taking shape.

The decline in the excess of Current Assets over Current Liabilities during the year is attributable mainly to the use of current resources for the financing of capital expenditure.

## PARENT COMPANY'S BALANCE SHEET

During the year, we paid the outstanding

liability on our Patent Shaft Steel Works Shares, so that these Shares are now fully paid and the previous contingent liability in respect thereof no longer applies.

Inter-Company balances still continue to be influenced by Subvention transfers, and, so far as can be seen, this will apply for some time to come. However, since our Steel-making Subsidiary is now making smaller losses, the taxation recoverable, after providing for current taxation, is a smaller amount.

## CAPITAL COMMITMENTS

Contracts for capital expenditure at December 31, 1960, were £1,165,000, being £925,000 for our Shipbuilding Subsidiary and £240,000 for our Steel-making Subsidiary.

## CAMMELL LAIRD &amp; CO. (SHIPBUILDERS &amp; ENGINEERS) LIMITED

During 1960 this Company was actively engaged upon the construction of a wide variety of tonnage for the Merchant Navy and the Royal Navy, including a dumb barge, tugboats, tankers, a bulk sugar carrier, a refrigerated cargo liner, a passenger liner, a cable repair ship, a passenger/car ferry, submarines, an anti-submarine frigate, and a guided missile destroyer.

We were honoured by a visit from Her Royal Highness Princess Alexandra of Kent in June, when she launched H.M.S. "DEVONSHIRE," a prototype guided missile destroyer for the Royal Navy. Another outstanding event was the completion for the Union-Castle Mail Steam-Ship Company Limited of RMS "WINDSOR CASTLE," the largest passenger liner so far built in our shipyard, and we are at present preparing a tender for the new Cunard ship.

Our Engineering Department built and tested three sets of steam turbine double reduction geared machinery and completed six sets of water tube boilers for merchant and naval vessels. Work has also proceeded on various contracts for the Admiralty and the department has supplemented its engine building and boiler making activities by undertaking a considerable amount of sub-contract work for firms covering a wide range of engineering products, for both the home and export markets. A boiler plant has been erected in the Engine Shop for shop testing and overspeeding of turbine machinery, and this installation will also be used for the heating of the Engine Shop in the winter months. In collaboration was Messrs. Babcock & Wilcox Limited, a detailed tender and specification for the machinery and reactor for a nuclear-powered

## THE ECONOMIST JUNE 3, 1961

65,000 tons deadweight tanker was prepared and submitted to the Ministry of Transport.

Our Ship repairing Department has again experienced extremely competitive conditions, but was successful in obtaining a fair share of business. In November the Rock Ferry Tanker Cleaning Installation was officially inaugurated and it is expected that this additional service will help us to increase our ship repairing activities in the future.

Although the recession through which the shipping industry is passing has resulted in intense competition between shipbuilders in this country and overseas for new business, towards the end of 1960 and earlier in the current year we were successful in obtaining orders for the construction of a passenger ferry vessel, a cable layer and a submarine. These contracts have been undertaken at very keen prices.

During the year representatives of our management have on several occasions visited shipbuilding, marine engine building and ship-repairing establishments in Europe and in North and South America and they have been impressed by the efforts which are being made in some of these establishments to achieve greater efficiency and economy in production. If we are to maintain a reasonable volume of work in our shipyards we must at least match, if not better, the efforts of our overseas competitors, and this can only be achieved by all, management and employees, giving of their best and obviating all wasteful methods which tend to make us uncompetitive.

Whilst the outlook for our industry continues to be uncertain, I am confident that with the wholehearted support of all our employees in achieving the most economic use of our reconstructed shipyard, we shall be successful in obtaining further business for the various departments of our Company and thereby avoid any unwelcome gaps in our shipbuilding, marine engineering and ship-repairing programmes.

The year 1960 has seen the completion of two of the major schemes in Phase I of the reconstruction of our shipyard, namely, the extension of the shipbuilding shops in the South Yard and, as I have previously mentioned, the construction of the Tanker Cleaning Installation at Rock Ferry. The reorganisation of the yard electrical supply progressed satisfactorily and, with the completion of the North Yard main intake station, the changeover to the National Grid for our power and lighting supplies is now complete.

During the year our new No. 5 Dry Dock was extended from 850 ft. to 950 ft. and it is hoped that this dock will be ready for use by the end of the year. The construction of the new No. 5/6 jetty in our South Yard proceeded satisfactorily although not without some interference with shipbuilding work. A specially designed 100 ton double rail track vehicle for moving larger welded assemblies to the shipbuilding berths has proved very satisfactory on the new tracks which connect the shops with No. 5/6 Jetty. During the year the first of two 100-ton travelling jib-crane was completed and the first major heavy lifts carried out by the crane were the shipping of two 83-ton boilers into the 65,000 tons tanker "SEPIA" preparatory to her launching from No. 6 slipway.

It has been decided to make further improvements to our engineering facilities and a scheme has been recently approved which will involve the re-arrangement of our Engine Shop and the acquisition of some new machine tools.

During the year we introduced a non-contributory scheme of retirement, death, and sickness

## COMPANY MEETING REPORTS

and accident benefits for male employees in our shipyard, and we hope that this Triple Benefit Plan will bring a measure of security and satisfaction to all those concerned. The cost of this plan (in the case of 1960, £57,000) has been charged against the profits of the Shipbuilding and Engineering Company.

It is with regret that I have to report the death in November of Mr A. Gardner, Commercial Manager and a Director of the Company, and I wish to place on record our very sincere appreciation of his long and loyal service to our Company.

It is with much satisfaction and pleasure that I also record the awards by Her Majesty the Queen in June, 1960, of the MBE to Mr H. Radford, our Dock Master, and of the BEM to Mr J. B. Taylor, a Turner in our Engine Shop.

## THE PATENT SHAFT STEEL WORKS LIMITED

In my statement last year, I explained in connection with this Company that by the end of 1959 the new plate mill had been completed and was in operation, while work on converting the furnaces to oil burning was proceeding. During 1960 the work of furnace conversion was finished, and thereafter the works could be operated in the manner envisaged when the plans for the reconstruction of the works were agreed five years ago. It is unfortunate, now, that this conversion has rendered the Company liable to pay the tax on fuel oil recently introduced in the Budget proposals, which will cost us about £90,000 during the year ending December 31, 1961, and about £130,000 in a full year.

Considerable technical and organisational difficulties were met and resolved during the year. There was a steady improvement in efficiency and by the end of the year steel production and the output of the new plant generally was not very far short of that contemplated by the reconstruction plan. Improvement in production has continued since the end of 1960 and is still continuing.

Unfortunately, the financial reward for the successful efforts of the management and workpeople in respect of production has not so far been satisfactory. During the year wages and other costs increased substantially. The Company has also had to meet during the period the high interest rates which have followed the high bank rate, although during the final months of 1960 there were two reductions. The result has been that the trading profit earned during the year, £346,476 (compared with a trading loss of £214,333 for 1959) has not been enough to cover depreciation, £425,479 (£280,928) and interest £553,609 (£394,237), and after these charges, therefore, there has been a consequential loss of £632,612 (£889,498) which has been offset, as was done last year, by a Subvention payment.

The management is considering actively how best to improve the profitability of the plant.

Another problem which this Company has to face is whether to modernise its two small mills, which absorb part of the output of steel from the furnaces and produce a very wide variety of finished steel products. These mills were not included in the reconstruction plan. They fulfil a useful function as jobbing mills, but they are old-fashioned, and faced with the competition of modern mills it has become increasingly difficult to operate them profitably within the price structure of the industry. This problem is under consideration at present.

Throughout 1960 the demand for the Company's products was high, and the order book

remained good. Since the end of the year, I regret that orders have fallen off. Although the works are still on full production, demand is less, and, with new plate and other steel-making facilities elsewhere in the country coming into production, the prospects for the next few months are not encouraging.

During the year, the Board of this Company has undergone some changes. It was strengthened by the addition of Mr James Mitchell, CBE, who brings to its deliberations many years' experience of the industry and its problems. The Company is fortunate to have secured such an able adviser. I regret that during the year the Company lost the assistance on its Board of Mr C. G. Wallace, one of the nominees of Metropolitan-Cammell Carriage & Wagon Co. Limited, on his retirement. His place has been taken by Mr W. Scott, C.A., whose help as a Director is most welcome. Since the end of the year, Mr Bryan Bruce-Gardner has been appointed Managing Director and is now responsible to the Board for all sides of the Company's activities.

## METROPOLITAN-CAMMELL CARRIAGE &amp; WAGON COMPANY LIMITED

The output of railway vehicles by Metropolitan-Cammell Carriage & Wagon Company Limited during the year considerably exceeded the value of new orders received and this has resulted in a fall in the volume of work in hand at the year end. This is a reflection of the continued decline in orders placed with private contractors for new rolling stock for British Railways and the fewer export orders received due to the increasing intensity of worldwide competition, not only in very low prices but also as a result of the credit terms offered.

Amongst orders received were 57 additional Tube Cars for London Transport Executive, 17 Diesel Railcars for Jamaica, 1,000 Wagons for Pakistan and two smaller lots of wagons for British Railways. Deliveries of passenger vehicles included the completion of previous contracts for sleeping cars, standard coaches and diesel railcars for British Railways, the remainder of the five new Diesel Pullman de luxe express trains and also a number of Pullman cars for other long distance trains, while 271 Tube cars were delivered for London Transport Executive and 15 coaches for Rhodesia. The smaller volume of output of wagons included shipments to East Africa, Nigeria and Liberia and side tipping, hopper ballast and twin-silo discharge wagons for British Railways. Nineteen mechanical structures for Electric Locomotives for South Africa were also completed.

No improvement in the difficult trading conditions for railway vehicles can be foreseen during 1961, but the Company has made some progress in obtaining alternative work and is continuing its efforts to widen its field of activity.

Output of buses was again increased from the previous year and included shipments to Jamaica, Spain, Cuba and Ghana.

In the export field the continued success of the "Olympic" buses was reflected by the further repeat orders from Jamaica and Uruguay, whilst in the home market the popularity of the "Atlanteans" was maintained. Efforts continue to expand exports, and there are prospects of a steady future demand in the home market, but no relaxation is expected in the prevailing keen competition for bus orders.

## ENGLISH STEEL CORPORATION LIMITED

English Steel Corporation had a successful year. The outstanding features of 1960 were a



greater volume of sales, somewhat higher profits, a larger order book and the commencement of work on the new £26,000,000 development scheme at Tinsley. When in full operation the scheme will increase capacity for special carbon, alloy and stainless steel production to 850,000 tons per annum. This will ensure the continued predominance of the E.S.C. Group in the field of special steel production.

With few exceptions, nearly all sections of the Group were well occupied and ended the year with a volume of orders in hand greater than that with which the year commenced. The increase in tonnage of steel melted for ingots and castings from 464,200 tons in 1959 to 572,000 tons in 1960 is a measure of the increased overall activity. Peak steel production was in 1956, when 591,000 tons of steel were melted.

The demand for heavy forgings continued weak and the reconstruction of the 8,000 ton press unit was, therefore, accomplished without inconvenience to customers. There was a welcome increase in demand for medium type press forgings which provided full employment for all personnel in the Forge and Machine Shops throughout the year, but a shortage of skilled labour to some extent limited output.

The capacity of the Drop Forge was filled throughout the year and the reduced production of motor cars had no serious effect on output during 1960.

Alloy and special carbon steels are supplied in billet and bar form to all sections of the engineering industry. In the Rolling Mills overtime working was necessary to meet customers' delivery requirements during 1960, but a tendency to reduce stocks and restrict orders which commenced in the later months has necessitated a reduction of output to normal levels in the early months of 1961. High speed and tool steels have remained in strong demand both at home and overseas.

The Steel Foundry was fully occupied and achieved an output in excess of that of any previous year. The continued demand for heavy steel castings for capital developments in the steel and engineering industries and the wider acceptance of the specially designed castings for railway rolling stock, should ensure full production during the current year.

The new Spring plant at Tinsley was in use during the year. Full production of laminated springs for the motor car industry was not attained, due to the severe cuts in requirements which arose in the last quarter.

There was an increased demand for all types of engineers' tools and all skilled employees of English Steel Tool Corporation were fully occupied. During the year buildings were erected and plant installed at Dandenong, near Melbourne, Australia, initially for the production of twist drills and taps. The Managing Director of English Steel Corporation attended the opening ceremony in February, 1961, which was performed by Mr H. E. Bolte, the Premier of Victoria.

Darlington Forge has operated at a reduced level and is unlikely to be employed to full capacity until there is a much greater demand for forging and castings from the shipbuilding industry. A shortage of skilled labour has restricted opportunities for obtaining orders for its traditional products from other industries.

Throughout the world, few orders have been placed for new railway rolling stock and in consequence the production of wheels and axles by Taylor Brothers at Trafford Park, Manchester, has been very much below capacity. For

## COMPANY MEETING REPORTS

similar reasons, the new plant erected by Canadian Steel Wheel Limited is operating at a rate below the planned level of production and the wholly-owned subsidiary, Steel Wheel and Axle South Africa (Pty.) Limited, is similarly handicapped.

Firth-Vickers Limited, with its subsidiary, Shepcote Lane Rolling Mills Limited (in which it has a two-thirds interest), had a very successful year, in which orders for its products at home and overseas could not wholly be met. The usage of stainless steel continues to expand, and is spread through a large range of industries. Additional plant to increase output has been authorised during the year and is expected to be in full production early in 1962.

The English Steel Corporation's scheme for providing a new melting and rolling mill plant at Tinsley Park, Sheffield, at an estimated cost of £26,000,000 has been approved by the appropriate authorities. With working capital, a total sum of £30,000,000 will be required and arrangements have been made for short and medium term finance. Site preparation began in November, 1960, and the scheme is planned to be completed by the end of 1962.

Capital expenditure incurred by the E.S.C. Group during the year amounted to £2,228,000 and was largely devoted to improving the efficiency of existing plants.

So far, in 1961, production is being maintained and, on present prospects, this should continue.

There is natural concern as to the future effect of the increases in costs of coal, electricity, gas and transport, as well as the incidence of the new Rating Bill. Every effort must be made to counteract the adverse effect of these increases, which can otherwise affect the competitive power of the industry.

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

Mr R. A. O'Connor, TD, MA, Barrister-at-Law, Mr J. H. Bromfield and Mr P. J. D. Toosey, CBE, DSO, TD, JP, were re-elected to the Board and the remuneration of the auditors, Messrs Cooper Brothers & Co., having been fixed, the proceedings terminated.

## THE ECONOMIST JUNE 3, 1961

## MECCA LTD.

## Joint Chairmen:

C. L. HEIMANN ALAN B. FAIRLEY

## Joint Managing Directors:

WALTER J. PICKARD, O.B.E. J. S. CRICHTON

## DIRECTORS:

ERIC D. MORLEY JACK BINKS  
L. AMBRIDGE E. H. BENWELL  
T. A. S. HARPAM O. GRANT CRICHTON  
J. H. SENIOR, F.C.A.

## Secretary and Registered Office:

G. J. R. PANNETT, B.Sc. (Econ.), B.Com., F.C.I.S.,  
76, Southwark Street, S.E.1

## Extract from Accounts to 31st December, 1960

|                                                                           | 1959      | 1960      |
|---------------------------------------------------------------------------|-----------|-----------|
| Trading Profit                                                            | 715,068   | 817,987   |
| Tax Provision                                                             | 282,924   | 349,958   |
| Profit after Tax and Minority Interests                                   | 328,333   | 366,533   |
| Paid in Dividends (less Tax)                                              | 232,151   | 279,683   |
| Retained                                                                  | 96,182    | 86,850    |
| Dividends paid gross on Ordinary and "A" Ordinary Shares                  | 25%       | 20%       |
| (1960 Dividend paid on increased Capital including £735,684 Rights Issue) |           |           |
| Fixed Assets                                                              | 5,294,853 | 6,146,340 |

## Salient points from Joint Chairmen's Review

## Annual General Meeting 6th June, 1961

New Premises opened last year include Norwood Rooms Banqueting Suite, Norwich, and Dance Halls in Birmingham and Coventry. In January, 1961, Hammersmith Palais was acquired by an exchange of shares. This year new Dance Halls are being opened at Basildon, Bradford, Stevenage and Hull and a Banqueting Suite at Newcastle, and new Dance Halls are being started at Burnley, Portsmouth, Hanley, and the Empire, Leicester Square.

The first Quarter's Profit of 1961 shows a consistently favourable increase compared with the same period for last year, and we are very pleased with the Trading Results of the Hammersmith Palais and all our recent acquisitions.

We have started Bingo as a means of recreation, in many of our Dance Halls, at times when these Halls were not in full use, but this does not affect our Policy of Mecca Dancing which has proved so highly successful for so many years.

## CAPITAL:

Authorised: £3,000,000

Issued: £2,495,606

5% £1 First Cumulative Preference £145,000

5% £1 Second Cumulative Preference £138,302

5/- Ordinary Shares £350,000

5/- "A" Ordinary Shares £1,862,304

Quoted London

"A" Ordinary Share price at 30th May, 1961: 34s. 9d.

High, Low quotation, 1961: 38s./24s. 3d.

## THE ECONOMIST JUNE 3, 1961

## COMPANY MEETING REPORTS

## PRESSED STEEL COMPANY

## MOTOR CAR BODY DIVISION IMPROVES

## AFTER RECESSION

## IMPORTANCE OF MAINTAINING

## VOLUME OF OUTPUT

## PROGRESS OF EXPANSION PROGRAMME

## MR ALEX. ABEL SMITH'S CONFIDENCE

The 34th annual general meeting of the Pressed Steel Company, Ltd., was held on May 30th in the Queen's Room, Baltic Exchange Chambers, 14/20, St Mary Axe, London, E.C., Mr ALEX. ABEL SMITH, T.D., J.P., presiding.

The Secretary (Mr J. S. Kean, C.A.) read the notice convening the meeting and Mr G. Richards, representing the auditors, Messrs. Price, Waterhouse & Co., read the report of his firm.

## PROFIT AND APPROPRIATIONS

Ladies and Gentlemen, The accounts for the year show a profit, after charging debenture interest, depreciation and all taxes, of £1,872,527.

Provision for taxation after investment allowances of £1,280,000 on capital expenditure incurred and after charging £175,000 for tax equalisation amounted to £1,052,534.

From the profit of £1,872,527 there must be deducted the amount of the regular dividends on the two classes of Preference Shares and the interim dividend of 9 per cent paid last November on the Ordinary Shares, which together, less Income Tax, total £386,844. This leaves £1,485,683 to be added to the balance of £2,189,728 carried forward from 1959 and gives a figure of £3,675,411 to be considered.

Your Board recommends a transfer to General Reserve of £500,000 and the payment of a final dividend on the Ordinary Shares of 21 per cent, less Income Tax, which absorbs £809,897. This leaves £2,365,514 to be carried forward on profit and loss account.

## BALANCE SHEET

You will note the large increase of £6,122,047 in fixed assets; this is accounted for by further extensions to our factories at Swindon and Linwood and by new plant, machinery and equipment.

You will note also on the assets side of the Balance Sheet the increase of £676,886 in the item "Interests in Subsidiaries." This increase arises mainly from the formation of our new subsidiary, British Executive & General Aviation Ltd. (BEAGLE) to which I refer below.

The increase of £80,000 in trade investments arises from the subscription of 80,000 shares of £1 each in Prestcold Finance Ltd., to which Company I also refer below.

On the liabilities side, the increase of £1,933,354 in 7,733,416 issued Ordinary Shares of 5s. each is accounted for by the rights issue last May of 7,151,013 Ordinary Shares, by the issue of 264,019 shares as part consideration for the purchase of the share capital of Auster Aircraft Ltd., subsequently transferred to BEAGLE, and by the issue of 318,384 shares as the result of the conversion during the year of £241,200 5½ per cent Convertible Debenture Stock, by

which latter amount you will note the Long Term Liabilities have decreased. The increase of £9,272,744 in Capital Reserves represents mainly the premiums realised in connection with these issues of shares and credited to Share Premium Account.

Revenue Reserves and Amounts set aside for Future Taxation now include a sum of £550,000 for tax equalisation.

Outstanding commitments for Capital Expenditure at the end of the year amounted to £10,650,000, since when the figure has risen to approximately £12 million. These commitments arise largely from the developments at Swindon and Linwood, of which you are already aware and to which I make further reference below.

## THE PAST YEAR

*Motor Car Body Division.*—During the first half of the year our body business was at record levels and profits were very satisfactory. Signs of hesitation appeared in July, but business improved again in August and September, although there was not the same buoyancy as there had been earlier. In October business started to fall away sharply, necessitating short-time working, and the decline continued to the end of the year. Only our tool-making facilities remained fully employed, this work being of a long-term nature.

Steady progress was made with the expansion programme which was announced last year, with the exception of one project, namely the plan to erect a new factory at Jarrow for the manufacture of press tools. Unfortunately, despite prolonged negotiations with the Unions concerned we were unable to come to a satisfactory understanding along the lines of the agreements previously reached with the Unions both in Scotland and in South Wales; therefore we had no alternative but to abandon the project.

In the course of the year the first bodies were shipped from the Linwood plant but the decline in business prevented the build-up of production to the levels that we had hoped to attain.

*Railway Carriage and Wagon Division.*—As I forecast in my speech last year, new orders placed by the British Transport Commission were on a much reduced scale. As a result, the Division operated at below capacity throughout the year.

Two prototype Roadrailers were delivered to the British Transport Commission and I refer below to the further developments which have taken place.

*Prestcold Division.*—The hope which I expressed last year of attaining record sales of domestic refrigerators was not achieved due to three principal factors—the effect on sales of

the action taken by the Government in putting a restriction on the terms permitted for hire purchase transactions; the bad weather experienced throughout the greater part of the summer and the impact of imports of refrigerators from abroad in excess of 180,000 units. As a result, sales failed to reach the levels attained in 1959, despite an improvement in exports.

On the other hand, the commercial refrigeration side of our business continued to develop well and sales exceeded by a satisfactory margin the volume of the previous year.

The gradual build-up of production at the new Swansea factory proceeded according to plan.

Prestcold Finance Limited commenced business on March 1, 1960. The services which the Company offers were well received, both by our distributors and by our customers. I can say that a satisfactory start has been made.

*British Executive and General Aviation Limited (BEAGLE).*—The experience gained over 18 months in the operation of two executive aircraft, equipped with up-to-date aids to navigation and landing which permit flying in almost all weather conditions, left your Board in no doubt of the outstanding advantages offered by this method of executive travel. As a result, with the knowledge and approval of the Minister of Aviation and of the Society of British Aircraft Constructors, the Company announced in October the formation of BEAGLE. At the same time the announcement was made of the acquisition of the whole of the share capital of Auster Aircraft Limited. Subsequently the Company also acquired through BEAGLE the aviation interests of F. G. Miles Limited. These are two well-known companies, both with first-class reputations in the field of light aircraft.

It is our intention that BEAGLE will concentrate on the design and manufacture of a new range of executive and light aircraft for the home and export markets.

This move into aviation represents, in the opinion of your Board, a logical extension of the Company's interests into another field of transport which will enable it to apply its specialised production expertise to the manufacture of light aircraft. I would remind shareholders that during the whole of the war years, and in fact until 1957, the Company was engaged in the manufacture of aircraft sub-assemblies including the rear fuselage for the Hawker Hunter jet fighter.

## THE OUTLOOK

In the *Motor Car Body Division* business in January of this year showed no improvement from the low level reached in December; in February, however, there was a slight upturn and

this more favourable trend has continued throughout March and April, particularly during the past few weeks. As a result, we have been able to resume full time working at Cowley and at Swindon.

Our confidence in the future remains unimpaired, and our expansion programme continues to go forward as planned.

At Swindon the new 723,500 sq. ft. building incorporating a press shop and assembly floor is nearing completion. Installation of equipment has started and we expect to be in a position to begin production by the end of this year. It is my hope and belief that by that time the recovery will have progressed sufficiently far to enable us to make good use of these new production facilities.

At Linwood work will shortly be starting on another 500,000 sq. ft. building, for the production of completely painted and trimmed motor car bodies.

The overall capital expenditure involved in these projects is of the order of £14,000,000; a substantial amount of additional working capital will also be needed when production gets under way. In view of the Glasgow area being designated a Development Area, we made application to the Board of Trade Advisory Committee for financial assistance in connection with the Linwood expansion. I am glad to say that our application has been approved. This means that the finance available from this source, together with the proceeds of the Rights Issue made last year and estimated retained earnings, should cover the greater part of our existing capital requirements, leaving substantial bank overdraft and acceptance credit facilities in reserve to be drawn upon in case of need.

#### RAILWAY CARRIAGE AND WAGON DIVISION

In the *Railway Carriage and Wagon Division* output continues at much the same level as last year. While we have obtained in the face of stiff competition our share of such new orders as have become available, including one from Pakistan for goods wagons, business in hand will do no more than permit us to maintain output at about current levels.

Having regard to the large wagon and coach building capacity of the British Transport Commission itself, I see little likelihood of large orders becoming available in the foreseeable future.

There has, however, been an encouraging development in the receipt of an order from the Commission for 50 "Roadtrailers" for completion early in 1962. This indicates the successful completion of the first stage of tests and the intention to move on to the second stage, namely, running trials as complete trains and evaluation of the commercial potential.

Meanwhile the export business, as I have indicated before, continues to be extremely difficult and we must consider ourselves fortunate in having obtained the Pakistani order.

#### PRESTCOLD DIVISION

The Prestcold Division is hopeful of a rather better demand for domestic refrigerators than last year. Imports of foreign manufactured refrigerators are expected to be lower, the public having realised that a lower priced product is only a worthwhile buy if it is backed by an efficient and country-wide after-sales service organisation.

Purchase tax and credit control inevitably

#### COMPANY MEETING REPORTS

have an important effect on sales and the powers taken by the Chancellor in his recent budget increase rather than remove uncertainties; however, if, as we are given to understand, the purpose of these powers is to avoid the violent changes to which the industry has been subjected in the past, it is slightly more reassuring.

As regards commercial refrigeration, our large refrigerators, showcases and coldrooms are increasingly in demand. Last year we obtained over 20 per cent of the market and we hope to improve on this in the current year.

Satisfactory progress has been made with new lines of household appliances, some of which will be announced this year.

Within the next few months we expect to complete the move of this Division to the new Swansea factory with the transfer of the compressor production lines from our Theale factory, which will be turned over to the manufacture of motor car body components. We shall then be in a position to obtain the full benefits of this ultra-modern lay-out provided a large and steady flow of production can be maintained.

#### BEAGLE AIRCRAFT

I can report good progress with the new BEAGLE range of executive and light aircraft. These aircraft will, we hope, in due course make a major contribution to an aspect of British aviation development and production which has been neglected since the war. Our range of new aircraft, in their specialist categories, will compete with the most up-to-date machines on offer in both the civil and military fields.

The first of this range, the new BEAGLE-Auster Airfield is now in production and gives promise of being outstanding in its class. Developments of earlier Auster aircraft with improved performance are also in production to meet continuing and expanding demands for them as trainers as well as for other purposes.

A lease has been taken of Oxford Airport, which has been equipped with a modern control tower and is now operating successfully as a commercial airport.

To supplement its other activities in the field of aviation the Company is also building up a business in operating and maintaining executive aircraft for other owners.

#### POSITION SUMMARISED

To summarise, the start of our year has not been propitious. Although I do not look for a return this year to the high level of activity in the motor body division experienced in the first half of 1960, I am hopeful that business will continue to improve and permit a more profitable level of operations for the remainder of the year than we have experienced in the first four months.

I am also hopeful that the Prestcold Division which, in addition to disappointing sales of domestic refrigerators, has had to carry the expense of moving to a new factory and of training new labour, will have a better year.

It will of course be some time before BEAGLE can be expected to make a contribution to the Company's earnings.

In considering the outlook it must be recognised that as our various production facilities expand, increased overheads have to be carried which, to be economic, call for the maintenance of a high level of overall activity. Results for the current year will be dependent largely on

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the volume of output that we are able to maintain between now and the year end.

Looking further ahead, I repeat that we have every confidence in the future. The timing of the introduction of new production facilities inevitably involves a nicety of judgment. I am hopeful that, provided nothing unforeseen upsets our forward thinking, the timing of our expansion programme may prove to have been reasonably accurate.

#### BOARD CHANGES

During the year Mr Peter G. Masfield and Mr R. N. Davies joined the Board. Mr Masfield brings with him many years' experience of aircraft design and operation. He will devote his time chiefly to our aviation interests. Mr R. N. Davies has been associated with the Company for thirty-four years and has been appointed Director in charge of Group production.

Mr S. C. E. Lewis has been appointed a Local Director and Mr S. A. J. Frampton and Mr A. H. Pether, Divisional Directors.

At the year end, Mr W. E. Lambourn, who had reached the retiring age for executives, retired from the Board and left the Company's employ after thirty-four years' service.

It is with great regret that I have to report the sudden death on April 19th last of Mr E. G. Rowledge, a Local Director, who had completed twenty-seven years' service with the Company.

I would like to pay tribute to the valuable contribution made by these two Directors during their many years of service.

#### TRIBUTE TO EMPLOYEES

I should like on your behalf to thank all those who work for the Company for their contribution during the year, which was a difficult one, ranging as it did from a very high volume of production to short-time working.

The report and accounts were unanimously adopted: the proposed dividend was approved; and the retiring directors, Mr Henry F. Tarks and The Rt. Hon. Lord Ashburton, DL, JP, who retired by rotation, and Mr P. G. Masfield, MA, FRAeS, and Mr R. N. Davies, who had been appointed during the year, were re-elected.

*Copy for the insertion of Company Meeting reports must reach this office not later than Wednesday of each week and should be addressed to:*

*The Company Meetings*

*Department,*

*The Economist,*

*22, Ryder Street, S.W.1.*

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#### COMPANY MEETING REPORTS

## HARLAND AND WOLFF, LIMITED

### SEVERE COMPETITIVE CONDITIONS

### RECORD VOLUME OF TONNAGE LAUNCHED

### MR J. S. BAILLIE ON EFFORTS TO REDUCE COSTS AND IMPROVE EFFICIENCY

The seventy-sixth Annual General Meeting of Harland and Wolff, Limited was held on May 25, 1961, at the Registered Office of the Company, Queen's Island, Belfast. Mr J. S. Baillie, Deputy Chairman, presided.

At the outset Mr Baillie announced an apology from the Chairman and Managing Director, Sir Frederick Rebbeck, who was unable to be present owing to indisposition. He was, however, pleased to say that Sir Frederick was making excellent progress and hoped to resume shortly.

The Secretary read the Notice convening the meeting and the Report of the Auditors.

Mr Baillie said:

As the Report of the Directors and Statement of Accounts for the year ended December 31, 1960, have been in your hands for some time, I propose with your permission to take them as read. (Agreed.)

As you will see from the figures before you after providing £743,982 for depreciation of Fixed Assets and £150,250 for specific Contingencies, the Profit on Trading at £371,515 is substantially lower than the corresponding figure for the previous year, due to the necessity of making adequate provision for anticipated losses relating to work carried out during the year under review on contracts which were in progress at December 31, 1960.

Shipbuilding, ship repairing and marine engineering form the major part of our activities, and in a situation where the world's shipbuilding capacity is now much in excess of foreseeable demand for some time ahead, competition is bound to be severe, and many contracts are being placed at unremunerative prices. While this state of affairs continues it is difficult to hold out an early prospect of a substantial recovery in the profits available for distribution, whatever the long-term prospects may be. Although the end of this depression is not yet in sight we have faith in the future and are continuing to use every endeavour to reduce costs and improve the efficiency of our undertakings, with the acquisition of modern machinery and the adoption of new techniques. Work on the reorganisation and improvement of a number of the larger slipways in our Belfast Shipyard, to which the Chairman referred at our Annual Meeting last year, continues. The first phase of this project will be completed and fully in operation by mid-1962. Plans for the second phase have now reached an advanced stage. As the Chairman pointed out last year, it was not possible to commence this work earlier as our heavy shipbuilding programme necessitated the uninterrupted use of these particular slipways.

#### OUTPUT

The year's output in terms of tonnage launched was the largest ever recorded by the Company. Thirteen merchant vessels and a number of small craft totalling in all 229,173 gross tons were launched from the Company's Shipbuild-

ing Yards. The 45,000 ton passenger liner *Canberra* for The Peninsular and Oriental Steam Navigation Company was handed over to her owners last week, after the completion of very satisfactory trials, and she is now preparing for her maiden voyage from Southampton on June 2nd. This remarkable vessel has captured the public imagination and each stage of her construction has been followed with great interest. I am sure you would wish me, on the eve of her departure, to send our good wishes to *Canberra* for many years of successful and profitable life in the service of her owners. If I may repeat the words of Sir Donald Anderson, the Chairman of the P & O Company, *Canberra* is a "ship full of original ideas and new techniques and few who have not been involved can imagine how much work goes into the building of ships of this type."

The remainder of the year's varied output of vessels launched comprised the 20,000 ton passenger and cargo liner *Arlansa* for Royal Mail Lines Limited, and cargo liners, bulk carriers and tankers for British and foreign owners. *Arlansa* and her sister ship *Aragón*, launched the previous year, were completed and joined the third of this notable trio, *Amazon*, on South American service.

#### BUILDING PROGRAMME

I am glad to report that the Company's building programme at Belfast includes a number of naval contracts. Throughout the year work proceeded steadily on the Light Fleet Carrier *Vikrant*, for the Indian Navy, which has since been completed and formally commissioned and renamed by Her Excellency The High Commissioner for India, Mrs Vijaya Lakshmi Pandit. The Frigate *Berwick* for Her Majesty's Navy will be commissioned next week while work is proceeding on a *Leander* Class Frigate and the Guided Missile Destroyer *Kent*.

Although we still have in hand or on order at our Shipyards both in Belfast and Glasgow a number of vessels which will keep us fairly well employed throughout 1961, the departure of *Canberra* from Belfast has inevitably resulted in a falling off in demand for the finishing trades. The volume of the redundancy has been accentuated by the absence from our programme for the first time in many years of passenger liner contracts. In spite of the decrease in our shipbuilding activities I would emphasize the fact that our current commitments necessitate the employment of some 27,000 men throughout our organisation.

In common with five other leading British shipbuilding firms, your Company has been invited to tender for the construction of the new 75,000 ton passenger liner for the Cunard Steamship Company Limited, and we are at present engaged in preparing our tender for this important project. We have had unique experience in the design and construction of passenger-carrying vessels of the largest dimensions and our Belfast establishment, as every-

one knows, is fully capable of undertaking a contract of this magnitude.

#### DIVISIONAL ACTIVITIES

The Marine Engineering Division was fully employed during the year and, apart from its output of main and auxiliary machinery installations for vessels under construction in the Company's shipyards, we have undertaken, as in previous years, the contracts for a number of important main machinery installations for vessels building in the yards of other shipbuilders. The impact on the Division of the overall reduction in shipbuilding activity will be partially offset for some time by this additional work. Within recent weeks we have received an order for four main propelling diesel engine units for two vessels for Shaw Savill & Albion Company Limited. The sustained and expanding popularity of marine diesel engines of the B. & W. type is a source of satisfaction to your Board.

I am pleased to be able to report some improvement in the volume of work handled by the Company's Repair Establishments at London, Liverpool and Southampton, but there is as yet no appreciable sign of recovery in the ship-repairing industry.

As stated in the Directors' Report, the output of the Company's Industrial Engine and Electrical Divisions continued at a satisfactory level during the year, a feature being a considerable increase in the output of H. & W.—Cooper-Bessemer gas compressors.

Despite some diminution in overall demand, our Steel Constructional Division obtained a satisfactory volume of new business during the year and the Division continues to be well employed.

#### DIRECTORATE

As recorded in the Report of the Directors, Mr H. R. Humphreys and Mr W. H. Park resigned from the Board in June, 1960, after a long association with the Company both as Directors and executive officers. I regret to record the death of Mr Park later in the year.

We are pleased to welcome to the Board Mr R. R. G. Cameron and Mr J. A. Watt, executive officers of the Company who were appointed directors in June, 1960, both of whom had already given the Company many years of valuable service.

In conclusion, I should like to take the opportunity of thanking all members of our organisation for their loyal co-operation and service throughout the year.

The Report and Accounts were adopted; the proposed dividend was approved; the retiring Directors, namely, Mr R. R. G. Cameron, Mr J. A. Watt, Mr J. S. Baillie, Mr N. McCallum and Mr R. Newell were re-elected. The remuneration of the Company Auditors, Messrs Price Waterhouse & Company was fixed.

The meeting terminated with a unanimous vote of thanks to the Chair.



# ASEA

ALLMÄNNA SVENSKA ELEKTRISKA AKTIEBOLAGET  
Sweden

## NEW RECORDS IN PRODUCTION AND SALES

### COMPETITION KEEPS MARGINS LOW ON ALL MARKETS

#### INCREASING DEMAND FOR LONG-TERM CREDITS

The following is an excerpt from the Annual Report for 1960, the Company's seventy-eighth year of business.

#### SUMMARY

Characteristic features of the activities of the Asea Group during 1960 were a high rate of orders and increased production. The turnover of the Group amounted to 1,353 Mkr. (1,222 Mkr. in 1959) and of the Parent Company to 735 Mkr. (653) (Mkr. = Million Kronor = £69,000 approximately); both these values are the highest ever achieved.

The net profit of the Parent Company amounted to 29.9 Mkr. (25) after allowing 14 Mkr. (13) for taxes, 27 Mkr. (0) for the investment fund and 15 Mkr. (15) for the Asea Pension Fund.

At the end of 1960, the Asea Group employed 30,681 persons in Sweden (28,428 the previous year) and about 2,700 elsewhere.

The Board of Directors and the Managing Director propose an unchanged dividend of 8 Kr. per share.

#### THE PARENT COMPANY

The average number of persons employed by the Parent Company was 18,511 (17,576 the previous year), of whom 8,202 were salaried staff (7,820) and 10,309 were wage-earners (9,756).

#### PRODUCTION AND INVESTMENTS

The supply of unskilled labour has been satisfactory, and the number of wage-earners has increased during the year by about 800 persons. However, as previously, there has been some shortage of skilled and specialist labour. In order to cover the more urgent requirements, skilled labour has been recruited from abroad to a limited extent.

The major part of the building work on the heavy welding and machinery workshops, in the Finnsälåten area on the northern outskirts of Västerås—the largest concrete industrial building in Sweden—was completed during the year, and work is now going on to finish the interior.

A new chemistry and physics laboratory is now in use at Västerås. A laboratory has been built at Vällingby on the outskirts of Stockholm for research in the increasingly important field of semi-conductors.

#### MARKET CONDITIONS

In 1960, orders increased in all branches of activity, and the value of these orders was the highest ever recorded. However, a characteristic feature of the year was a high rate of production combined with reduced sales margins. A number of Asea's foreign competitors still appear to have a surplus of productive capacity. The competition for almost every major item sold both in Sweden and abroad was very keen. As far as com-

petition on the export market is concerned, the often considerably higher rates of Customs duty and a sentimental preference for domestic products have caused Asea some difficulties. Another disturbing tendency as far as export sales are concerned is that more and more major purchases are coupled with demands for long-term credits.

As a result of the reduction in pace in the building of Swedish hydro-electric stations, the demands for heavy power-station equipment remained low on the Swedish market.

The high rate of investment activities in Swedish industry was reflected in a still greater increase in orders from practically speaking all branches of industry.

On the export market, the Company's efforts to obtain orders for large generators, transformers and high-voltage switchgear have been successful, and new markets have been captured. A most satisfactory development is that, in keen competition with American and European manufacturers, the first orders from the U.S.A. for large generators and transformers have been secured during the year.

The overseas demand for industrial equipment, which doubled during 1959, continued to rise, and this also applied to the sales of standard products. In all, export orders amounted to 28 per cent (25 per cent the previous year) and export deliveries 27 per cent of the total orders and deliveries of the Parent Company.

#### TECHNICAL DEVELOPMENTS

A characteristic feature of the work of development and design has been the employment of measures to achieve more effective utilisation of all materials, from the mechanical, thermal and electrical points of view. A thorough standardisation of material, design elements and components is also continuing.

An entirely newly designed series of transformers for use in rural networks is in full production.

A lightning arrester with magnetic blow-out has been developed for high-voltage networks. Contraction-type, oil-minimum circuit-breakers have been developed and improved in the High-power Laboratory at Ludvika until they now have higher breaking capacity than was previously thought possible, for example, 3.5 million kVA at a service voltage of 145,000 volts.

New geared motors, including a series of bevel-helical geared motors, have been designed and put on the market. Other new products on the market are travelling deck cranes running on tracks and mine hoists with friction pulleys of welded shell design and hydraulic disc brakes.

#### ORDERS AND DELIVERIES

Orders have been received from the U.S.A.

for two generators, each rated at 40,000 kVA, and for one 62,500 kVA, and two 58,000 kVA, generators for customers in Norway. Two synchronous condensers, each rated at 75,000 kVA, have been sold to customers in Australia and two, each rated at 60,000 kVA, to customers in New Zealand.

For the final stage of electrification of the Oslo-Bergen line, the Norwegian State Railways have ordered seven 5,800 kVA mobile converters and equipment for three converter stations. The appropriate transformers are being manufactured by an Asea Group company, A/S Per Kure, Oslo.

The Swedish State Power Board has ordered a 350,000 kVA transformer which is auto-connected between 400,000 V and 140,000 V and which has the record transport weight of 225 tons, as well as a shunt reactor rated at 150,000 kVA at 220,000 V.

Overseas orders include twelve transformers with a total rating of 840,000 kVA for the Corps of Army Engineers in the U.S.A., and several large units for Thailand and South Africa.

Sales of high-voltage circuit-breakers have been brisk. Orders have been received for a considerable number of circuit-breakers rated between 132,000 and 420,000 V for Australia, Canada, India and Eastern Germany.

The Swedish State Power Board has taken into service a three-phase transformer bank with a rating of 1 million kVA at 400,000 V, and, as far as is known, this is the largest transformer bank in the world.

The Industrial-plant Department has received important orders for electrical equipment for rolling mills. Most of these are for the steel and non-ferrous-metal industries in Sweden, Belgium and the U.S.A. In rolling mills, pressductors have been installed to measure roll pressure and strip tension, which latter is a new sphere of use for the pressductor. Rolling-mill pressductors have been sold to customers in Sweden, Britain, France, Germany and, above all, the U.S.A.

Large arc furnaces have been ordered by Swedish customers. Asea has received its first Australian order for a large arc furnace. Induction stirrers for arc furnaces have been sold in Sweden, Japan, Italy, Czechoslovakia and Germany.

Two high-frequency vacuum furnaces have been sold in Great Britain; they are of a type similar to that previously supplied to customers in the U.S.A. for the manufacture of special high-quality steel.

A considerable number of large complete mine hoists has been sold. Amongst these, mention can be made of six hoists for South Africa, of which the largest are for a net load of 11 tons, and have a hoisting speed of 15 m/s and a hoisting depth of 1,300 m. Also of interest are two mine hoists for the

extension of the central shaft at Kiruna and hoists for customers in South Korea and the Philippines.

Large orders have been received for electrical equipment for paper and cellulose mills, including the electrical equipment for a newsprint machine for a wire width of 7,100 mm. built in accordance with the sectional-drive principle for a maximum speed of 900 m/min., the highest so far in Sweden.

As far as the printing industry is concerned, orders have been received from companies in Sweden, Britain and France. In particular, mention can be made of electrical equipment for a Swedish newspaper which is installing presses which have an individual printing capacity of 70,000 copies per hour and are among the most rapid in the world. The motors for these presses are fed via transducer-controlled, semi-conductor rectifiers. The latter replace d.c. generators and are characterised by high efficiency, compactness and simplicity of installation.

Sales of deck machinery have increased. The first ships' winches of a new worm-gear type, and provided with a.c. multi-speed motors, have been sold to a Swedish shipping line. A new type of hydraulic steering gear has been put on to the market.

The sales of sugar centrifugals have been extended to the Argentine and Mauritius. Important orders have also been received from old customers in other parts of the world.

The Swedish State Railways have ordered 100 traction motors, each rated at 1,500 h.p., the largest traction motors which, as far as is known, have ever been designed for a frequency of 16 $\frac{2}{3}$  c/s.

Deliveries to the Swedish State Railways include seven ore locomotives, of which three have a tractive effort of 80 tons and are among the most powerful locomotives in the world, six three-coach, light-weight train sets and a trial delivery of two three-coach sets for Stockholm suburban traffic. Further, in collaboration with AB Svenska Järnvägs-verkstäderna, 27 coaches have been supplied to the Stockholm Underground Railway.

The demand for standard products has increased considerably both in Sweden and abroad.

Sales of insulating material and fibre-glass products have markedly continued to rise.

#### NUCLEAR POWER

The manufacture of the equipment for the Ägesta reactor (R3/Adam) is proceeding, both in Asea's own workshops and those of the sub-contractors and the suppliers of components.

The main design and the cost calculations for the reactor at Marviken (R4/Eva) are to be completed by the middle of 1961 now that certain guiding principles on the design have been determined during the past year. The preparatory investigations are being carried out jointly by Asea and Nydqvist & Holm AB on the instructions of the Swedish State Power Board and AB Atomenergi.

A detailed tender has been worked out by AB Reaktorteknik, which is owned jointly by Asea and Nydqvist & Holm AB, in collaboration with General Electric Co. for a boiling-water reactor with an electrical output of 50 MW and submitted to a Swedish consortium.

A research reactor, R2-0, has been supplied

to AB Atomenergi at Studsvik. It was possible to keep within the very short delivery time of twelve months and the reactor became critical on June 20, 1960.

#### ACTIVITIES OF THE MAJOR AFFILIATED COMPANIES

##### SURAHAMMARS BRUKS AB

(Steelworks)

Ore was mined in the company's own mines on a larger scale than in the previous year. The manufacture of pig iron and chills at Spännarhyttan has increased.

Production has increased at the steelworks at Surahammar.

An installation for the vacuum casting of steel was taken into use at the end of the year.

##### AB ELEKTROHELIOS

(Domestic appliances, industrial heaters, etc.)

The activities of the company during 1960 developed satisfactorily.

Sales of combined sink-and-cooker units developed according to plan.

The demand for the company's table-top hot plates and cookers, and small domestic equipment—irons, toasters, etc.—has increased.

The combined refrigerator and chilled larder which was introduced the previous year is now selling well and the demand is good.

The demand for refrigerators and freezers continued to increase. In order to meet this, production has been organised in two shifts.

The demand for the company's industrial kitchen equipment and other industrial equipment continued to increase both in Sweden and on the export market.

The activities of the company's four foreign subsidiaries developed according to plan. Exports increased considerably. The German and Norwegian companies started their activities in April while the Dutch and British companies were in operation during the entire year.

The company's fifth foreign subsidiary—the Danish one—started its activities on January 1, 1961.

##### AB LILJEHOLMENS KABELFABRIK

(Cables, capacitors, etc.)

The transition to plastic as an insulating material and cable sheathing continues, but the production of rubber-insulated and paper-insulated cable has also increased. The increase in orders is greatest in the case of high-voltage, paper-insulated cables.

Yet another world record in capacitor manufacture has been achieved in that a 400 kV series-capacitor rated at 185,000 kVA has been taken into use at Vittersjö. As during previous years, the greater part of the capacitor production has been exported.

##### HISS AB ASEA-GRAHAM (formerly Graham Brothers AB)

(Lifts, escalators, special lighting equipment)

Among major orders, mention can be made of four high-speed lifts for the fifth skyscraper to be built in Stockholm, lift equipment and airfield lighting in the building of the Arlanda airfield, transistor converters for lighting purposes in passenger coaches on the Swedish State Railways, lighting-control equipment for the Royal Dramatic Theatre in Stockholm, and equipment for airfield lighting in Mozambique.

By virtue of an agreement with Asea, the company took over the lift manufacturing activities of Asea at the end of the year.

##### AB ASEA SVETSMASKINER (Aseaweld)

(Electric welding equipment, electrodes)

During the year, sales of the company's products increased considerably.

The orders received include, amongst other things, a butt seam welding set, five sets of equipment for the manufacture of heavy chain, eleven automatic flash-welding machines for welding steam-boiler tubes, several projection welding machines for welding heat-exchangers, two large flash-welding machines for a maximum welding area of 16,000 mm<sup>2</sup>, and a similar one for a maximum welding area of 25,000 mm<sup>2</sup>, and two large pneumatically operated spot-welding machines and three seam-welding machines for joining wide strips for continuous annealing.

A new high-yield electrode of rutile type, Z18P, has been much in demand. Several types of electrode for use in the nuclear-power industry have been developed and put on to the market. Multi-operator rectifiers of germanium type rated at 2,000 A have been designed and delivered.

##### AFFILIATED COMPANIES OUTSIDE SWEDEN

During 1960, sales by these companies showed a considerable increase both as far as products from Sweden, and products manufactured at the companies in question, were concerned.

The factory installations in Oslo (transformers, electric furnaces, electric stoves and ranges), São Paulo (transformers), and Melbourne (motors, transformers) are being extended.

Preparations have been made to set up new subsidiary companies in Mexico, Colombia, Uruguay, Argentina and Portugal and for a factory for the manufacture of motors in Mexico.

#### CONDENSED STATEMENT OF CONSOLIDATED ACCOUNTS FOR 1960

|                                                                                                                                        |             |
|----------------------------------------------------------------------------------------------------------------------------------------|-------------|
| Net assets:—                                                                                                                           |             |
| Cash (including £3,012,000 on blocked account in Bank of Sweden)                                                                       | £15,426,000 |
| Securities                                                                                                                             | 589,000     |
| Debtors                                                                                                                                | 20,824,000  |
| Inventories                                                                                                                            | 23,991,000  |
| (In the case of Group companies in Sweden, these are generally valued at 40 per cent of cost or market value, whichever is the lower). |             |
| Less: Current liabilities                                                                                                              | £60,830,000 |
|                                                                                                                                        | 36,676,000  |
| Net Current Assets                                                                                                                     | £24,154,000 |
| Trade Investments and Loans                                                                                                            | 4,821,000   |
| Fixed Assets                                                                                                                           | 37,724,000  |
|                                                                                                                                        | £66,699,000 |
| Financed from:—                                                                                                                        |             |
| Share Capital                                                                                                                          | £20,948,000 |
| Statutory and Capital Reserves                                                                                                         | 11,975,000  |
| Debentures and Mortgages                                                                                                               | 11,883,000  |
| Long-term liabilities                                                                                                                  | 7,860,000   |
| Revenue Reserves, and Profits undistributed at December 31, 1960                                                                       | 12,143,000  |
| Minority Shareholders' Interests                                                                                                       | 1,870,000   |
|                                                                                                                                        | £66,699,000 |
| Group Turnover, 1960                                                                                                                   | £93,310,000 |
| Net Profit before tax                                                                                                                  | £5,405,000  |
| Net Profit after tax                                                                                                                   | £2,849,000  |
| Proposed dividend for Asea for year to December 31, 1960, is 8 per cent, and requires £1,676,000.                                      |             |

# GALLAHER LIMITED

(Incorporated in Northern Ireland)

## EXPECTATION OF GOOD RESULTS REALISED

RECORD NET PROFIT EXCEEDS £5,800,000

## INCREASE OF CAPITAL APPROVED

## MR CECIL W. MASON ON THE OUTLOOK

The sixty-fifth Annual Ordinary General Meeting of Gallaher Ltd. was held on May 31st at Granite House, Cannon Street, London, E.C., Mr Cecil W. Mason, Chairman, 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 ended December 31, 1960:

In his Statement last year Sir Edward de Stein said that, despite several unsatisfactory factors, your Directors remained confident in the future of your Company and hoped to be able to show as good, if not better, results for 1960.

I am, therefore, glad to be able to say in my first Statement as Chairman that the results have justified his remarks. My colleagues and I appreciate the lively interest Sir Edward, who is now our President, continues to take in all the Company's activities.

### TRADING RESULTS

The Group profits, before tax, for the year 1960 at £11,743,277 show an increase of £2,225,600 over 1959. The charge for taxation of £5,908,977 shows a substantial increase in relation to profits as the 12½ per cent Profits Tax rate applied to nine months of the 1960 profits whereas the 10 per cent rate applied for the complete year 1959.

In the 1961 Budget the rate of Profits Tax payable on profits earned after April 1, 1961, has been increased from 12½ per cent to 15 per cent. Based on the 1960 profits an increase of 2½ per cent in the Profits Tax rate would have cost the Group approximately £300,000.

The Group net profit after tax for 1960 is a record at £5,834,300. The Directors have transferred to General Reserve Account the sum of £2,500,000, which increases the balance on the Group's General Reserve to £10,000,000. An interim dividend of 5 per cent, less tax, was paid in 1960 on Ordinary Capital of £24,062,500; the Directors recommend a final dividend of 15 per cent, less tax, on the increased Ordinary Capital of £24,300,000.

After the appropriation to Reserve referred to and after making provision for dividends and appropriating £100,000 for pensions, the carry forward in the Consolidated Profit and Loss Account is £3,954,044, compared with £3,887,714 brought forward from 1959.

As a result of the increase in tobacco duty imposed in the April, 1960 Budget the Group has made an exceptional profit after all relevant taxation of £491,568, which has been carried to the credit of Reserve for Contingencies. The exceptional profit is, in fact, only about one quarter of the £2,000,000 required to finance the values, as increased by the 1960 Budget, of Duty Paid Stocks and Debtors.

### CURRENT ASSETS

Total current assets in the Consolidated Balance Sheet amount to £97,692,128, an increase of £12,755,035 over the 1959 figure. The largest single item contributing to this increase is stocks of leaf tobacco. It has been necessary to increase our stocks of tobacco to preserve durations in relation to the increased turnover.

Stocks of work-in-progress and of finished goods at the end of 1960 are substantially greater than in 1959. This has been brought about both by the expansion of the Group's turnover and the higher value of stocks caused by the increase in tobacco duty in the 1960 Budget.

The increase in Debtors is due to two factors: namely, the increase in the volume of the Group's sales and the higher prices arising from the increased rates of tobacco duty.

### FINANCE

During 1960 the issued Ordinary Capital of the Company was increased from £20,625,000 to £24,300,000 by two separate issues. First, the Ordinary Stockholders were offered one new 10s. 0d. Share at a price of 30s. 0d. for each £3 of Ordinary Stock held. The gross proceeds of this issue amounted to £10,312,500.

Secondly, the Directors wished to give to employees an opportunity of taking a financial interest in the Company, and the balance of Authorised Capital which remained after the rights issue referred to above, namely £237,500, was offered at 20s. 0d. per 10s. 0d. Ordinary Share to employees, with the restriction that those who received allotments could not sell their Shares for a minimum period of three years. I am pleased to say that this offer was over-subscribed and that about 1,700 of the Group's employees applied for and were allotted Shares.

As a result of these issues, the issued Ordinary Capital was increased by £3,675,000 and the sum of £6,894,623 was credited to Share Premium Account, being the gross premium on the Shares issued less the expenses of the issues.

The net proceeds of the Share issues during the year together with the retained profits have enabled us to finance the higher value of fixed and current assets, and, in addition, to reduce our borrowings on Bank overdrafts and Bills negotiated by about £2,300,000.

All of the Company's capital is now issued and fully paid. Your Directors have arranged for an Extraordinary General Meeting to be held for the purpose of increasing the Authorised Capital from £30,000,000 to £40,000,000 by the creation of 10,000,000 Unclassified Shares of £1 each.

There is no present intention of issuing any of the new Shares, but your Directors consider it is advisable that they should be in the position to issue new Shares if the need should arise.

### LEAF SUPPLIES

During 1960 we were able to improve our

stock position and bought more than twelve months' replacement of leaf tobacco. This was, of course, rendered necessary by the increase in the Group's sales and the need to maintain the duration of our stocks in relation to usage. The overall cost of our purchases again rose and this increased cost is being reflected in current costs of manufacture. The constant increase in leaf prices in all markets continues to be a disturbing factor.

The 1960 USA crop was particularly suitable to American manufacturers but, nevertheless, we were able to purchase our requirements.

The 1960 Southern Rhodesian crop was a record, but owing mainly to drought the quality did not come up to our expectations. The auction of the 1961 Rhodesian crop commenced in the middle of March and present indications are that there will be another record, and we have hopes that the quality will be more suitable for UK requirements.

The 1961 Canadian auctions were completed in March and the crop was only of average quality. We were unable to buy our full requirements owing to a shortage of some of our grades and our overall purchase price was fractionally above last year. Prior to the present auction system which started three years ago, the Canadian tobacco-growing industry had the highest reputation for grading and handling their tobacco. Since then there has been a deterioration and this year the standard left a great deal to be desired. I sincerely trust that in the industry's own interest there will be a marked improvement next season.

### SALES

During 1960 the Group's turnover again increased to a record figure of £320,000,000 compared with £278,000,000 in 1959. In part this is due to the higher prices charged for all our products as a result of the increase in tobacco duty rates imposed in the 1960 Budget, but it is mainly accounted for by our increased sales, which include 10 months' sales of our new tipped brand "Nelson."

Throughout 1960 competition was more intense than ever before in all classes of cigarettes, with many new brands and styles of packing being introduced and heavily advertised.

Nevertheless, our main cigarette brands continued to increase their share in their respective markets, and "Nelson" tipped, which we introduced in March, 1960, has been an outstanding success in this highly competitive market.

Despite the fact that the overall pipe tobacco trade is no longer an expanding one, due partly to a change in smoking habits and partly to cost, your Company has retained its share of this trade and its main brands have shown a modest increase in sales.

Cigar smoking continues to increase in popularity and there has been some expansion in our cigar business.

### GENERAL MATTERS

In last year's Statement we informed you of the steps which were being taken to increase our manufacturing capacity. The extension to our factory premises at Lisnafillan in Northern Ireland has been completed and is now in full production. The new factory in the Manchester area commenced production in September, 1960.

These additions to our manufacturing capacity have enabled us to take some of the strain off other factories where there has been a considerable amount of overtime and double-shift working.

The new cigar factory in Cardiff for J. R. Freeman & Son Limited is nearing completion and production should commence in four or five months' time.

### SOUTHERN RHODESIA

At the commencement of the 1961 buying season our Salisbury building and re-equipment programme was completed. This has included considerable additions to our packing factory, plant and machinery, new administrative offices and modern welfare facilities, and has been greatly appreciated by our European and African employees. Our thanks are due to the local management and all concerned for the highly efficient organisation, of which we are justly proud. Your Deputy Chairman has recently returned from Salisbury and is full of praise for what has been accomplished.

Rhodesian tobacco is now a considerable factor in our overall leaf purchases and we have encouraged and will continue to encourage this important industry. It is very desirable that every effort is made by the growers to continue to improve the standard of their crops, which is in their best interests and most important to us as manufacturers.

### ENGINEERING SUBSIDIARY

I am pleased to be able to report that our engineering subsidiary has had a satisfactory year and has increased its profits. Great credit is due to all concerned in the management of this subsidiary.

### OUTLOOK

Our sales for the first three months of this year have shown a satisfactory increase over the corresponding period of 1960, in spite of there being a tendency for consumption to level out as a result of last year's Budget increase. We attribute this increase in our sales to the quality of our products.

Your Directors are very much alive to the present intense competition and have plans to strengthen further your Company's position by the introduction from time to time of brands in categories in which we are not fully represented.

During the year the working week in our factories was reduced from 44 to 42 hours without loss of wages, and, in addition, basic wage rates were increased. This increase in wages costs and the higher prices of leaf tobacco to which I have already referred, combined with the intense competition, must have their effect on our profit margins.

In the 1961 Budget the Chancellor of the Exchequer is seeking powers to enable him by

Order to impose a surcharge or allow a rebate, not exceeding 10 per cent of the duty otherwise due, in respect of goods including tobacco, and also to impose a Payroll Tax.

We hope to be able to present satisfactory results for the current year, but this must be coloured by the uncertainty as to whether and when these powers will be used.

### DIRECTORS AND EMPLOYEES

Mr R. G. Knight, who has completed 35 years' service and has been Chief Accountant of the Company for the past 15 years, will be retiring at the end of May this year. I take this opportunity of wishing him many happy years of retirement.

In view of the increasing size and complexity of the Company's business the Directors have appointed a Board of Management consisting of senior employees representing all departments in the business. The Board of Management meets regularly under the Chairmanship of the Managing Director and is proving to be of great assistance to him, and I am confident will make a valuable and vigorous contribution to the Company's future.

I extend my sincere thanks to everyone in the Company for their loyalty and enthusiasm which have so greatly contributed to the success of your Company.

The report and accounts were unanimously adopted; the retiring directors, Mr Cecil W. Mason, Mr M. R. Norman, OBE, and Mr J. N. Hogg, were re-elected.

At a subsequent Extraordinary General Meeting the proposed increase of capital was approved.

# TOZER KEMSLEY & MILLBOURN (HOLDINGS) LIMITED

The thirteenth Annual General Meeting of the Company will be held in London on June 21st.

The following are extracts from the circulated statement of the Chairman, Mr J. R. Millbourn:

There are certain contingencies in respect of our business in the USA and the Congo Republic, the final outcome of which is difficult to assess at this time. We have therefore considered it prudent to set aside a special retention of £100,000 to cover the contingency of any additional losses which might arise.

It is proposed to capitalise part of the unappropriated Profit by the issue to ordinary shareholders of fully paid ordinary shares in the proportion of one for ten.

The improvement in turnover for the first quarter was maintained in our traditional Commonwealth Markets, but orders fell away substantially in the last quarter due to economic and political difficulties in some of our markets.

Trading conditions generally are not buoyant and we must expect to feel the effects of credit restrictions particularly in Australia, but I see no reason why we should not look forward to reasonable trading results in the current year. Provided no unforeseen circumstances arise your Board expect to be able to recommend dividends on the ordinary share capital as increased by the proposed bonus issue at rates not less than those paid or proposed for last year.

# BANCO DI SICILIA

## HEAD OFFICE PALERMO-ITALY

### COMPARATIVE CONDENSED STATEMENT OF CONDITION AS AT DEC. 31, 1960

| LIABILITIES                                                         |                 | ASSETS                                                              |                 |
|---------------------------------------------------------------------|-----------------|---------------------------------------------------------------------|-----------------|
|                                                                     | Dec. 31, 1960   |                                                                     | Dec. 31, 1959   |
| Capital                                                             | 7,835,000,000   | Cash and Due from Banks                                             | 76,119,045,618  |
| Reserves                                                            | 7,906,314,000   | Securities Owned:                                                   | 71,758,995,234  |
| Special Reserves                                                    | 12,834,089,154  | Government                                                          | 971,368,560     |
| Special Funds Reserved                                              |                 | Other Securities                                                    | 17,043,072,283  |
| for Development of                                                  |                 | Investments and Participations                                      | 2,319,217,205   |
| Sicilian Economy                                                    | 24,318,385,962  | Bills and Treasury Notes                                            | 1,947,525,652   |
| Undivided Profits                                                   | 760,684,399     | Advances in Current                                                 | 118,919,600,521 |
| Deposits and Certificates of Deposit                                | 541,977,265,347 | Discounted                                                          | 116,108,148,449 |
| Official Cheques Outstanding                                        | 21,418,146,074  | Accounts                                                            | 229,275,372,712 |
| Acceptances and Bills                                               |                 | Loans Against Securities                                            | 24,216,912,087  |
| Rediscounted and Letters of Credit Outstanding (as per contra)      | 23,607,881,312  | Long-Term Loans                                                     | 133,639,967,349 |
| Other Liabilities                                                   | 92,524,381,913  | Banking Premises and Real Estate                                    | 4,309,058,553   |
| Total Liabilities                                                   | 733,182,148,161 | Acceptances and Bills                                               | 3,792,605,448   |
| Customers' Securities Held for Safekeeping (as per contra)          | 174,064,540,597 | Rediscounted and Letters of Credit Outstanding (as per contra)      | 23,607,881,312  |
| Securities on Deposit with other Banks (as per contra)              | 51,609,685,934  | Furniture, Fixtures and Equipment                                   | 23,751,546,099  |
| Foreign Exchange and Securities for Future Delivery (as per contra) | 36,287,581,698  | Total Assets                                                        | 102,760,651,960 |
|                                                                     | 995,143,956,390 | Customers' Securities Held for Safekeeping (as per contra)          | 89,490,244,887  |
|                                                                     |                 | Securities on Deposit with other Banks (as per contra)              | 174,064,540,597 |
|                                                                     |                 | Foreign Exchange and Securities for Future Delivery (as per contra) | 142,786,455,102 |
|                                                                     |                 |                                                                     | 51,609,685,934  |
|                                                                     |                 |                                                                     | 48,208,799,793  |
|                                                                     |                 |                                                                     | 36,287,581,698  |
|                                                                     |                 |                                                                     | 32,355,153,916  |
|                                                                     |                 |                                                                     | 884,310,187,574 |



# DUNLOP

Rubber Company Limited

## RECORD TURNOVER

The Sixty-second Annual General Meeting of the Dunlop Rubber Company Limited was held on May 29 in London.

Sir G. Edward Beharrell, the chairman, presided and, in the course of his speech, said:

The year 1960 has been one of considerable growth and the volume of goods sold was greater by about 5 per cent when compared with the previous year. Turnover increased from £261 million to a further record figure of £275 million. Our sales in the last few months were, of course, affected by the recession in the motor industry in several countries but sales in other directions were well maintained.

The benefit from the increased volume during 1960 went a considerable way towards offsetting the cost of increases with which we were faced during the year. Of these the price of rubber was the principal factor—and this is referred to and illustrated in the Directors' Report—but increased labour rates were also important. In total these two items increased our costs, when compared with those of the year before, by several million pounds. On the other hand, selling prices were not raised to a commensurate degree; but as a result of greater efficiencies and the additional turnover our profit was only slightly lower than in 1959. A noteworthy feature was the fact that the overall profit from our United Kingdom operations was 15 per cent higher, and the results achieved by some of our units were considerably better than in that year.

### DIVIDEND

Taxation absorbed a higher proportion of our net profit for the reasons already stated in the Directors' Report, and this of course affected our disposable profit. Nevertheless, the Directors consider that the results and prospects justify an increase in the final Dividend from 1s. 2d. to 1s. 3d. per 10s. stock unit, thus making the total dividend for the year 1s. 7d. or 15½ per cent. I hope stockholders will approve their recommendation. At the same time I would like to point out that in each of the last four years the ordinary dividend has been increased and that, allowing for the bonus issue in 1959, the total rate paid and recommended for 1960 is over 40 per cent higher than the rate paid for 1957, whilst the dividend is still twice covered. I would also like to advise stockholders that the Board has decided that the present disparity between the interim and final payments should be reduced. Therefore, in the absence of unforeseen circumstances, the interim dividend for 1961, to be announced in October, will be at a higher rate than in 1960, although this must not be taken to imply a higher distribution in total for the year.

It would seem that the time of accord between the countries of the Common Market and the Free Trade Association may not be far off. At the very least, the ultimate probability of a grander economic design has ceased to be a flight of fancy. This is the time of the count-down, and for the country and the individual firm we are entering a period when the possible consequences of the alliance should be carefully and urgently considered. We have the chance now to temper our enthusiasm with facts.

For one thing, too much should not be expected too quickly from the larger trading area. Even when tariffs have disappeared and fiscal policies have been suitably related, there is no reason to believe that problems of production and distribution will disperse in a spirit of economic unanimity. Too much, perhaps, is sometimes read into the example of the Iron and Steel Community. I would find it very difficult to visualise, for example, the fast emergence of a single sales policy within Europe for some of our major products even after other discords have been harmonised.

The fact is that very real natural differences exist between countries, and they can be expected to continue beyond the point of economic unity. In our experience we have found significant national distinctions in tastes and outlook; road surfaces and other physical conditions vary quite startlingly between countries; there are noticeable contrasts in the characteristics of the cars and trucks manufactured in Europe; and driving habits are seldom the same. These differences, and others like them, will disappear in time, of course, but only in time, for the business of getting to grips with them is not always as straightforward as it might seem. As an instance, when something like standardisation is being discussed between national groups the spirit of co-operation may be willing but the translation is often weak. As Professor Beloff recently emphasised, the discussion of ideas among nations is not made any easier by the subtle way that words can change in translation.

### OPPORTUNITY FOR GROWTH

It is already obvious that even in its preparatory stage the Common Market, with its blend of idealism and determination, has achieved a character of its own. It possesses a spirit of confidence and enthusiasm which augurs well for the continued growth of the area. Of course, even in a dynamic economy not every company is dynamic, and it would be as well if we all accepted the fact that the closer association of economies makes available the opportunity for growth, not growth itself.

For a number of years, with this thought in mind, your Company has been examining how best it could prepare itself for any eventuality. Obviously, the divisions and companies within the United Kingdom would not necessarily be affected in the same way. For some there would be the excitement of broadening horizons and how best to take advantage of them; for others there would be heightened competition. In any event each division has been required to study the European market, to consider the modifications that may have to be made in its organisation and products to take account of changing conditions, and generally to equip itself for the future challenge. Needless to say, an exercise of this kind, even if primarily directed towards Europe, strengthens a division's effectiveness in other markets as well.

On a smaller scale and in less detail, the French and German companies have reproduced the general pattern of diversification of Dunlop in the United Kingdom. The French company, whose factory at Amiens is one of the most

advanced tyre manufacturing units in the world, also produces wheels and rims. It is first among French producers of latex and other foam products, and has substantial interests in synthetic rubber manufacture. The German company, which was rapidly rehabilitated after the war, soon consolidated its position as an important tyre manufacturer. Then it turned its attention to foam products, flooring and sports goods. More recently chemical products and rubber industrial products are being developed.

There are, then, major Dunlop manufacturing units within the European economic areas. In addition a number of selling companies, a large and long established direct export business to the whole of Europe and an arrangement under which we have tyres manufactured for us in Italy provide the Group with opportunities for full participation in the Common Market and the Free Trade area. As the growth of these areas accelerates, your Group is in a position to take advantage of them whether they remain apart or come together. It is worth emphasising again, perhaps, that the larger units provide no more than an opportunity for growth. In Dunlop we intend taking that opportunity.

Research: In my statement in June, 1959, I said that so much research had been carried out in the rubber industry throughout the civilised world that for any progress to be made in the current period of development it was essential to delve more deeply into the fundamentals of rubber technology. I stressed that the Company was completely alive to the importance of following such a policy, and was therefore directing a substantial portion of its research capacity to fundamental work of this kind.

I am pleased to be able to say that the results of carrying out this policy are now beginning to show themselves.

One of the main items of fundamental research over the last few years has been meeting the increasing and exacting demands of the vehicle tyre of the future. Much attention has therefore been given to finding out what molecular structure should be built in to a synthetic rubber to give a balance of properties between safety and performance. This work has resulted in the production of the first of a new line of "energy-absorbing" tyres, the "Elite" tyre, with exceptional anti-skid and breaking properties.

### CURRENT YEAR

In contrast with the early months of 1960, but in accordance with our expectations, the current year started quietly, largely due to the recession in the motor industry which persisted until fairly recently.

For the year as a whole it is too early to say how we shall fare. Like all manufacturers as widely based as we are, we cannot isolate ourselves from the economic conditions of the world's many parts. We are not, however, dissatisfied with the prospects and forecasts of most of our divisions and companies and we have good reason to hope that our current year's results will show further progress.

The report was adopted.

# HOECHST

## Consolidated Balance Sheet at December 31, 1960

(condensed)

| LIABILITIES                                | DM                   | ASSETS                        | DM                   |
|--------------------------------------------|----------------------|-------------------------------|----------------------|
| Share Capital . . . . .                    | 630,000,000          | Fixed Assets . . . . .        | 1,130,300,000        |
| Reserves . . . . .                         | 475,700,000          | Participations . . . . .      | 237,600,000          |
| Provisions . . . . .                       | 422,500,000          | Stocks . . . . .              | 438,300,000          |
| Current Liabilities                        |                      | Accounts Receivable . . . . . | 603,800,000          |
| Loans . . . . .                            | 200,000,000          | Liquid Assets . . . . .       | 289,500,000          |
| Long and middle term liabilities . . . . . | 509,800,000          |                               |                      |
| Short term liabilities . . . . .           | 354,200,000          |                               |                      |
| Profit . . . . .                           | 107,300,000          |                               |                      |
|                                            | <u>2,699,500,000</u> |                               | <u>2,699,500,000</u> |

**Turnover** Compared with the previous year, the total turnover in 1960 rose by 21.7 per cent. to DM 2,700 m. which means an increase of DM 481 m. From this amount, DM 317 m. account for home sales and DM 164 m. for exports which alone represent 33 per cent. (DM 884 m.) of the total turnover.

**Capital Expenditure** In 1960, a total of DM 422 m. was invested. Since 1952 when the Company was re-founded, a total of DM 2,000 m. has been expended of which more than 57 per cent. could be financed from depreciation accounts. In 1961, capital expenditure will be maintained at the same high level.

**Research** In 1960, DM 113 m. or 4.2 per cent. of total sales were spent for research and development. 20 per cent. of total sales are of products introduced during the last five years.

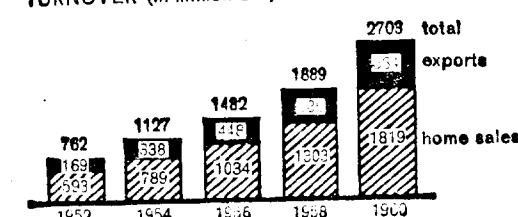
**Personnel** During the year under review, the total of workers

and employees was increased from 43,363 to 50,332. Turnover per head has risen from DM 50,000 in 1959 to DM 56,000 in 1960.

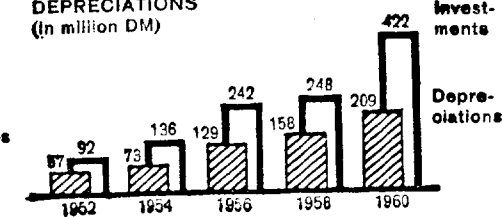
**Share Capital** In 1960, the share capital was increased by DM 68 m. to DM 630 m. and in the beginning of 1961 by DM 70 m. to DM 700 m. The funds obtained from these capital increases will be used for further capital expenditure, thus enabling the Company to maintain a sound ratio between equity capital and borrowings. The Annual General Meeting of May 16, 1961 has authorized the Executive Board to increase the share capital by DM 100 m. until May 1, 1966, by the issue of new shares (authorized capital).

**Dividend** At the Annual General Meeting it was resolved to distribute a dividend of 18 per cent. for the business year 1960. To judge by the good results of the first months of this year, a satisfactory business development can be expected also for 1961

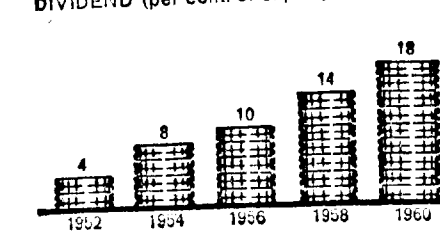
TURNOVER (In million DM)



INVESTMENTS  
DEPRECIATIONS  
(In million DM)



DIVIDEND (per cent. of capital)



FARBWERKE HOECHST AG. *vormals Meister, Lucius & Brüning* FRANKFURT (M)-HOECHST

Represented by: Hoechst Chemicals Ltd., 50 Jermyn Street, London, S.W.1

# THE ORION INSURANCE COMPANY LIMITED

## SCOPE OF OPERATIONS OUTLINED

## POLICY OF BRANCH DEVELOPMENT

## MR DUDLEY R. SCHOLEY ON THE YEAR'S RESULTS

The thirty-first Annual General Meeting of The Orion Insurance Company Limited will be held on June 15 at 70/72, King William Street, London, E.C.4.

The following is the Statement by Mr Dudley R. Scholey, the Chairman, which has been circulated with the Report and Accounts for the year ended December 31, 1960:

Mr W. A. Osborne, who retires from the Board by rotation this year, has decided not to seek re-election owing to advancing years. He has been a Director of the Company since 1953 and we shall miss the kindly presence of a loyal and valued colleague.

Sir Geoffrey Barnett accepted our invitation to join the Board and he was elected a Director on January 17, 1961. Shareholders will be asked to confirm his appointment at the Annual General Meeting. Sir Geoffrey has wide commercial interests and his long experience will, I am sure, be of great value to us.

### OPERATIONS AND DEVELOPMENTS

The number of shareholders has considerably increased since our last Annual General Meeting and before commenting upon the results for 1960 I feel that shareholders will be interested to know something of the scope of our present operations and of certain developments which are in contemplation.

Broadly speaking, the Company transacts all classes of insurance business, at home and overseas, except Life Assurance and, as yet, Motor business in the United Kingdom. Our overseas operations, conducted through Branches and Agencies, are mainly in Canada and Australia but we are also represented on the Continent of Europe, in the Sudan, East Africa, the West Indies and Hong Kong.

Furthermore, the Company acts as sole Underwriting Agent for The Drake Insurance Company Limited and for The Sphere Insurance Company Limited for Marine, Aviation and Non-Marine business and in both these Companies it has a substantial, though not controlling, financial interest. In respect of Aviation business only, the Company also acts as Underwriting Agent for The Victoria Insurance Company of Australia and The New India Assurance Company of Bombay.

Marine Insurance, which was the basis of our entry into the Insurance world, still constitutes our major Underwriting Account and it has, over the 30 years of our existence, contributed substantially to profits.

Aviation Insurance, which we commenced writing at a later stage, has now grown to be a considerable Account and our entry into this most difficult field has, we feel, been fully justified.

Our Fire, Accident and Miscellaneous business is underwritten and controlled from our Underwriting Room in Lloyd's Building and from our Head Office in London. The major portion of our Non-Marine income at present emanates from Lloyd's Brokers and of the total premiums

obtained from this source a substantial part consists of United States business placed in the London Market.

In addition, through the Underwriting Agency of Alexr. Howden & Company Limited, the Company writes a highly specialised Account of Excess of Loss Reinsurance business which has, over the years, been a welcome contributor to profits.

We have for many years held a substantial, but nevertheless minority, shareholding interest in Alexr. Howden & Company Limited, with whom we have had a long and happy association since our Company's formation, but we, of course, take no part in the direction or management of their business. The excellent dividends we have received from this source over the years have very amply justified our acquisition of this holding and are, in themselves, a tribute to the Chairman and Directors of that Company.

### NEW BRANCH OFFICES

With the object of securing a better balance within our Fire, Accident and Miscellaneous Account, we are endeavouring to expand our business in the United Kingdom by the opening of Branch Offices. So far, only two have been established, one at Manchester and another at Bristol. We hope, before next year, to set up two more, at Glasgow and at Birmingham, in both of which cities we are already assured of a reasonable measure of support.

That this policy of Branch development will, in the long run, be justified I have little doubt but, in the early years, I am bound to say the process is an expensive one. Although we must expect progress to be slow having regard to the competition in this field, we believe the Company has much to offer to the insuring public and to Insurance Brokers through its good service, its independent rating approach and the scope of cover afforded by its policies.

I have mentioned earlier that the Company does not, at present, undertake Motor Insurance in the United Kingdom. We consider the time has now come when we should commence transacting this admittedly difficult class of business, since we believe that the ability to grant Motor Insurance cover is a service which will aid our development plans.

Turning to the results for 1960, you will notice that the Profit and Loss Account and Balance Sheet are presented in a new form which I hope you will agree is more in accord with modern practice.

### MARINE AND AVIATION DEPARTMENT

Conditions in the Marine Market, for both Hull and Cargo business, continue to be difficult. Although there are slightly more hopeful indications for the future we have, nevertheless, considered it prudent to institute a degree of curtailment in certain sections of our growing Account.

I stated in my report last year that the 1957 Underwriting Account, the one under closure

this year, would probably develop along similar lines to that of 1956, which closed with a very small loss. The 1957 Underwriting Account has, in fact, closed with a small margin of profit. The 1958 Underwriting Account, which will be closed at the end of 1961, shows a definite improvement at this stage upon that of 1957. With regard to the Open Underwriting Accounts of 1959 and 1960, I refrain from making any forecast concerning final results other than to say that, to date, these Accounts indicate that the improvement in 1958 is at least being maintained.

Taking into consideration the overall position and the impact of taxation on our Marine figures, your Directors have deemed it to be proper to transfer the sum of £25,000 to Profit and Loss Account out of the balance of profits retained in the Marine Fund in respect of 1957 and previous closed Accounts.

The premium income shows an increase on that of the previous year and the Marine Fund now stands at £2,360,288 (132.4 per cent) compared with £2,103,176 (131.3 per cent).

The 1957 Aviation Account, the figures of which are included in the Marine total, has closed with a small profit which in the light of Market conditions we regard as satisfactory.

### FIRE, ACCIDENT AND MISCELLANEOUS DEPARTMENT

I regret that this year I have to report the necessity of a transfer from Profit and Loss Account of £14,907. This adverse result is due to the continuing high level of Fire and Burglary losses on the Home side and to losses arising out of Venezuelan Bond Reinsurances placed in London.

The United States business in the Account which, as I have already stated, forms quite a substantial proportion of the total, is now showing a welcome improvement.

Canadian Insurance appears to be slowly emerging from its difficult period, and although Market conditions are improving it would be prudent to refrain from undue optimism regarding the future even though a small profit has been made in the year under review in our own Account and our Agents report more favourably on the situation.

With the exception of Australia and Italy, where our results have not been good, our operations elsewhere overseas have come out on the right side.

### PROFIT AND LOSS ACCOUNT AND BALANCE SHEET

The increase in the Authorised Share Capital to £1,000,000 as approved at last year's Meeting, and the subsequent issue of 150,000 new Ordinary Shares, are given effect to in the Accounts. The new money totalling £375,000 has increased the Issued Share Capital by £150,000 to £650,000 and the Share Premium

### THE ECONOMIST JUNE 3, 1961

Account by £225,000 to £372,750. Shareholders' Funds at £1,390,555 compare with £970,272 last year. Total Assets are now £9,077,518 against £7,608,480 last year.

Income from Investments amounted to £310,156 being an increase of £57,529 over last year. The market value, or where there is no quotation, the estimated value, of our Investments at December 31, 1960, was, in the aggregate, in excess of the Balance Sheet figures.

### GENERAL

My statement upon the year's activities would indeed be incomplete without expressing warm appreciation of the services rendered to the Company throughout the past year by the Management, Senior Officials and all members of our staff both at home and overseas.

To our Agents and friends, in the United Kingdom and abroad, we also tender our thanks for the valued support they have given us throughout the year.

## "LA RINASCENTE"

### GENERAL MEETING

An ordinary and extraordinary General Meeting of Stockholders was held in Milan on April 21st. The Meeting, chaired by Dr Aldo Borletti, was attended by 82 participants representing directly or by proxy 74,290,074 shares.

The Meeting, sitting in ordinary session, approved the Directors' ample report, which illustrates the further progress made by the Company during the financial year with the opening of another 5 Uniprice Stores (at Leghorn, Monza, Palermo, Rome and Turin) and a Branch of the Department Stores at Genoa; gross sales for the Company's 88 stores exceeded 80,000 million lire during the financial year. The Meeting then approved the Balance Sheet as of December 31, 1961, and the distribution of profits; the Profit and Loss Account, after deduction of L. 450,000,000—for depreciation, shows a net profit of L. 940,634,424—allowing the distribution to stockholders of a dividend of L. 7 per share (as compared with L. 6 for the previous financial year).

The Meeting, sitting in extraordinary session, approved the Board of Directors' proposals and resolved to increase the Company's capital from L. 6,000,000,000 to L. 9,000,000,000 by means of the issue of 60,000,000 new shares of par value L. 50 each, of which 20,000,000 ordinary and 40,000,000 preferred shares, all ranking for dividend as from February 1, 1961, to be offered to stockholders at the price of L. 102 per share on the basis of 3 new shares (1 ordinary and 2 preferred) for each group of 6 old shares at present held.

With a view to favouring a wider basis of shareholding and strengthening staff interest in the Company's efficiency and development, all personnel having a minimum length of service were reserved the right of subscribing, on the same terms as the stockholders, to 1,146,584 preferred shares devolving to the Company on the shares held by the Company itself, as shown in the Balance Sheet.

The increase in the Company's capital thus resolved by the meeting and for which the prescribed authorisations have been obtained, will, after homologation by the Court, be carried into effect during the last ten days of May.

Meanwhile the dividend of L. 7 per share is payable at the Banks appointed thereto, as from April 27, 1961.

### COMPANY MEETING REPORTS

## COÖPERATIEVE CENTRALE RAIFFEISEN-BANK

(Co-operative Central Agricultural Credit Bank)

with 711 affiliated banks

UTRECHT, THE NETHERLANDS

Annual Balance-Sheet, Central Bank with 711 affiliated banks, as at 31st December, 1960

| LIABILITIES                          |              | ASSETS                               |              |
|--------------------------------------|--------------|--------------------------------------|--------------|
| Reserves.....                        | £13,278,000  | Cash in hand, at call and at banks.. | £9,188,000   |
| Savings.....                         | £252,335,000 | Treasury Bills.....                  | £45,321,000  |
| Current—deposit—and other accounts.. | £43,732,000  | Securities.....                      | £53,020,000  |
| Profit and loss account.....         | £1,472,000   | Loans, advances and other accounts.. | £200,458,000 |
|                                      |              | Premises and other properties.....   | £2,830,000   |
|                                      | £310,817,000 |                                      | £310,817,000 |

## NEW BROKEN HILL CONSOLIDATED

### HIGHER PROFITS AND DIVIDEND

The Twenty-fifth Annual General Meeting of New Broken Hill Consolidated Limited will be held on June 20th at 6 St. James's Square, London, SW1.

The following is an extract from the Statement by Mr L. B. Robinson, the chairman, which has been circulated with the report and accounts:

In 1960 the output of ore was appreciably greater than in 1959, but was regulated so as to extract a far lower average lead grade and a higher average zinc grade. The result was to maintain the average cost per ton of ore close to that for the previous year, to keep lead output in line with the reduced level of realisations agreed at the meetings of the International Lead and Zinc Study Group and at the same time increase appreciably production and realisations of zinc concentrate. The average London Metal Exchange prices during 1960 were £72 2s. 11d. for lead, compared with £70 15s. 7d. for 1959, and £89 5s. 11d. for zinc, compared with £82 4s. 8d. for 1959.

The result for the year was a trading balance of £2,075,534 compared with £1,531,700 for 1959.

Depreciation amounted to £301,450 compared with £333,140 for the previous year, and after deducting other charges and adding miscellaneous income the profit before taxation amounted to £1,806,472 compared with £1,190,847 for 1959.

The provision for Australian and United Kingdom taxation on the profits for the year amounts to £669,087 compared with £394,609 for 1959.

The result is a net profit of £1,137,385 compared with £796,238 for 1959.

A transfer of £395,000 has been made to mine amortisation reserve, compared with £245,000 for 1959.

The directors are recommending that a final dividend should be paid at the rate of 2s. 0d. per share, free of tax, compared with 1s. 6d. per share, free of tax, last year. This gives a total free of tax dividend of 3s. 0d. per share compared with 2s. 3d. per share for 1959.

The company agreed in December 1960 to acquire at par 25 per cent of the share capital of Sulphide Corporation Pty. Limited, a company producing sulphuric acid and fertilisers at Cockle Creek, New South Wales and about to operate a lead/zinc smelter on the same site. N.B.H.C. Pty.'s proportion of the share capital will be £A1,875,000 of which £A1,400,000 was subscribed in December 1960 and the balance will be subscribed in mid-1961.

### DEVELOPMENT AND DIAMOND DRILLING

In my statement last year I referred to the progress made in the work of delineating the high-grade zinc sections of the siliceous zinc lode between Nos. 12 and 16 levels. These zinc-rich sections of the mine are the means of providing flexibility in the production of zinc concentrate as opposed to lead concentrate. This is particularly important in times like the present when the demand for zinc concentrate is greater than that for lead concentrate.

During 1960, diamond drilling was continued on Nos. 14 and 16 levels to outline the general shape of the orebody. Developments for extraction were carried out on No. 15 level. The drive south on No. 16 level had reached a point 3,256 feet south of our northern boundary at the close of 1960. This drive has now intersected the siliceous zinc lode, the upper limit of which passes below No. 14 level at approximately 3,460 feet south of our northern boundary. Testing of this orebody will be continued during 1961.

Results of exploration to date indicate that major sections of these zinc-rich areas will be amenable to large-scale mining methods.

An area between Sections 75 and 82 has been selected for the initial mining by sub-level blast-hole methods.



# ALUMINIUM-INDUSTRIE-AKTIE-GESELLSCHAFT, CHIPPIS (AIAG)

Head Office: ZÜRICH, SWITZERLAND

## OUTPUT INCREASED IN ALL PLANTS—MR FRITZ SCHNORF'S STATEMENT

The Seventy-second Annual General Meeting of Aluminium-Industrie-Aktien-Gesellschaft was held in Zürich on April 21st and the following are extracts from the statement of Mr Fritz Schnorf, Chairman of the Board, and details of the Report presented by the Board of Directors.

### MR FRITZ SCHNORF

After reviewing in detail the development of the Company's activities in Switzerland and throughout the world, Mr Schnorf concluded by saying:

In the era of jet air traffic it is hardly surprising that our Company should show interest in distant countries for future markets. Quite often an advisory service and agreement to operate under licence represents the first steps to industrial activities. In this field, AIAG has taken the initiative in the Asian countries.

Perhaps you will allow me to peep into the future. Now, as ever, we view with optimism the long-term possibilities of aluminium. Today aluminium consumption amounts to only 2 per cent of steel production. Each advance in the colossal field covered by steel opens up valuable markets for aluminium. On the other hand, plastics represent an important competitor for aluminium. Until now, these two industries have not clashed. They complement each other rather than compete. In certain applications they are even used together. However, the progress made by the plastics industry in respect of the various qualities of the material such as mechanical strength, heat resistance, anti-corrosive properties, etc., must not be disregarded. In this respect the future possibilities of the Petrochemical industry are to be carefully examined by our management.

We expect increasing competition to arise from the economic integration of Europe. Within the framework of the EEC, French competition is very active. If the extensive aluminium plants in Norway come into being, there will also be increased competition within the EFTA. It is not improbable that, under pressure of competition in important economic areas, prices will give way. All our efforts are concentrated on offsetting any losses by reducing cost through rationalisation. The technical unit of the central administration, the research institute in Neuhausen, and the individual plants are continually striving to improve production methods so as to cut costs, whilst continuing the development of new processes.

Finally, I would like to express the thanks of the Board of Directors to the Management and their collaborators at all levels, both in this country and overseas, for their work and achievements during 1960.

The following are details of the report:

### REVIEW

The employment position in the aluminium industry during the year under review varied even more than in previous years. North American producers were unable to make full use of existing capacity, even at a time of increased exports and growing stocks. Unused production capacity exerted international pressure on prices. European aluminium works were fully employed and plants manufacturing

semi-finished products were also doing well.

During the year under review world production rose further in spite of weak consumption in the United States; it passed from 4.07 m. tons in 1959 to 4.47 m. tons in 1960. The United States produced 1,827,000 tons, Canada 700,000 tons, Western Europe 848,000 tons, the remaining 190,000 tons coming from other Western countries. Production of the Eastern block is estimated to amount to 900,000 tons or approximately 20 per cent of world output.

Official prices remained unchanged. The United States quoted 26 cents per pound of virgin metal on the home market during the whole year. The Canadian export price remained at 23½ cents per pound. In international transactions, however, lower bids were the rule rather than the exception. The European price level remained fairly stable. France raised the price slightly in two stages, Italy introduced a small reduction in January 1961. The Swiss price for virgin metal has remained unchanged for 4½ years. Quotations for semi-finished products and foils remained stable.

Sharp competition occurred between exporting countries, mainly Canada, the United States and Norway, developed in Germany, Great Britain and the Benelux countries, all three traditionally large importers of virgin aluminium. Spain appeared for the first time as a metal exporting country. Rolled and pressed products sold at much lower prices in spite of full employment in the semi-finished products industry, particularly in the Benelux countries and in Norway.

### PRODUCTION

The three alumina plants were in full production and were again able to increase their output slightly. The new power plant of *Martinstwerk GmbH*, Berghem, near Cologne, has not yet started to operate. *Società Alluminio Veneto p.A.*, Porto Marghera, and *Société Française pour l'Industrie de l'Aluminium* at Marseilles are experiencing increases in production costs, mainly in respect of wages and raw materials. The French factory lost the advantages of the last devaluation, owing to gradual increases of production costs.

The alumina plant *FRIA, Cie. Internationale pour la Production de l'Alumine* at Kimbo (Republic of Guinea), in which AIAG has a 10 per cent holding, started production last April. By the end of the year the Company had obtained 56,850 tons of alumina from Guinea.

Production of electricity exceeded the average of many years. *Rhonewerke AG*, Ernen, generated 455 m. kWh in the Mörel and Ernen power stations, an increase of 29 m. kWh over the previous year. *Ilisee-Turtman AG*, Oberems, generated 111 m. kWh against 108 m. kWh in 1959. *Rheinkraftwerk Neuhausen AG* (AIAG participation 80 per cent) also produced slightly more than in the previous year with 4 m. kWh. *Elektrizitätswerk Rheinau AG* (AIAG participation 41.8 per cent) suffered from the irregular flow of the Rhine and production amounted to only 204 m. kWh. *Kraftwerke Gongra AG*, Siders (AIAG participation 30 per cent) has not yet completed the diversion of the Lona river

into the Moiry reservoir. Total current production amounted to 332 m. kWh, out of which 32.5 m. kWh are used for pumping.

The Canton Valais authorities have granted concessions for the utilisation of the Aegina, a southern tributary of the Rhone in Goms, and for a tunnel into the Ticino to supply *Maggia Kraftwerke AG*. Plans regarding the utilisation of the Rhone from Gletsch to Bitsch are being followed up.

A greater than average water supply, savings in current consumption and improvements in production, enabled the four AIAG plants to increase output of virgin aluminium again by approximately ten per cent. The *Mosjøen* plant in which the Company has a third interest, could only partly utilise its increased capacity, owing to exceptionally unfavourable water conditions in Northern Norway.

Production in AIAG plants making semi-finished goods increased by 17 per cent in the year under review, and the foil plants increased their output by 12 per cent. The capacity of the Company's processing plants is somewhat above the total output of its foundries. As AIAG also supplies virgin metal for processing to other companies in Switzerland, Germany, the United Kingdom and Italy, it had to buy from other producers considerable amounts of virgin metal for its own plants manufacturing semi-finished products in Germany, Belgium, the United Kingdom and North and South America.

Sales of *Raffinal*, *Gallium* and its alloys developed favourably.

Preparations for the extension of the rolling mill and the extrusion plant at Siders (Valais) were concluded and building is to start soon. Building will also start shortly on a new reduction plant at Steg.

In the past year the research institute at Neuhausen has also done intensive work to improve production methods and products. Swiss plants and those situated abroad have competed in the rationalisation of production methods to reduce costs.

### PARTICIPATIONS

Although *S.A. des Bauxites de France* at Marseilles did not reach last year's production figures, *Società Alluminio Veneto p.A.* at Porto Marghera obtained somewhat larger quantities of bauxite from its own mines in Apulia and the Abruzzi. Supplies for AIAG plants again came mainly from other countries, such as Yugoslavia, Greece, India and Dutch Guiana.

The Italian power stations report favourable water conditions. The new station at Zevio on the Adige has been in full operation since April. Building on the Val Schener dam began in November. Waterflow in Austria was better in the second half of the year than the average for many years.

Power output in the Company's plants together with its share in affiliated power stations, exceeded 2,000 m. kWh.

The Company's own reduction plants at *Cluppis*, *Rheinfelden*, *Porto Marghera* and *Lond* were again able to increase their production. The first three set up output records. Electricity consumption in the production of metal could be

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further reduced. The *Mosjøen* plant in which AIAG holds an interest suffered from a particularly bad flow of water, necessitating the closing down of some furnaces.

The *Robert Victor Neher AG* foil plant at Kreuzlingen was able to utilise its capacity fully and to increase output considerably. *Lavorazione Leghe Leggere* at Porto Marghera was also able to increase sales of rolled and extruded semi-finished products. Favourable results were recorded by *Aluminium-Walzwerke Singen GmbH*, Singen a/Hohentwiel and *Star Aluminium Company Ltd.*, Wolverhampton. Both enterprises are expanding their plants. *Laminal Rusconi Fraschini*, Nembro, was able to use its installations fully.

The American affiliated company, the *Consolidated Aluminum Corp.* of Jackson, Ten-

## COMPANY MEETING REPORTS

nessee (formerly *Aluminum Foils Inc.*), increased production of foils and foil strips. The expanded *Raffinal* plant started work at mid-year.

The new works of *Aluminium Belge S.A.*, Liège, suffered from teething troubles but the pressing mill of the affiliated company *Aluminio Industria S.A.*, Pindamonhangaba (Brazil), increased its output to reach full capacity as planned.

*Allega AG*, Zurich, selling semi-finished products from stock, again showed a considerably higher turnover.

The *Anglo-Swiss Aluminium Co. Ltd.*, Sheffield, which is placing virgin metal in the United Kingdom, increased its sales.

The newly established affiliated company in Nigeria, *Aluminium Manufacturing Company of*

*Nigeria Ltd.*, Lagos, started production of aluminium hardware in August.

## PROFIT AND DIVIDEND

The profit and loss account showed a net profit of Sfr 18,159,742.25, which, together with Sfr 2,062,761.26 brought forward from the previous year, produced a total of Sfr 20,222,503.51. It was accordingly proposed to distribute a gross dividend of Sfr 120 on each share of Sfr 1,000 nominal; to allocate Sfr 2,000,000 to the special Reserves; to allocate Sfr 2,000,000 as reserve for additional depreciation of plant; to transfer Sfr 1,000,000 to the Provident Fund and to carry forward the resulting balance of Sfr 2,432,918.51.

The report, the accounts and the proposals put forward by the Board of Directors were adopted.

# UNION MINIERE DU HAUT-KATANGA

## PROGRESS OF OPERATIONS

## INDUSTRIAL ACTIVITIES PRACTICALLY UNAFFECTED

## BY EVENTS IN THE CONGO

The Annual General Meeting of Shareholders was held at Brussels on May 25, 1961, under the chairmanship of Mr Paul Gillet, Chairman of the Board of Directors.

The meeting approved the balance-sheet and the profit and loss account for the year 1960. The gross result for the year was 3,928,591,153 francs. After deduction of capital equipment amortisation, provision for income tax, interest, duties and various royalties, the net profit amounted to 2,365,820,563 francs.

The meeting fixed the net dividend for 1960 at 1,500 francs per share (or 150 francs per tenth of a share): taking into account the 600 francs paid in January, 1961 (60 frs per tenth), the balance to be distributed is 900 francs per share (or 90 frs per tenth). Half of this balance will be payable from May 26th onwards. The Board will decide on the date of payment of the remaining half at a later date.

Mr E. Sengier asked to be relieved of his functions as Chairman of the Permanent Committee, but remains within the Management of the Company in the quality of advisory director. The Board expressed to Mr E. Sengier as well as to Mr J. Cousin, Chairman of the Managing Committee, in Elisabethville, an appreciation of the services rendered to the Company during their 50 years career.

The General Meeting re-elected Mr P. Gillet and elected Mr M. Van Weyenbergh, Vice-Chairman of the Managing Committee at Elisabethville, as Directors. Mr G. Devillez, Director and Count Capelle, Commissary, decided not to seek a renewal of their mandate.

## RESUME OF A MESSAGE FROM THE CHAIRMAN, MR P. GILLET

The hopes expressed last year to see the newly independent Congo follow its destiny in an atmosphere of peace and order have been dashed. However, the trial has been less serious for Union Minière; the events of July, 1960, only upset the life of the Company during two or three days and were practically without any repercussion on its industrial activities as a whole.

Commercial operations carried on normally but, in 1960, the Company had to face up to important currency transfers ordered first by the Belgian Congo and then, from July, 1960, by the Katanga Government.

As regards recent events, the chairman pointed out that at the Luilu plant, the second section of 50,000 tons of copper per annum was brought into service in March, 1961. The Kambove concentrator with a capacity of 720,000 tons of ore per annum, was brought into operation in April, 1961.

An improvement in copper prices is showing itself at present due to a reduction of stocks and to an increase in deliveries to industry. It enables the future of the copper market to be viewed with a certain optimism.

Concerning the future structure of the Company, the chairman recalled that since Union Minière has become a Belgian limited company it has decided, within the framework of the Belgian Law of June 17, 1960, to bring to companies having registered offices in Elisabethville, the property necessary for the exercise of certain Union Minière activities in Congolese territory. This project is being elaborated.

Union Minière is giving close attention to the interests of its shareholders and is particularly preoccupied with the material and moral fate of its personnel, to whose devotion and courage the chairman rendered homage.

The Chairman hopes that it will be possible to maintain the order which reigns in Katanga and to save from the ruins of the rest of the Congo the economic structures created by the joint effort of the Belgians and Africans.

## MAIN POINTS OF THE BOARD OF DIRECTORS' REPORT

**Results:** The sum deposited by the Company in the form of dividends, royalties and various taxes amounted to 4,294 million francs in 1960. Of this figure, the Congolese Government, the Government of Katanga and the Belgian State received 2,617 millions—i.e., 61 per cent, and the private shareholders 1,676 millions—i.e., 39 per cent, the share of the Belgian State being only 88 millions.

In fact, if one takes in account the tax paid by individual shareholders on drawn dividends, the real share of the Public authorities is more than 65 per cent. Moreover, Union Minière bears heavy educational and other expenses on behalf of the African Public authorities.

**Industrial activities:** Ore extraction was as intense as for the preceding year and remained centred on the Kipushi and Western mines.

Copper production, albeit reduced voluntarily by 10 per cent from the end of September, with the idea of contributing to the stabilisation of prices, nevertheless amounted to 300,675 metric tons, an increase of some 20,000 tons on 1959. The average selling price was slightly higher than that for 1959.

Production of cobalt was 8,222 tons. The price was again reduced to \$1.50 per lb. on March 1, 1960.

The production of zinc concentrates amounted to 193,004 tons at 56.6 per cent, an increase of 50 per cent on the 1959 production.

Deliveries of uranium oxide to the United States ended in 1960 but the European market was still supplied.

The Company delivered 27.6 grams of radium.

In addition, Union Minière produced 25,101 kgs. of germanium (against 13,643 in 1959), 208,959 kgs. of cadmium (against 98,841 in 1959), 123,258 kgs. of silver and 45 kgs. of gold.

The important event of the year has been the entry into operation of the new copper and cobalt electrolysis plant at Luilu in April 1960. These installations, started with an initial output of 50,000 tons of copper per annum, have given entire satisfaction.

Electrical energy produced by Union Minière's power stations amounted to 2,008 million kWh.

## SOCIAL SITUATION

On December 31, 1960, the working personnel numbered 19,731 to which figure can be added 1,145 temporary workers who have been engaged with a view to easing the unemployment situation.

The staff consists of 1,755 agents which includes an increasing proportion of Africans. The promotion of African personnel remains, in fact, one of the principle concerns of the Company and good progress has been made in this respect.

More than 20,000 children attend the Company's schools and the scholastic level increases year by year. In addition, the social climate has remained very good. The order which reigns in Katanga has been a decisive element in the good progress of the Company's operations.

# THE CONSOLIDATED ZINC CORPORATION

## PARTICIPATION IN COMMONWEALTH ALUMINIUM PROJECT

### WORLD LEAD AND ZINC MARKETS REVIEWED

#### MR L. B. ROBINSON'S STATEMENT

The twelfth annual general meeting of The Consolidated Zinc Corporation Limited will be held on June 20th at 6, St James's Square, London, SW1.

The following is an extract from the Statement by Mr L. B. Robinson, the chairman, which has been circulated with the report and accounts:

The group profit before mining royalty and taxation amounted to £3,636,434 compared with £3,969,759 for 1959, a decrease of £333,325.

The Zinc Corporation, Limited increased the output of ore by nearly 10 per cent but the production was adjusted to achieve a lower average lead grade and a higher average zinc grade. As a result lead output was reduced below that for the previous year while production of zinc concentrate was increased and with a slightly lower average cost per ton of ore a substantial increase in profit over 1959 was achieved.

The various activities of Consolidated Zinc Proprietary Limited maintained profits at approximately the same level as for the previous year.

In the United Kingdom trading profits on zinc smelting at Avonmouth and on sulphuric acid showed a satisfactory improvement over 1959, but these were more than offset by heavy expenses incurred at Swansea with the closing down of the horizontal retorts and the costs of bringing the first large-scale Imperial Smelting furnace up to full production and efficiency; by a decline in the profits on pigments due to competition and lower profit margins, and by some loss on writing down stocks. The overall trading results in the United Kingdom were therefore substantially lower than in 1959.

Income from trade investments amounted to £1,105,786 compared with £914,667 for 1959. The increase is almost wholly attributable to the considerably higher dividends received during the year from New Broken Hill Consolidated Limited and British Trian Products Company Limited.

Depreciation amounted to £1,462,227 compared with £1,270,357 for 1959, an increase of £191,870 attributable to the new plant commissioned during the year.

The consolidated net profit for the year amounted to £2,295,660 which shows a decrease of £367,607 compared with 1959.

Following the practice initiated last year, a transfer has been made to exploration reserve of £225,000 compared with £280,000 for 1959. Transfers to general reserves have been made of £625,000 compared with £950,000 last year.

The directors recommend that a final dividend should be paid at the rate of 2s. 9d. per share, the same as last year, giving a total distribution for the year of 4s. per share, the same as for 1959.

At an extraordinary general meeting held on December 29, 1960, shareholders ratified an agreement with The British South Africa Company Holdings Limited by which that company and certain of its associates would subscribe £10,000,000 of 5½ per cent unsecured loan stock. As shareholders were advised at the time, the purpose of this loan is to raise part of the funds

which the company will be required to provide for the Comalco project.

#### COMALCO

Since my statement last year far-reaching changes have occurred affecting both the activities of Commonwealth Aluminium Corporation Pty. Limited (Comalco) and the interests with which we are associated.

Since 1957 The British Aluminium Company Limited had been an equal partner with us in Comalco. To that partnership the British Aluminium Company had contributed important work on the study of the hydro-electric potential of the river systems of Papua and on the bauxite resources at Gove in the Northern Territory. During the past year, however, the British Aluminium Company and ourselves reached the conclusion that our interests would best be served by a free and independent approach to development of the individual assets contributed by each of us to the joint venture. With the consent of the Australian Government the Gove bauxite lease and a grant in respect of New Guinea water rights were transferred to the British Aluminium Company, an appropriate financial adjustment being made with that company to allow us to resume full ownership of Comalco.

In November it was announced that we had entered into a partnership agreement with Kaiser Aluminum and Chemical Corporation for equal participation in the development of a new integrated aluminium industry in Australia and New Zealand. The announcement of the programme with Kaiser Aluminum marked an historic point for this group which until now has been mainly concerned with lead and zinc and closely related industries. It is an historic point, too, in the development of economic resources of Australia and New Zealand.

The plans provide for the construction by mid-1966 of an integrated aluminium industry based on the bauxite resources of Weipa in North Queensland and the hydro-electric power potential of Lake Manapouri in Southern New Zealand.

#### LEAD AND ZINC MARKETS

In reviewing the world lead and zinc situation, I would like to stress that although these two metals originate in most cases from the same orebody their consumption is showing an increasing tendency to grow at different rates; and for this reason it is important that the prospects of each should be examined independently. Although both the metals come under discussion at the meetings of the International Lead and Zinc Study Group they are generally considered quite separately. In this connection you may recall that early in 1960 it was unanimously proposed by the Study Group that all restrictions on the sale and production of zinc should cease, and this recommendation has proved sound inasmuch as the price outside the United States has continued to be reasonably remunerative despite the setbacks in automobile production both in the United Kingdom and the Continent of Europe.

The general recession during the past year in

the United States has, however, proved burdensome to the zinc producers in that country and, notwithstanding the protection afforded by import quotas, stocks of zinc in producers' hands increased materially. This increase has occurred despite major strikes which affected more than one of the principal producers. However, in recent months some attempt has been made to alleviate the position by voluntary production cuts by major companies.

I believe it is possible that, with the strengthening of the United States economy during the second half of this year, producers' stocks will be reduced to more normal levels and if the present encouraging growth of zinc consumption continues in the rest of the free world, we can look with some measure of confidence towards the future. I consider that the London Metal Exchange price between £80-£90 per ton can assure the maintenance of an adequate rate of production without incurring any serious risk of substitution by other materials.

The history of lead during the same period has been an unhappy one, despite the agreements which had been reached by certain exporting countries to restrict their sales and/or reduce their production. Stocks both in the hands of overseas producers and also in the United States have increased and now stand at very high levels. The fear that these stocks might have to be liquidated on the world market at some future date destroyed consumers' confidence in the price level, with the result that buying has been on a hand-to-mouth basis. At the end of 1960 the price of lead on the London Metal Exchange fell to £62 a ton which is well below any figure reached since the market was freed in 1952. The pressure of the London market had its inevitable consequences in the United States where many of the domestic producers again started to clamour for more and more protection against foreign imports and also to demand subsidies to help maintain production from the smaller mines but, so far, the U.S. Administration has taken no action.

At the Study Group meeting held in Mexico City at the end of March 1961 the U.S. Administration renewed its generous proposal, originally put forward in Geneva in September 1960, to absorb in the barter stockpile some of the overseas producers' excess lead stocks on condition that such producers who might benefit by the lifting of their stocks should restrict their mine and metal production to match a reduced level of sales. Action to reduce mine and/or metal production was announced by Australia, Mexico, Peru, Sweden, the United States and the countries of the European Economic Community. In addition to this action, specifically taken at the meeting, it was noted that the Canadian industry had previously announced action to curtail lead mine production in 1961. Yugoslavia also announced its intention to reduce either production or exports in 1961. As a result we calculate that supplies of lead in 1961 will be of the order of 40,000 to 50,000 tons below estimated world consumption. The meeting expressed the hope that countries who had not announced cut-backs would take no

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action that might nullify the effect of these curtailments.

In the case of zinc the meeting agreed at Mexico City that no action was necessary to reduce supplies.

Jointly with the other Broken Hill companies we are actively negotiating with the U.S. authorities to barter our surplus stocks of lead accumulated under the international restriction arrangements prior to December 31, 1960.

The Mexico City meeting also established a special working group which is to meet shortly

## AMALGAMATED METAL CORPORATION

### SIR PAUL BENTHALL'S REVIEW OF ACTIVITIES

The thirty-second Annual General Meeting of Amalgamated Metal Corporation Limited will be held on June 22nd at Princes House, 93, Gresham Street, London, EC.

The following are extracts from the statement by the Chairman, Sir Paul Benthall, KBE, which has been circulated with the report and accounts for the year ended December 31, 1960:

Before reviewing the affairs of our company I would like to refer to the retirement of the Hon. R. M. P. Preston from the Board of which he had been a member since 1930, and to thank him for the services he has rendered.

The profit for 1960 before providing for tax is £932,479 compared to £1,004,652 in 1959 and £817,662 in 1958. There was a slight increase in the volume of our trading in metals and other commodities during the year under review and at this point I would remind shareholders that, as indicated in my last two annual statements, the profits on sales of shares by subsidiary finance companies were larger than average in both 1958 and 1959.

The net charge for taxation is £406,680, and after also deducting minority interests the 1960 group profit after taxation is £516,318 compared to £604,044 for the previous year. It is proposed that the final dividend should again be at the rate of 8 per cent, the total dividend on the ordinary capital thus being unchanged at 11 per cent.

Dividends will absorb in total a sum of £331,937.

#### THE BRITISH METAL CORPORATION

The trading activities of the British Metal Corporation in non-ferrous metals and ores were maintained at a slightly higher level than in 1959. Vivian Younger and Bond Limited also had a satisfactory year, and that company's organisation in Nigeria continues to expand. Its clearing and forwarding business is now well established and is operated by a new wholly-owned subsidiary called Intercoira Limited, which is registered in Nigeria.

Brandhurst Company Limited has always produced good results since we acquired the Company in 1949 and in 1960 its sales of cobalt and other metals continued at a satisfactory level.

Our investment in Western Credit Limited, a hire purchase finance company, was the subject of a notice sent to shareholders last December following a few enquiries about the extent of our interest, as losses sustained by many hire purchase companies had received considerable publicity. It was stated in the notice that our hold-

#### COMPANY MEETING REPORTS

ing is just under 9 per cent of that company's issued capital. We understand that arrangements for a much closer check on borrowers are now in operation and hope that the Western Credit business will again expand but on a sounder basis.

I am pleased to be able to report that the British Metal Corporation (Australia) Pty. Ltd. has lived up to the hopes expressed in my last statement. The company's past losses, incurred during its difficult earlier years, had been fully recovered by the middle of 1960, and the year's results were very satisfactory. It is unfortunate that Australia, as often happens with fast developing countries, is now going through a period of recession in trade which is affecting our earnings in the current year, but we have full confidence in the long-term outlook.

The British Metal Corporation (Canada) Limited, our oldest overseas subsidiary, also had a good year. The earnings of BMC (India) showed a considerable increase over those for 1959, and BMC (Pakistan), operating in a country where trading conditions are still difficult, made a small profit.

Our subsidiary in the Union of South Africa had another satisfactory year. As regards Rhodesia, in my statement with the 1959 Report and Accounts I reported that substantial provisions had been made in the accounts of BMC (Central Africa) against advances on chrome, but although the total provisions have not had to be further increased I regret to say that there appears to be little prospect of any improvement in the position.

The Report and Accounts show clearly the distribution of the Company's investments, and what small variations appear between this year and last are mainly consequent upon the alterations in the Stock Exchange prices.

Our holdings in Debentures and Preference Stocks show an increase over last year reflecting to some degree the wide margin between Fixed interest and Equity rates. This ratio may well change back to a more normal relationship between the two if equity prices continue at the present high level.

The year we are now in has started well and I would estimate that our Revenue, in terms of cash, will again show an increase, and I feel therefore that we will have no difficulty in paying as good a dividend as we are now.

We anticipate some decreases but we are confident that increases will counteract them. If as seems probable, this country should join the European Common Market—in one form or another—keen competition and narrower margins of profit will be inevitable in some spheres of industry but I believe that these will be more than made up by the benefits which will accrue in other directions.

The report was adopted.

HENRY GARDNER & CO.

Henry Gardner & Co. traded in the traditional non-ferrous metal lines and the results from that section of the business were fully satisfactory. The very severe falls in the price of Rubber, Cocoa and Coffee during 1960 made trading extremely difficult in these commodities and the results were rather less favourable than usual.

The Gardner Subsidiary Companies produced net trading profits substantially ahead of 1959 and of the Sandilands Buttery & Co. Ltd., Malaya, had its best trading year for some time. In Canada, Drew Brown handled an increased volume of business but results were affected by the general tightening of economic conditions and trading profits for 1960 were rather less than in the preceding year.

I take this opportunity of pointing out that the fixed assets of the group are largely warehouses, office buildings, and other things required by merchants. We depend for our success only to a small extent on machinery and industry processes, and to a great extent on the loyalty, energy, and skill of the directors and staffs of our subsidiary and affiliated companies, at home, in Commonwealth countries, and elsewhere, to whom our thanks are due for the continued progress made during the past year.

## THE MUNICIPAL TRUST COMPANY LIMITED

### REVENUE IMPROVEMENT CONTINUES

#### SIR ROBERT ADEANE ON CURRENT YEAR'S OUTLOOK

The eighty-first annual general meeting of The Municipal Trust Company Limited was held on May 24th in London.

Sir Robert Adeane, OBE (the Chairman), who presided, said:

The pattern of improvement in your Company's Profits has continued this year, if anything at an accelerated tempo, and Revenue rose from £171,000 to £205,000, an increase of approximately 20 per cent.

You will not be surprised to note a small increase in Expenses, (including Debenture Stock interest), from £32,500 to £34,000.

Earnings on the Ordinary Capital, which we feel sure you will agree are satisfactory, amounted to 23.8 per cent as against 20.7 per cent last year on a smaller capital. We now have pleasure in proposing a Dividend of 17 per cent, which is a 2 per cent increase on last year. After the dividend is approved and paid there will remain £27,000 to be ploughed back into the Company as against £21,000 last year.

At the year end, February 28th, the break up value of the Ordinary shares was 22s. 10d., 1s. 3d. down on last year but, as I have said before, you do not need to give too serious consideration to this as the Company is not likely to be broken up and as you are no doubt aware markets are a great deal higher today than they were last February. In other words, the break up value is of passing interest but not of great moment.

The Report and Accounts show clearly the distribution of the Company's investments, and what small variations appear between this year and last are mainly consequent upon the alterations in the Stock Exchange prices.

Our holdings in Debentures and Preference Stocks show an increase over last year reflecting to some degree the wide margin between Fixed interest and Equity rates. This ratio may well change back to a more normal relationship between the two if equity prices continue at the present high level.

#### THE CURRENT YEAR

The year we are now in has started well and I would estimate that our Revenue, in terms of cash, will again show an increase, and I feel therefore that we will have no difficulty in paying as good a dividend as we are now.

We anticipate some decreases but we are confident that increases will counteract them.

If as seems probable, this country should join the European Common Market—in one form or another—keen competition and narrower margins of profit will be inevitable in some spheres of industry but I believe that these will be more than made up by the benefits which will accrue in other directions.

The report was adopted.



## GUEST, KEEN & NETTLEFOLDS, LIMITED

TURNOVER EXCEEDS £250,000,000

The annual general meeting of Guest, Keen & Nettlefolds, Limited, will be held on June 22nd at Birmingham.

The following is an extract from the circulated statement by the Chairman and Managing Director, Mr K. S. Peacock:

Turnover in 1960 for the first time exceeded £250,000,000 and was over £31,000,000 up on 1959, reflecting a high rate of activity in most of our works. The greater volume enabled the Group overall to improve slightly on the rate of profit to turnover of 12 per cent achieved in 1959 and resulted in an increase of £5,000,000 in the surplus on trading to a new record of £31,600,000. The high rate of activity was, however, mainly in the first nine months of the year.

In my letter of November 26, 1960, to Ordinary Stockholders announcing the rights issue of 6,582,011 new Ordinary Shares, to which fuller reference is made in the Report of the Directors, I told you that the Board had declared an interim ordinary dividend of 5 per cent, less tax, from the trading profits of 1960 and, in addition, a special non-recurring dividend of 2½ per cent, not subject to tax, from profits on the realisation of quoted investments. Both these dividends were paid on December 31, 1960, on the amount of Ordinary Stock existing before the rights issue.

### DIVIDEND

I also said that the Board intended to recommend a final dividend at the rate of 10 per cent, less tax, payable on the Ordinary Share Capital increased by the rights issue. This view was based on the expectation that the profit, before tax and exceptional items, would be not less than £29,000,000; this figure was estimated conservatively and in the event the actual profit was £30,800,000. After taxation the net profit was £15,194,929, before exceptional items, an increase of £2,183,000 over 1959 which itself was £1,769,000 up on 1958.

The Board, after carefully considering all the factors in the situation, including the recent increase of one fifth in the rate of Profits Tax and the probable trend of trading conditions in 1961, feel justified in recommending a final Ordinary dividend of 11 per cent, less tax, for 1960. This dividend payable on the Share Capital increased by the rights issue will amount to £3,104,241 compared with £2,418,889 for the final dividend of 10 per cent, less tax, paid for 1959 on the Share Capital then in issue.

### CAPITAL EXPENDITURE

The decrease in capital expenditure in 1960 to slightly below the expected level of £18,000,000 was accounted for by the expansion schemes at the three steel works being temporarily slowed down to permit various alterations and additions in plans arising out of important technical developments taking place with great rapidity in the steel industry. Those alterations and additions together with increases in the costs of construction make it appear likely that the total of approximately £20,000,000 to be spent on major schemes in the steel works over the five years 1960 to 1964, to which I referred last year, may well be in fact of the order of £28,000,000.

The Board during 1960 continued to approve substantial schemes of modernisation, and in certain cases expansion, at other works so that at the end of the year specific sanctions outstanding for the Group as a whole amounted to £26,000,000 compared with £18,600,000 outstanding at the end of 1959. In addition there is about £16,000,000 out of the £28,000,000 overall total for the steel works, for which the Board had not given detailed approval at December 31, 1960.

### FUTURE OUTLOOK

A few words about the future. Firstly the short term. In certain directions we have experienced a continuance into the current year of the decline in trading conditions which began in the latter part of 1960. Now, however, conditions appear to be on a slightly improving level although we do not expect the year 1961 to match the record profits of 1960. Apart from the question of volume of business, we are finding increasing difficulty in maintaining our profit margins due to substantially increased costs arising from increases in the price of coal, fuel oil, higher wages and local rates, etc.

Secondly, taking the long term view it will be difficult in the present decade to maintain the rate of growth achieved in the ten years to 1960. Our sales in the home market and as exports from the United Kingdom will be subject to strong competitive influences from the Common Market countries and elsewhere, notably Japan. It must be stressed that most of our products do not go direct to the consumer but to the works of customers who embody them in products sold to consumers; consequently our turnover and our profit margins do not depend only on our own efforts and efficiency but quite largely on the success of our customers in themselves maintaining their trade and their own profit margins in the face of ever increasing world competition.

Our considered policy to meet this situation is to reduce our costs wherever possible, which usually involves capital expenditure, often in very large amounts, and to expand along two broad lines. We must step up output of those products where required by expanding demand from our customers, and we must continually seek to broaden our range of products, which is already very wide.

### GROUP EXPORTS

Exports have been a major pre-occupation of the Group during the past year. We are indirect exporters on a large scale, as well as direct exporters—that is, we supply components for assembly into finished products exported by other industries, for example motor vehicles, as well as exporting our own products direct. In both capacities we are especially concerned over the continued exclusion of the United Kingdom from the European Economic Community. As direct exporters we have already begun to suffer from the raising of the tariffs of some members of the Community to the common external level observed by the Community as a whole; and purchases formerly made from us are, in consequence, being diverted to suppliers from within the Community. As exporters, and particu-

larly as indirect exporters, we cannot but regard the exclusion of this country from the large and prosperous market represented by the Community as an impediment to the long-term growth of the industries which we serve, and we earnestly hope that the Government's efforts to bring about some reconciliation between the Community and the E.F.T.A. countries will have a speedy and successful result.

Whilst there is very little we ourselves can do to increase our indirect exports, every endeavour is being made to increase the proportion of the Group's output which is directly exported. Group companies, for instance, having regard to their particular products and circumstances, are being asked to aim at export targets to which they will try to adhere no matter how strong the pull of the home market; for unless the foreign buyer can count on continuity of supply his custom is likely to be diverted elsewhere.

There are those who contend that many British firms are organised on too small a scale to enable them to export and that one of the reasons for the national failure to export more is to be found in the structure of British industry. One of the strengths of your Group is that each Group company, no matter its size, can continue to enjoy flexibility in its day to day operations, whilst at the same time being able to draw upon the central services which are provided by a large organisation. Two years ago I reported to you the formation of a central advisory service on exports—the GKN Group Export Services Organisation—to gather intelligence on export markets and assist Group companies on export problems. I am happy to say that the Organisation is functioning well and proving a useful and valuable service.

I myself believe that a deeper reason for our national inability in recent years to achieve a better export performance is to be found in the Government's stop-and-go attitude towards industrial investment. Repeatedly in post-war years the Government has tried to encourage exports by taking measures to restrict home demand. In the short term such measures may indeed have a beneficial effect on exports in that industry faced with a falling home demand is forced to export more in order to keep capacity fully employed. The long term result, however, must be to diminish investment and therefore to limit the capacity available to accommodate both a rising home demand and a large volume of exports. What is helpful to exports in the short term is thus inimical to them in the long term.

What is needed is a steadier attitude by Government towards capital investment and the acceptance of industrial growth as an objective of first priority. It will have to be seen whether or not the Government's new powers to regulate the economy between annual budgets will in practice contribute to a smoother growth of investment. British industry must strive to keep abreast of its competitors abroad and, to a large extent, this must depend upon the scale of capital investment in improving techniques with a view to increasing productivity and lowering costs. On the other hand, it is the responsibility of the Government to keep the country's finances in order by a rigid control of Government expenditure and avoidance of recurrent crises on balance of payments.

## THE LAWLEY GROUP LIMITED

QUALITY PRODUCTS AT COMPETITIVE PRICES

### LORD POOLE ON EFFORTS TO EXPAND EXPORT TRADE

The thirteenth Annual General Meeting of The Lawley Group Limited was held on June 1st at Stoke-on-Trent.

The following is an extract from the circulated statement of the Chairman, Lord Poole, CBE, TD:

In my statement on the Company's accounts for 1959 I forecast that the 1960 earnings would be maintained at the 1959 level. I am glad to be able to say that the trading profit, before deduction of tax, for 1960 totalled £512,487 after writing £10,000 off the book value of our Portland Pottery now closed, by comparison with £476,602 for 1959.

Our turnover for 1960 was higher than it was in 1959 and that helped us to meet the increased cost of wages and materials.

Taxation on the 1960 profits absorbed £288,704 leaving £223,783 net profit for the year, out of which it is recommended we distribute £73,500 as a dividend of 20 per cent on the Ordinary Share Capital of the Company, as compared with 15 per cent for the previous year. An amount of £128,537 has been carried forward.

During the thirteen years since its formation there have been considerable changes in the composition of The Lawley Group. It may be of interest if I give some brief particulars of the Group as at present constituted.

We are principally engaged in the manufacture of Bone China and Earthenware Tableware. Our major concern is to produce in large quantities ware of quality to sell both at home and abroad at competitive prices. Continuous effort is put into improving both the quality of our ware and the attractiveness of its patterns without increasing its cost.

We were much encouraged in 1958 by winning the Annual Award made by the Council of Industrial Design, and our products are frequently on display at their centres, and exhibitions overseas. At the same time we maintain a very high production and it is worth noting that our Bone China and Earthenware Factories together regularly produce over 1,000,000 pieces of domestic crockery a week.

### BONE CHINA

Our most modern and most highly mechanised unit is the Coldlough factory at Regent Works, Longton, which is the largest producer of Bone China Teaware in the world. Towards the end of 1960 we purchased adjoining premises to provide space for the further extension of buildings and plant. Work thereon is now proceeding.

At the Paladin factory we make Adderley Fine China Tea and Dinnerware. We still produce one of the original designs first made in 1789, "Blue Chelsea."

In addition to Tableware we manufacture at our Adderley Floral factory, a modern unit completely built and equipped since the end of the War, a very wide range of Bone China

Flower Clusters, Figurines, Birds, Animals and other articles.

### EARTHENWARE

Our Booths Fine Earthenware range consists of high quality traditional patterns, whilst our Ridgway and Swinnerton Tableware cater for the more popular mass markets both at home and overseas.

On a site of 47 acres at Baddeley Green we have a factory unique in the Pottery trade, an up-to-date Earthenware unit all on one level, built within the past four years by our Subsidiary Company, Swinnertons Ltd. The Decorating Section of this factory is not yet complete, but construction is proceeding and there is on the site ample room for the expansion which we anticipate will be necessary.

Other Earthenware factories, the Church Bank Pottery of Booths, the North Staffordshire Pottery, and the Vulcan Pottery of Swinnertons, have all been extensively reconstructed and modernised.

Our last remaining Coal-Fired intermittent "Bottle" Oven ceased to operate during 1960 and all ware firing in our factories is now done either by Gas or Electricity in continuous and intermittent Ovens and Kilns.

Our Catering and Hotel Ware, Vitrocks Earthenware and Globe Vitrified Ware are used extensively both at home and overseas. In particular, our Ridgway factories are suppliers to British Overseas Airways Corporation, Cunard Steam-Ship, Canadian Pacific, British European Airways and many other well-known concerns.

One of the smaller factories specialises in the manufacture of the well-known Abcock, Lindley & Bloore Brown Teapots, which still maintain their popularity.

To service our factories we have at Stoke-on-Trent a Mill for processing flint and stone and glazes.

### SALES

Whilst our major interest is in manufacture, we also operate in this country a chain of Retail China and Glass Stores and Wholesale and Importing Companies. Our best known and biggest store is in Regent Street, London, and it carries on, in addition to the large home trade, a considerable export trade with visitors from abroad. An extension to this store is being planned. Our stores make an important contribution to our profits and they have within the past few years, been modernised, redecorated and re-equipped. In recent years we have acquired a number of well established retail China and Glass businesses, and it is our policy to continue to acquire such businesses whenever suitable opportunities arise.

We export 40 per cent of all our production and overseas markets require close attention, particularly where demand is likely to be subject to variation because of changes in national fiscal policy. To this end we are constantly seeking to develop new outlets for our

products, and we are in particular studying closely the requirements of the European markets. In addition to our agents throughout the world we have our own agency Company in Canada.

### THE OUTLOOK

The industry is faced with a further wage increase of 6 per cent to Pottery operatives in 1961, and other costs continue to rise.

However, although world conditions these days tend to be unpredictable, if there are no international or political upheavals during 1961 I can say that, having regard to conditions existing at the present time, we should maintain our results for next year at least at the same level as those of 1960.

The report and accounts were adopted.

## DARWINS GROUP LIMITED

VALUE OF DELIVERIES EXCEEDS £6½M.

The thirty-second annual general meeting of Darwins Group Limited was held on June 1 at Sheffield, Mr F. Thompson-Schwab, the Chairman, presiding.

The following is an extract from his circulated review:

As I informed you last year the results for the first quarter of the year 1960 showed a very satisfactory improvement on the corresponding results for 1959 and that the prospects for the remainder of the year were most encouraging. This opinion, I think you will agree, has been borne out by the results.

The value of the deliveries made in 1960 was over £6,500,000, which showed an increase of £1,200,000 over the previous year. This has resulted in an increase of 39 per cent in Trading Profit from £444,217 to £617,250. The net profit after all charges is £496,325, from which must be deducted £235,000 for taxation provision. In view of the improved results your Board recommend a final dividend of 10 per cent less tax, making a total for the year of 16 per cent, which compares with a rate of 12½ per cent paid last year, on a smaller capital.

So far as the present year is concerned, we started off with good order books and there has been a continuing steady demand for our products. The setback in the motor car industry had little effect on the Company's trading. The value of deliveries for the first quarter of the year shows an increase over the first quarter of 1960.

For many years we have had business contacts in numerous Commonwealth and foreign countries and fully appreciate the necessity, in the national interest, of increasing our exports. We intend to increase our representation in countries where we have not hitherto done much business with a view to increasing our business in those countries.

After a period of cost stability which has been very welcome, I regret to say that we are again faced with increasing costs this year. In spite of that, owing to our increased production capacity and providing that demand for the Group's products is maintained at the present level, I am confident that we will this year be able to achieve satisfactory results.

The report and accounts were adopted.

# RECKITT & COLMAN HOLDINGS LIMITED

## FURTHER INCREASE IN WORLD SALES

### MR. J. B. UPTON'S REVIEW OF GROUP'S ACTIVITIES

The eighth Annual General Meeting of Reckitt & Colman Holdings Limited will be held in the Connaught Rooms, 15 Great Queen Street, London, W.C.2, on Friday, June 16, 1961, at 11.30 a.m.

The following is an extract from the Chairman's Statement in respect of the year ended December 31, 1960:

The global figures of sales to customers outside the Group show an increase of 13 per cent for 1960 over 1959, which is an improvement on recent achievements. Approximately 60 per cent of those sales are made abroad. Profits, however, for various good reasons, did not increase though the equity interest attributable to ordinary shares grew from £43,301,000 to £45,771,000. Some time ago your Directors decided that a revaluation of the fixed assets of the Company should be undertaken and that revised figures of the value of properties and plant should be brought into the books as from the beginning of 1960. The surplus which arose on revaluation of our properties and plant was £7,719,000; it was almost wholly used to write down the figure for goodwill. Much of the value formerly attributed to goodwill arose from our practice of bringing into the Consolidated Balance Sheet at their book values the Fixed Assets of the business acquired by our Company since its formation in 1953.

#### A SATISFACTORY RESULT

Trading Profit at £9,921,000 is £71,000 less than last year's £9,992,000, but even this small difference is more apparent than real as last year's figure would have been about £100,000 lower had depreciation on the new basis then been in force. Even though your Directors did, at one time, expect better profits they regard the result as satisfactory in the conditions which prevailed during the period under review; moreover there were several untoward and, I hope, non-recurring events outside our control which temporarily reduced our overseas earnings.

Competition increased and in many markets greater expenditure on sales promotion was and still is necessary. Heavy introductory advertising was also used for several new lines and to increase the sales of recently acquired businesses. A satisfactory measure of success has been achieved in this direction and future profits should benefit from this work as they should from the economies which will be possible as a result of the gradual integration of new businesses into the Group.

Provision for taxation has required £4,608,000 after relief of £610,000 in respect of overseas taxation which itself cost £2,369,000.

#### HEAVY BURDEN OF TAXATION

This weight of taxation represents a heavy burden on industry and there are few signs of reductions in any part of the world. Indeed, one of the virtual certainties in the Finance Bill now before the House of Commons is that the Company will be faced with a higher charge for Profits Tax. The extension of the duty on

petroleum of various grades will also affect our Company as will the proposed tax on television advertising which is an unwelcome tax because it is discriminatory against companies such as ours for whom efficient selling presupposes good advertising. The proposed regulatory powers are interesting though I consider that purchase tax should have been rationalised before seeking to use it in this way and I hope that the suggested pay roll tax will never be used; it is bound to be inflationary and to add to the cost of producing goods for export.

The new Group Pension Scheme has been in operation since April 1, 1961. The capital cost of the improved benefits offered by this scheme, in so far as they are attributable to past service, will be met by the Company. The best present estimate of the cost is £500,000. It will provide benefits, including widows' benefits, more generous in relation to the contributions paid by the subscribers than those provided by any of the old funds, while the basic pension, for anyone who has served the Company throughout his working life, will be sufficient, when added to the new State Pension, to ensure an income of not less than two-thirds of a member's pay at about the date of retirement.

#### DIVIDEND

The Consolidated Profit for the year, after taxation, is £5,083,000 compared with £5,371,000 for 1959. Out of this sum your Directors have recommended the payment of the same final dividend as was paid in respect of 1959.

When this rate of dividend was established last year I told you that our 1960 results, at that time, were in accord with your Directors' expectations. Whilst sales came up to expectations, profit margins declined. For 1961 a further increase in sales is forecast and, provided the economic situation does not deteriorate, I expect that the profits also will be higher.

The increase in World Sales to which I have already referred is largely on account of businesses acquired in recent years though what may be referred to as existing businesses also returned better sales figures—especially overseas. In some overseas markets rising costs made it necessary to increase prices when such action was possible but only minor adjustments were needed at home.

So far during 1961 our sales returns are satisfactory and even from the less settled parts of the world we have reassuring reports.

RECKITT & SONS LTD. and its subsidiaries again had a good year. The Company increased its sales and, after advertising at a higher rate than usual, more than maintained its profits without altering the price of any of its products. J. & J. COLMAN LTD. and its subsidiaries also improved both their sales and profits figures. CHISWICK PRODUCTS LTD. and its subsidiaries recorded the highest sales and profits in their history. SISSONS BROTHERS & COMPANY LTD. and its subsidiaries have had a difficult year but one for which the performance is not easily comparable with that of 1959 in that considerable reorganisation has taken place. THE R. T. FRENCH COMPANY of Rochester,

USA, was as successful as had been expected in a difficult year. It again beat its sales record but did not improve its profits.

#### OVERSEAS ACTIVITIES

RECKITT, COLMAN, CHISWICK (OVERSEAS) LTD. and the group of overseas subsidiaries controlled or advised by it had a mixed year. Total sales were up to original expectations and showed a satisfactory increase over 1959. Total profits dropped somewhat, partly because of the cost of developing new trade, in some cases against fierce competition.

Our businesses in AUSTRALIA had another good year and their sales and profits increased. NEW ZEALAND maintained its record for progress of both sales and profits. In CANADA a good increase in sales was obtained but the profit was not so satisfactory. Canada is a very competitive market and the cost of advertising, especially development advertising, is very high.

In SOUTH AFRICA, despite the troubles and uncertainties of the past year, the sales of most of our established lines were well maintained and the growth of the newer products increased our total turnover; profits, however, were static though better earnings in 1961 are expected. It was, of course, with great sorrow that we heard of South Africa's decision to leave the Commonwealth. So far as our substantial business in the Union is concerned, I do not think that this particular political action will in the long run make much, if any, difference. So long as gold retains its value the country will be economically strong and capable of developing still further its latent wealth. Meanwhile, the purchasing power of its inhabitants of all races is higher on average than that in any other part of Africa; there is, moreover, every reason why it should increase and our business is well organised to serve it.

Our INDIAN Company had another good year though taxation there is high. Sales progressed and brought their proper reward. In PAKISTAN sales did not quite reach the exceptional level of 1959. In CEYLON our trade has developed well. It has been based on exports from the UK but, because of the government's plans for expanding secondary industry, we are proposing to set up a small factory there.

In CENTRAL and SOUTH AMERICA progress was adequately maintained and the important markets of Argentina and Brazil did well although inflation and currency depreciation are continuing problems in this part of the world. The new factories in Chile and Venezuela have been working smoothly for over a year and both office and factory enlargements are taking place in several other countries.

#### PROGRESS IN EUROPE

In EUROPE our business progressed though competition is keen, especially in the Common Market countries. France is still our largest market and there both sales and profits were satisfactory. Our new factory at Chartres is now in production and will be a good investment. The new businesses of Jensens in Denmark and

### THE ECONOMIST JUNE 3, 1961

Heine in Germany are being reorganised and developed during which process we do not expect them to be profitable. We are paying great attention to the development of our interests in Germany, where they have never been as strong as they are in other European markets. Western Europe has developed remarkably in recent years and continues to do so, while the economic consequences of the "six" and "seven" can provide problems as well as opportunities. In most countries we are well equipped to cope with

## HARRODS (BUENOS AIRES), LIMITED

### MR O. R. GUARD'S REVIEW

The forty-eighth Annual General Meeting of Harrods (Buenos Aires), Limited, will be held on June 22, 1961, at Winchester House, Old Broad Street, London, E.C.2. The following is a précis of the Review by the Chairman, Mr O. R. Guard, for the year ended August 31, 1960, which has been sent to shareholders:

I must begin by paying tribute to my predecessor, Mr F. A. Stacpole, who died suddenly last November. It is sad that his unexpected death not only robbed his colleagues and the company of a wise leader, but prevented him from putting into effect plans for development on the foundations he had laid.

#### TRADING 1959-60

The late Chairman's Review for 1958-59 drew attention to the sudden change in the economic climate in Argentina at the end of that year, which was affecting our subsequent operations. Up to that time, inflation had proceeded apace for a number of years, so rapidly towards the end that it was not rare to find the cost of replacing merchandise sold catching up or even overtaking retail prices in the shops.

That situation came to an abrupt end when the Argentine Government imposed its austerity plans in July 1959. These produced a marked reduction in public demand and many retailers resorted to marking down prices in order to move stocks acquired in anticipation of continued inflation.

## INNS & COMPANY

(Public Works Contractors, Asphalters, Sand and Gravel Pit and Quarry Owners, etc.)

### ANOTHER SATISFACTORY YEAR

The twenty-sixth annual general meeting of Inns & Company Limited was held on May 20th in London, Mr Walter Wallace (Joint Managing Director) presiding.

The Chairman, in the course of his speech, said:

The consolidated trading profit of the Group for the year amounted to £885,605. This is approximately 10 per cent below the figure of the preceding year, the reduction being due to the effect of the weather on the activities of the Road Surfacing Department. The summer of 1960 was the wettest in our recollection and this not only reduced the Department's turnover, but added to the costs of the work actually executed. In fact, our other Departments showed

### COMPANY MEETING REPORTS

the first and to take advantage of the second. Our total Exports from the United Kingdom were worth £5½ million and represent a useful contribution to this country's economy. The figure could well have been higher but for the political disturbances in the Congo and their effect on other African markets. I referred last year to the tendency of overseas governments to foster local industries and to the effect such policies must have on exports from the United Kingdom. In addition to a probable factory in

We throughout adopted a policy of not buying in excess of expected requirements and were therefore not so heavily stocked as some others, though we were faced with higher stocks than the reduced level of sales demanded. However, by prompt action and determination not to make unnecessary sacrifices of good merchandise, the problem had been reduced by August 31, 1960, to certain lines in certain departments without incurring material losses.

In all the circumstances, the ordinary dividend of 6d. per share less tax recommended is as high as your Board consider prudent.

#### EXCHANGE

The disinflationary measures of the Argentine Government succeeded in halting any further fall in the value of the peso which has now remained at about the same level since August 1959. In fact, there was a very small appreciation during the year under review, so that for the first time since exchange restrictions were lifted in 1955-56 we have not had to provide for any exchange loss.

#### THE CURRENT YEAR ENDING AUGUST 31, 1961

The first three months of the current year showed no clear indication of an improved trend in sales. By December, however, a distinct change in tone was beginning to be noticeable. In January, Sr Zappa, our Director and General Manager resident in Argentina, flew to London and we outlined immediate and medium-term plans for the active development of our trade.

The renewal of confidence in Argentina among bankers and industrialists in Europe and North America is evident. In a free market the ex-

increased turnover and profits for last year. Having regard to the circumstances, the Directors regard the year's results as satisfactory and are recommending the payment of a Final Dividend of 20 per cent as forecast, on the present Ordinary Share Capital.

The Consolidated Balance Sheet shows that the cost of fixed assets is increased by a total of approximately £328,000. This expenditure, together with the considerable increase apparent in stocks and debtors has all been met out of our own resources, and explains the reduction in the cash position. Nevertheless, it should be noted that the total current assets exceed current liabilities by approximately £850,000. The fixed assets continue to be written down in accordance with our standard practice.

Reverting to the higher figure of fixed assets, particular mention should be made of the increase last year in Freehold Land and Buildings—some £200,000. Land purchased by the Company is not always acquired for immediate development, but is bought with the long term view of ensuring continuity of supply of sand,

Ceylon it is likely that in 1961 we shall have to start manufacturing in East Africa and possibly in other markets as well. A manufacturer's urge to export is helpless in the face of action by overseas governments designed to discourage imports; nor will the situation be improved by uncertainties about, let alone increases in, future production costs whether they are the result of a possible tax on manpower or due to any other cause which does not affect our foreign competitors.

change rate has remained stable since August 1959. Though there may be many difficulties still to face an important corner may well have been turned. Ministerial changes in the Argentine Government were announced as this Review went to press. It is too early to assess their implications fully but there seems to be no present indication of any drastic change of policy.

We shall have to envisage embarking more of our funds in working capital in Argentina to support the progress we are planning to produce. So long as exchange fluctuation was an ever-present risk, we naturally have been chary of exposing our reserve sterling resources to that particular danger, which has cost us so dear in the past. We shall be careful not to do too much too quickly. We aim rather at promoting a steady expansion of sales step by step so that we can consolidate our position as we go.

I am pleased to say that shortly after his return to Buenos Aires, Sr Zappa advised me that he had put the first steps of our plan into effect and that our managements had reacted with enthusiasm.

I was able to appreciate this personally, when I paid a visit to Argentina in April, in order to renew my impression of our stores in Buenos Aires and to see on the spot how our business was going. Up to the time of my visit, sales in Buenos Aires had fulfilled our expectations. In the provinces, last year's recession took longer to make itself felt and consequently recovery has been somewhat delayed. I was greatly impressed by our stores which have undergone many changes for the better and also by the confidence with which our managements are tackling their tasks. I feel sure that, so far as our trading results depend on our own efforts, improved profits can be shown in the current year.

gravel, and other stone, over a wide geographical field, for many years.

After providing for the Capitalisation issue which took place last year, the General Reserve now amounts to £650,000.

In February of this year, Shareholders were informed of the acquisition by this Company of the whole of the issued Share Capital of Land Reclamation Co. Ltd.

In the explanatory circular it was fore-shadowed that the profit of that Company for the year ended March 31, 1961, would be in the region of £55,000. I am pleased to tell you that the estimate has been exceeded, the final figure of profit, subject to audit, being approximately £60,000. This new Subsidiary should make a valuable contribution to the earnings of the Group.

The current year has started well, with an increase in turnover, and as your Group of Companies is well placed to meet all normal demands, I feel confident that last year's performance will be improved upon.

The report and accounts were adopted.



## THE SANDVIK STEEL WORKS CO. LTD.

(Iron and Steel)

### CONTINUED HIGH DEMAND FOR PRODUCTS IN 1960

#### EXPORTS INCREASED BY 29%

The annual general meeting of Sandvikens Jernverks AB was held at Sandviken, Sweden, on May 6th. The following is an extract of the report circulated with the accounts.

#### REVIEW OF THE TRADING YEAR

The invoiced sales of the Sandvik Group of Companies for iron, steel and tungsten carbide products amounted to £31.3 million, an increase of 21 per cent compared to 1959. The corresponding figures for the Parent Company show an increase of 28 per cent over 1959 and amounted to £24.5 million.

The value of exports rose to £16.5 million (29 per cent over 1959) and represent 68 per cent of the Parent Company's sales.

#### SUBSIDIARY COMPANIES

The Parent Company now owns all the shares in See Fabriks AB, at Sandviken, who manufacture steel tube specialities.

A new subsidiary, Sandvik Asia Ltd., has been established in India. A plant to manufacture tungsten carbide products is under construction at Poona, and the Parent Company is putting qualified technical and sales personnel at the disposal of the new subsidiary.

The Argentine subsidiary, La Metalurgica Sueca S.A., is now wholly owned.

The two UK subsidiaries, Sandvik Swedish Steels Ltd., Halesowen, Birmingham, and Sandvik Steel Band Conveyors Ltd., Selly Oak, Birmingham, have had an encouraging year of improved trading.

#### INVESTMENT PROGRAMME

During 1960 the Parent Company's investment programme was more extensive than ever before in the long history of Sandviken. In addition to the plant including six-ton high-frequency electric furnaces completed a year ago, a ten-ton high-frequency furnace has recently been installed and commissioned for the additional production of high-quality stainless steel. A new mill for the cold-rolling and heat-treatment of steel tubes began production at the end of 1960, while a bigger plant for the extrusion of stainless steel tubes will start production in 1962. The capacity for cold-rolling strip and wire products, as well as other finished goods, has been increased, and further extensions are under way.

A metallurgical laboratory was commissioned in 1960, and a further new research laboratory is now approaching completion, and will be officially opened in June by the King of Sweden. It includes X-ray equipment and an electron microscope for research into the molecular physics of ferrous metals.

To meet the increased demand for hard metals (tungsten carbide, cutting tips for machine tools and rock drills) the Company's present plant outside Stockholm is being extended and a new plant for the production of tungsten oxides is under construction. Two new workshops were completed during 1960, one for the production

## COMPANY MEETING REPORTS

of rock drill bits and the other for the manufacture of turning tools.

### RESULTS

The trading results of the Parent Company after depreciation of plant and machinery by 30 per cent and buildings by £200,000 was as follows:

|                   | 1960<br>£ millions | 1959<br>£ millions |
|-------------------|--------------------|--------------------|
| Profit before tax | 4.36               | 4.02               |
| Less Reserves:    |                    |                    |
| Pension fund      | 0.12               | 2.62               |
| Investment        | 0.69               | 0.28               |
| Stock reserve     | 2.49               | 0.34               |
|                   | 3.30               | 3.24               |
| Taxes             | 1.06               | 0.78               |
|                   | 0.42               | 0.31               |
| Net profit        | 0.64               | 0.47               |

### NEW CAPITAL

Loans amounting to £1.72 million and £970,000 have been obtained by the issue of Debentures and Notes respectively.

The increase of the share capital recommended by the Board was approved at the Annual General Meeting and 276,666 shares—each of a nominal value of 100 SwKr—will be issued. This represents an increase of the share capital from £5.72 million to £7.63 million. The present shareholders will be given preferential right to buy one new share for every three held.

### BOARD OF DIRECTORS

Gustaf Söderlund, Chairman; Hugo Stenbeck, Vice-Chairman; Tage Wärm; Wilhelm Haglund, Managing Director; Georg Ekman; Lennart Magnuson; Göran Lindblom.

## THE ECONOMIST JUNE 3, 1961

### HUPFIELD BROTHERS

(Makers of Injection Moulding Machinery)

#### FURTHER EXPANSION

The twenty-fourth annual general meeting of Hupfield Brothers Limited was held on May 29th in London. The following is an extract from the circulated statement by the Chairman and Managing Director, Mr. A. Hupfield:

The Company became a Public Company just over a year ago. The accounts refer to the financial year ended December 31, 1960, and they show a satisfactory increase in Profit over the comparable period in 1959.

During the year, apart from increasing our current turnover by some 45 per cent several steps have been taken to provide a solid basis for further expansion. In July of last year, your Company acquired the whole of the Share Capital of Link Engineering Ltd., and the productive capacity was almost entirely turned over to the production of Plastics Machinery by the end of the year.

Our factory at Daventry came into operation during the year and made a satisfactory contribution to our total result. In November, work was started on the extension to the main factory and offices at Hendon and it is expected that this will be available for occupation by the middle of 1961. These steps should enable us to meet the increased demand for Plastics Machinery which must inevitably result from the published increase in output of raw materials which is anticipated in the next 10 years.

Long term prospects are promising. Our orders in hand are sufficient to ensure full production at all our factories for many months to come.

## THE ECONOMIST JUNE 3, 1961

### CHIESMANS LIMITED

The annual general meeting of Chiesmans Limited was held on May 26th in London.

Mr C. S. Chiesman, chairman and joint managing director, presided and, in the course of his speech, said:

It gives me much pleasure to report a satisfactory increase in the net profits of the Group, both before and after tax.

Profits before tax totalled £176,146 compared with £135,487 in the previous year, and after provision for tax, £104,222 compared with £62,189.

This increase in a year of expanding sales, but ever increasing costs, contains, I am pleased to say, a contribution from each of the seven Stores in the organisation.

Because I am able to report that all the businesses in the organisation are in sound condition and are all contributing to an increasing Group profit, your Board has pleasure in recommending an increase in the ordinary dividend to 15 per cent. In accordance with our Capital structure, this will have the result that, for the first time since the "A" and "B" ordinary shares were created, they will rank for a dividend of 2½ per cent (the excess over the 12½ per cent).

Turnover during the current trading year is in excess of that during the comparable period for the year ended 31st January, 1961, and there are sound reasons for believing that your Company's business will continue to prosper.

The report was adopted.

## COMPANY MEETING REPORTS

### BARTON & SONS

The twenty-fourth Annual General Meeting of Barton & Sons Limited was held on May 31st in Birmingham.

The following is an extract from the circulated statement of the Chairman, Mr H. Prichards:

The group trading for the year 1960 resulted in a record profit before taxation of £1,135,113, an increase of some 9 per cent over the previous year which itself was a record. A substantial contribution to group profits is now made by the three companies engaged in the production of steel tubes and fittings and our output of these products again constituted a record.

With the proposed final dividend of 12½ per cent the effective distribution for the year totals 20 per cent and compares with 17½ per cent in 1959.

The fixed investments of the company are now much in excess of the issued capital and in order to bring these more into line it is proposed to make a scrip issue of one new share for every four ordinary stock units held.

The Group Net Profit for the year after meeting all charges including taxation is £587,971 compared with £545,217 last year.

The first three months trading of 1961 compares quite favourably with the corresponding period of 1960 and I see no reason why satisfactory results should not be produced in the current year.

The report was adopted and resolutions increasing the capital of the Company to £3,500,000 by the creation of 4,000,000 additional 5s. Ordinary Shares and giving effect to the one-for-four scrip issue were approved.

### VOSPER LIMITED

(Shipbuilders & Engineers)

The 24th annual general meeting of Vosper Limited will be held on June 2nd at Portsmouth.

The following is an extract from the circulated statement of the chairman, Mr. Owen R. Guard: Despite an increase in turnover, profit margins have suffered owing to the delay in receipt of orders for the fast patrol boats, which is our traditional business. A promised order for two Gas Turbine engined fast patrol boats from the German Ministry of Defence was much delayed, and when eventually received, was too late to be of benefit to the year's accounts.

The accounts show a net loss of £29,828, which compares with a net loss of £17,142 for the year ended December 31, 1959. Your Directors regret they are unable to recommend payment of a dividend.

As a result of the order from the German Ministry of Defence, our Sales Department are now in close negotiation for a number of similar craft for some of the more important navies of the world.

Taking into consideration the world-wide difficulties in the class of work we undertake, it would seem we are obtaining more than our share, while the rapid expansion of our roll damping, electrical, research and other new divisions indicates a very live concern determined to keep out in front technically.

Whilst it is always difficult to forecast future trading results in this specialised business, our better balanced order book and the high level of export enquiries give grounds for reasonable optimism for the coming years.

## M. BERTISH & CO. LTD.

# TERN

by Consulate

### NAME CHANGED TO "TERN-CONSULATE LIMITED"

#### PROFIT AND DIVIDEND FORECAST EXCEEDED

The fifty-second annual general meeting of M. Bertish & Company Limited was held on May 30 in London, Mr M. A. Nachman (Chairman and Joint Managing Director) presiding.

The following is an extract from his circulated statement:

Although this is the fifty-second Annual General Meeting of the Company it is the first since our shares were placed on the London Stock Exchange.

The Consolidated Profit for 1960, before Taxation, was £266,559, as compared with £205,098 for 1959 and £220,000 as forecast in the Advertisement dated November 29, 1960.

In view of the increased profit your Directors feel justified in recommending a dividend of 25 per cent less tax, which compares with the forecast of 22½ per cent made in November, 1960.

Sales so far for 1961 compare favourably with 1960, but I think it too early to forecast an estimate of what this year's results will be as, in spite of a tendency for prices of some of our raw materials to rise, it is the declared policy of your Directors to maintain the current retail prices of our products as long as possible. Nevertheless, I feel confident that our profits for 1961 will again be satisfactory.

Referring to the Board's proposal to change the Company's name to "Tern-Consulate Limited," the Chairman said: Your Directors feel that as the Company's trade mark is "TERN" by Consulate it is desirable that the name of the Company should in future be more easily identified with its extensively advertised products.

I would like to explain that in the past it has been the practice of the Joint Managing Directors to alternate in the holding of the post of Chairman. We wish to continue this principle and propose that the change should take place each year at the conclusion of the Annual General Meeting. Accordingly, I have great pleasure in introducing to you Mr D. G. Bertish, who will be your Chairman for the ensuing year.

The report was adopted and the change of name approved. The Chairman then made the following additional remarks:

I am very pleased also, to inform you that our forward order position again shows a most encouraging increase compared with last year.

Furthermore, your Board has considered the question of paying interim dividends, and we have decided to implement this on or about November 30th Next.

## RAND MINES, LIMITED

(INCORPORATED IN THE UNION OF SOUTH AFRICA)

### SUMMARISED BALANCE SHEET, 31st DECEMBER, 1960

| CAPITAL AND RESERVES          |                                                 | PROPERTY AND NET ASSETS                                                                                                                                                                              |            |
|-------------------------------|-------------------------------------------------|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|------------|
|                               | R                                               |                                                                                                                                                                                                      | R          |
| Share Capital—                |                                                 | INVESTMENTS—                                                                                                                                                                                         |            |
| Authorised .....              | 3,400,000 shares of 50c. each .....             | Quoted shares, etc., Stock Exchange value—R29,183,270.                                                                                                                                               |            |
| Less: Held in reserve         | 349,005 shares of 50c. each .....               | Investments are valued at cost, less amounts written off, but in no case above Stock Exchange value .....                                                                                            | 18,422,898 |
| Issued .....                  | 2,850,995 shares of 50c. each, fully paid ..... | Unquoted shares, etc., at cost or Directors' valuation, whichever is the lower .....                                                                                                                 | 900,572    |
| Share Premium .....           |                                                 |                                                                                                                                                                                                      | 19,323,470 |
|                               | 4,338,790                                       | SUBSIDIARY COMPANIES—                                                                                                                                                                                |            |
| Revenue Reserves—             |                                                 | Shareholdings, R1,018,295; Loans and Current Accounts, R209,346 .....                                                                                                                                | 1,227,641  |
| Investment .....              | 13,782,844                                      | FIXED ASSETS—                                                                                                                                                                                        |            |
| Exploration .....             | 464,437                                         | Trade investments, at cost .....                                                                                                                                                                     | 425        |
| Gratuities .....              | 120,000                                         | Freehold properties, etc. ....                                                                                                                                                                       | 5,822      |
| Profit and Loss Account ..... | 837,353                                         | Furniture, plant, vehicles, aircraft, etc. ....                                                                                                                                                      | 103,382    |
|                               | 15,224,634                                      |                                                                                                                                                                                                      | 109,629    |
|                               |                                                 | CURRENT ASSETS—                                                                                                                                                                                      |            |
|                               |                                                 | Stores, R32,382; Loans, R398,132; Debtors and payments in advance, R157,196; Dividends receivable, R786,851; Cash deposits, fixed and on call, R915,363; Cash at Bankers and in hand, R167,374 ..... | 2,457,298  |
|                               |                                                 | Deduct: LIABILITIES AND PROVISIONS—                                                                                                                                                                  |            |
|                               |                                                 | Creditors, R1,107,693; Shareholders—Dividends, R935,697; Provision for claims in respect of forfeited dividends, R85,726 .....                                                                       | 2,129,116  |
|                               |                                                 |                                                                                                                                                                                                      | 328,182    |
|                               | 20,988,922                                      |                                                                                                                                                                                                      | 20,988,922 |

### EXTRACT FROM PROFIT AND LOSS ACCOUNT

|                                                                 | R | R         |                                                                 | R         | R       |
|-----------------------------------------------------------------|---|-----------|-----------------------------------------------------------------|-----------|---------|
| PROFIT                                                          |   | 2,653,297 | Deduct: Dividends—Nos. 114 and 115 each of 30c. per share       | 1,710,596 |         |
| BALANCE OF PROFIT AND LOSS ACCOUNT at 31st December, 1959 ..... |   | 864,652   | Transfer to Investment Reserve .....                            | 250,000   |         |
|                                                                 |   |           | Transfer to Exploration Reserve .....                           | 700,000   |         |
|                                                                 |   |           |                                                                 | 2,660,596 |         |
|                                                                 |   | 3,517,949 | BALANCE OF PROFIT AND LOSS ACCOUNT at 31st December, 1960 ..... |           | 857,353 |

In terms of the Decimal Coinage Act, 1959, of the Union of South Africa, decimal coinage was adopted in the Union with effect from 14th February, 1961, the rate of conversion being one pound equals two Rands, i.e., £1—R2.

The full Report and Accounts may be obtained from the London Secretaries, A. Moir & Co. Ltd., 4, London Wall Buildings, London, E.C.2.

## JOHN BRIGHT & BROTHERS

### TURNOVER AND PROFITS SUBSTANTIALLY INCREASED

The Thirty-eighth Annual General Meeting of John Bright and Brothers, Limited, will be held on June 21 in London.

The following is an extract from the Statement by the Chairman, Mr Fred Train, circulated with the Report and Accounts for the year ended March 31, 1961:

As a result of an increase in turnover and other benefits from improved operating, the Group Profit after deducting the charge for Depreciation and the cost of the Staff Pension Scheme, but before charging Taxation, shows a material improvement at £553,893 compared with £389,839 for the previous year. This result fully justifies the Board's decision in December last to restore the interim payment on the Ordinary Stock to 10 per cent which, with the proposed final dividend of 15 per cent, brings the total distribution for the year up to 25 per cent as compared with 22½ per cent for each of the two previous years.

At the Annual General Meeting recommendations will be put before you to bring the Issued Capital and the Capital actually employed in the business more into line. We are suggesting an increase in the Authorised Capital from £1,500,000 to £3,000,000 by the creation of 6,000,000 Ordinary Shares of five shillings each and the Capitalisation of the sum of £1,200,000 to be applied in the paying-up in full of 4,800,000 Ordinary Shares to be issued to exist-

## THE DRAYTON REGULATOR AND INSTRUMENT COMPANY

### PROFITS AGAIN INCREASED

The twelfth annual general meeting of The Drayton Regulator and Instrument Company Limited was held on May 30 in London, Mr P. H. Lloyd, TD, DL (the Chairman), presiding.

The following is an extract from his circulated statement:

It will be remembered that last year I forecast a rise in the cost of raw materials, wages and services. These rises have come about and have had an effect upon the trading conditions of your Company but I am happy to report that, notwithstanding this, the profits for the year have again increased.

The consolidated trading profits for the year amounted to £351,842 compared with £327,814 last year. After deducting depreciation and taxation, the profits for the year amount to £152,389 compared with £143,320 last year.

**Production.**—Reorganisation of our shops is proceeding and production has further increased. The new factory was finally taken over in November and is in the course of being occupied. Naturally, the benefits of its acquisition were not felt in the results for the year under review.

Having reviewed the satisfactory progress and outlook of the subsidiaries and joint companies, namely, Drayton Controls (Heating) Ltd., Drayton Johnson Ltd. and Drayton-Southern Ltd., the chairman, in referring to two further projects launched since the last Annual General Meeting, said:

**Drayton Castle Limited.**—Your Company has joined the Wilmot Castle Company of Rochester, USA, in forming a Company in which your Company holds 51 per cent of the share

## COMPANY MEETING REPORTS

ing holders of Ordinary Stock in proportion to their respective holdings as set out in the Resolutions of which you have notice.

Group turnover has again been substantially increased, and the uplift in Group Trading Profit of 30 per cent reflects the benefits of increased output resulting from the concentration of production and greater use of shift-working.

### EXPANSION AND DIVERSIFICATION

We have taken a further step forward in the widening of our interests by the installation of a plant for the production of yarn required in the manufacture of Tufted Carpets. This is a new venture and one which we feel will be advantageous to the Company. In addition, we are erecting a building to house a specialised unit for the production of hose by a modern method of circular weaving. This is complementary to our plant laid down some years ago for the weaving of circular fabric on flat looms which has proved so successful as a base for present-day fire-fighting equipment. These are points of expansion and diversification within our own industry and are quite apart from our general policy of modernisation. Our confidence in the future is clearly illustrated by forward Capital Commitments of £425,795. This is a large sum and it must be encouraging to you to know that we are able to finance such projects from our own cash resources.

This year will be a period of consolidation when our efforts will be directed to the speedy completion of the plans in hand. The improvement in trading seems likely to continue and consequently I feel we may look forward to another successful year.

capital. Our partner is one of the leading manufacturers of sterilising equipment, operating theatre lights and operating tables in the USA. Manufacture of the Wilmot Castle range has already commenced in our new factory. We view the prospects of this development with considerable optimism.

**Drayton Greaves Limited.**—It is felt that with the industrial expansion in India the profitable sale of our products will be of increasing importance in that country; consequently your Company has joined with Greaves Cotton & Company Limited of India to form this Joint Company in which we hold 49 per cent of the share capital.

**Shipping Industry.**—The growth in our marine department has been most gratifying. A few years ago the turnover was quite negligible, but uses for Drayton products have been developed to such an extent that a very large proportion of the new British Ocean-going liners carry Drayton controls of one kind or another as part of their equipment. The export market is being cultivated with encouraging results.

**Brewing Industry.**—Steady progress is being made in this field.

**Small Geared Motor Units.**—Substantial orders have been received and prospects are good.

**X Valves.**—Our range of valves for use with automatic controllers is being extended.

**The Future.**—In general, trade is buoyant but competitive. Sales to date are ahead of last year and at the time of writing there is no reason to suppose that they will not continue to be so.

The report was adopted and a total distribution of 25 per cent (22½ per cent) was approved.

At subsequent special meetings, the board's proposals concerning the change of the company's name to "Drayton Controls Limited" and alterations to the Articles of Association were duly sanctioned.

## RUMIANCA S.P.A.

### Turin, Italy

(Fertilisers, Chemicals, etc.)

### PLANS FOR EXPANSION IN SARDINIA

The annual general meeting of Rumianca S.p.A. (Corso Montevecchio 37, Turin), took place in Turin on April 29, under the chairmanship of Avv. Riccardo Gualino, and in the presence of more than 200 Shareholders representing, either personally or by proxy, a total of over 7,200,000 shares.

The Meeting received with warm appreciation both the Report of the Board, and the extensive information supplied by the President regarding the industrial progress realised by the Company and the projected plans for the future industrial expansion programme. These include the construction of a large complex of installations in Sardinia.

It was subsequently proposed to distribute a dividend of Lit.100 per share, payable on May 8, equivalent to 10 per cent on the current capital, and to carry forward to next year the resulting profit balance of Lit.429,330,605.

The report, the accounts and the proposals put forward by the Board of Directors were adopted.

## THE FRIARS INVESTMENT TRUST

### LARGER REVENUE & DIVIDEND

The thirty-fourth annual general meeting of The Friars Investment Trust, Ltd., was held on May 29th at 33, Cornhill, London, EC, Mr J. N. Buchanan, DSO, MC, chairman, presiding.

The following is the chairman's statement circulated with the report and accounts for the year ended February 15, 1961:

The year just ended has been a satisfactory one. Gross income is £342,666, against £303,119 for the previous year, the increase being entirely due to a rise of £40,000 in dividend and interest collections. After payment of all expenses, interest and taxes, the net revenue for the year is £174,568. This is equal to earnings of 14.25 per cent, against 12.48 per cent a year ago.

### RESERVE STRENGTHENED

The board recommend a final dividend of 8 per cent, which with the interim dividend of 3 per cent already paid, makes a total of 11 per cent for the year. The dividend paid for the previous year was 10 per cent. The good results have enabled the board to transfer £45,000 to the General Reserve Fund, which now stands at £150,000. Subject to unforeseen circumstances, the board intend to pay an interim dividend of 5 per cent in the current year. This increased payment does not indicate an increase in the total dividend for the year but is being made only to reduce the disparity between the interim and final payments.

The valuation of our investments at the date of the Balance Sheet amounted to £7,779,000, against £7,259,000 a year ago. A detailed classification of the investments, which number 445, is again included in the report and shows the wide spread of the portfolio.

# COMPANY AFFAIRS

## Report from Industry

At this time of year the chairmen of some of Britain's largest companies give some interim indication of trading trends. The cautionary note struck by the chairmen of ICI and Guest Keen and Nettlefolds is echoed by several others.

Sir Edward Beharrel, chairman of Dunlop Rubber, speaks of a quiet start to the year as a result of the motor industry's setback, but offers good reason to hope that the group will make further progress this year. The present wide disparity between the interim and final dividends is to be reduced, but is not to be taken to imply a higher distribution for the year. In Europe Dunlop has opportunities for full participation in both the common market and EFTA whether they come together or not, but Sir Edward warns shareholders that this closer association affords the opportunity for growth which has then to be achieved.

Another company closely connected with the motor industry, Pressed Steel, is now operating its motor body division at "a reasonable level," although well below the peak achieved in 1960. The chairman, Mr Alex Abel Smith, reports some improvement in the demand for refrigerators, though not to the level he would like to see. Gloomier news was that an important

tooling contract had been lost as result of the unofficial strike at the group's Swindon factory.

Mr Bridgeman's description of the trade of British Petroleum in 1960 as "increasing demand coincident with increasing competition" applies equally to the first four months of 1961, when sales rose by 8 per cent compared with 15 per cent for the whole of 1960. Mr Bridgeman describes this increase as "not unsatisfactory" in current conditions, but declining margins throughout the oil industry suggest that the increase in profit this year is likely to be slim.

With the completion of the *Canberra* for P & O, Harland and Wolff is for the first time in many years without any passenger liner contract. Mr J. S. Baillie, the deputy chairman, says of the proposed new Cunard liner that Harland and Wolff's "unique experience in the design and construction of passenger carrying vehicles" makes it fully capable of carrying out such a contract. Since the annual meeting it has been announced that the maintenance of the Queens is to be taken over by Harland and Wolff later this year. Given the present state of the shipbuilding industry, Mr Baillie holds out no early prospect of a substantial recovery in distributable profits.

## Guest Keen and Nettlefolds

In the last ten years sales of Guest Keen and Nettlefolds have risen from £68 million to £252 million and the capital employed by the group from £57 million to almost £180 million. Ordinary shareholders have enjoyed even greater expansion; net profit attributable to them has soared from under £3 million to £15 million while the £4½ million paid out in ordinary dividends in 1960 (excluding the special non-recurring dividend of almost £1 million) compares with £890,000 for 1951. Few companies can claim such growth and Mr K. S. Peacock, the chairman, now warns shareholders that it will be difficult to maintain it over the next ten years. He points to the strong competition from Japan and from the Common Market. Already the group is beginning to suffer from higher tariffs and the chairman hopes for a speedy reconciliation between the common market and the EFTA countries.

The latter part of last year saw some fall in the volume of business, which is only now beginning to pick up; but this, coupled with the difficulty in maintaining profit margins, is likely to mean that profits in the current year will not reach the record level of 1960.

While profits may not record a seventh successive increase, there is to be no let up in the group's capital expenditure which is likely to exceed the level of recent years. Expansion schemes at GKN's three steel works were slowed down in 1960 so that plans could be adjusted to take in certain technical developments in the steel industry. Now the cost of these schemes in the period 1960-64 is expected to be about £28 million rather than the £20 million estimated last

|                            | 1951          | 1955           | 1959           | 1960           |
|----------------------------|---------------|----------------|----------------|----------------|
| Turnover                   | £'000s 68,333 | £'000s 145,913 | £'000s 220,807 | £'000s 252,473 |
| Total net assets employed  | 57,388        | 104,445        | 157,723        | 179,908        |
| Trading surplus            | 9,226         | 18,777         | 26,550         | 31,620         |
| Net equity profit          | 2,907         | 8,205          | 12,794         | 14,964         |
| Ordinary dividend          | 890           | 1,597          | 3,628          | 4,314          |
|                            | %             | %              | %              | %              |
| Trading surplus/turnover   | 13.5          | 12.9           | 12.0           | 12.5           |
| Trading surplus/net assets | 16.1          | 18.0           | 16.8           | 17.6           |

year. In addition the directors have approved substantial modernisation schemes for other of the group's works and commitments at the end of the year amounted to £26 million against £18.6 million. With the receipt of the final instalment of last

November's rights issue, liquid assets must amount to about £31 million while the group's cash flow is now running at an annual rate of £18 million.

As this last figure implies, cover for the ordinary dividend is well above average—3½ times—and the shares are on an earnings yield basis of 11½ per cent. Not surprisingly, the chairman's cautious view of GKN's future prospects caused a sharp fall of 11s. to 93s. and they now yield 3.4 per cent on the dividend.

## Associated Portland Cement

It was disappointing profit figures rather than the bigger dividend and the proposed one for two scrip issue that caught the market's eye in the preliminary statement from Associated Portland Cement. But for the issue, the shares would have no doubt been marked down more than by 6s. 1½d. to 87s. 9d., at which they yield 2½ per cent on the dividend raised from 11 to 12½ per cent.

Not for the first time the results of Associated Portland have proved disappointing, not only against the background of a buoyant building industry (reflected much

|                              | 1959          | 1960          |
|------------------------------|---------------|---------------|
| Trading profit               | £'000s 15,287 | £'000s 15,940 |
| Investment income            | 677           | 734           |
| Depreciation                 | 4,520         | 5,072         |
| Profit before tax            | 11,182        | 11,432        |
| Tax                          | 5,592         | 5,740         |
| Outside shareholders         | 194           | 163           |
| Net profit                   | 4,992         | 5,170         |
| Ordinary dividend            | 2,020         | 2,076         |
| Ordinary dividend (per cent) | 11.0          | 12.5          |

more clearly in the sharp rise in profits of Rugby Portland Cement) but also in relation to the interim report of last October. Then the directors told shareholders of higher deliveries of cement to the home market and of slightly lower exports but with higher profit margins.

Selling about two thirds of the cement used in this country, APC at present stands to gain less than some of the smaller companies in an expanding market and it remains to be seen whether the large expansion programme for the home market which will raise APC's capacity by about one million tons a year will be reflected in sharper increases in profits. Meanwhile the recent increase in the price of cement should have made up for any fall in margins.

## Turner and Newall

ALTHOUGH Turner and Newall's trading profit was a record last year, it exceeded the previous peak in 1956 by the barest margin. It also seems that only a large expansion in turnover restored profits to their former peak. Despite the stock's African flavour, Turner and Newall's £1 ordinary shares at 68s. 9d. yield only 3½ per cent. One influence on this low yield is the recent liberalisation of dividend payments. The interim dividend for the year to September 30 has now been raised from the



**Wilmot Breeden**

equivalent of 2½ per cent to 4 per cent. Despite the customary disclaimer, this may well be the prelude to a further rise in dividend from the equivalent of 12 per cent paid last year. Reduced profit margins have not prevented a slight rise in the net profit earned by the manufacturing companies in the first half of the financial year, and the trading profits of the mining companies were higher, but one subsidiary, British Industrial Plastics, suffered a reduction in profit despite maintained turnover.

The directors of Turner and Newall say that the trading results for the first six months of the financial year were satisfactory and that the same should hold true for the remainder of the year. Europe's building boom should certainly bolster sales. Last year's ordinary dividend was covered 2.3 times by earnings, leaving sufficient scope for an increase in the dividend this year.

**United Drapery Stores**

OF the increase of £1.1 million in United Drapery Store's trading profit for the year ended January 28, 1961, £864,000 came from increased profits from the group's existing businesses and £213,000 from new acquisitions. Mr Joseph Collier tells shareholders that new businesses are increasingly difficult to find on reasonable terms but following last October's £4 million rights issue UDS has the advantage of being able to offer cash for anything but the biggest. At the end of January, cash holdings totalled £6.1 million and while the group's capital expenditure plans are considerable, they seem likely to be largely financed from the cash flow which is now at an annual rate of £2½ million.

Lack of suitable acquisitions has not lessened the growth potential of UDS. Besides substantial extensions to various department stores 16 new multiple clothing shops were opened last year and 19 new credit branches. Capital expenditure in the current year is expected to amount to £3 million out of total commitments of over £4 million. Many of the new shops have been built into office blocks and soon UDS will have 85,000 square feet of offices available or let in good positions. This should swell further the group's rental income which amounted last year to about £400,000 from property let to tenants outside the group.

Sales so far in the current year have shown a substantial improvement over those for the first quarter of 1960 which, as Mr Collier points out, was a period without hire purchase restrictions. Thus while sales on hire purchase have declined, "budget" and short term credit sales have risen sharply so that the provision for unearned profits has fallen only slightly from £3.5 million to £3.3 million. On the sharply raised dividend, 45 per cent against 37½ per cent, the 5s. shares still yield only 2.9 per cent at their current price of 77s. This low return looks forward—and back over the past dozen years when the massive expansion in the group's assets was matched by sharply rising trading profits.

LAST year the output of British cars rose by 14 per cent but the increase was concentrated in the early part of the year and by December output was running at 55 per cent of the peak June level. This setback, coupled with rising costs, lowered the trading profit of Wilmot Breeden for the first time in eight years, by 12½ per cent from £2,392,000 to £2,085,000. Margins on sales seem to have narrowed, and have no doubt been squeezed further by the long-term expansion plans of the group which have been continued through this phase of excess capacity involving growing expense at a time of falling receipts.

However the group is not dependent upon the British motor industry alone. It has interests in flight components and electronics but the most important subsidiaries are those engaged in car component production in France, which give Wilmot Breeden a springboard into the Common Market. For the French companies, which make car seats and mechanisms, Wilmot Breeden has subscribed £600,000 in new capital, and working capital has been bolstered by an additional £1.2 million from a French State Loan and a non-repayable state subsidy. The expenses of forming these companies have now been written off and they should begin to contribute more freely to earnings in the current year. The chairman, Mr D. L. Breeden, says that the fall in car production will lower profits and it is not yet clear whether output will rise significantly during the rest of the year. The group's other activities are all yielding higher profits though they are hardly big enough to provide a sufficient hedge against the slackness of the motor industry. With the ordinary dividend effectively unchanged at 11½ per cent covered 2½ times by earnings, the 5s. ordinary shares at 16s. 3d. yield 3½ per cent.

**Consolidated Zinc**

THE fall in Consolidated Zinc's consolidated trading profit from £4,163,000 to £3,871,000 in a year in which the value of lead and zinc rose output increased and mining costs fell shows how much more than a mere producer of lead and zinc concentrates the group has become. Installing the group's Imperial Smelting furnace at Swansea has evidently been more costly than expected. This, together with lower profits from the sale of pigments and some stock losses, more than offset bigger profits from the Avonmouth smelter and from sulphuric acid. In his review, Mr L. B. Robinson implies that the new smelter was not fully into its stride until the end of the year. It has now surpassed its rated capacity, and the chairman seems optimistic that still greater efficiency will be achieved.

Revenue flowing from the licensing of this smelting process to other producers dropped by £159,000 to £283,000 last year, but its successful debut at Swansea appears to have awakened interest in it. The

Swansea project absorbed a large part of the £6 million invested by the group in buildings and plant during 1960. Liquid assets were drawn down from £8,077,886 to £1,724,144 but at the end of the year capital commitments were reduced to £3,765,000. This year the group receives two instalments of £1¼ million on the £10 million loan stock subscribed by the British South Africa Company to finance part of the Comalco aluminium project. A loan of £1 million for financing the construction of the group's new building in Melbourne also remains to be drawn.

Since breaking with British Aluminium and linking with Kaiser last year, Consolidated Zinc has been vigorously expanding its aluminium interests. A fabricator, Austral Bronze, has been acquired and new rolling facilities, hot breaking down mill and foil rolling plant will be installed. Output of the Bell Bay smelter in Tasmania is being increased from 12,500 to 28,000 tons a year and a further expansion to about 50,000 tons is under consideration. But Mr Robinson explains that the fruits of its huge aluminium project are still a long way off. Meanwhile he is optimistic about the future of both lead and zinc on which the group will rely for financing the extension of its interests. At 76s. 6d. the £1 ordinary units yield 5.2 per cent on an unchanged 20 per cent dividend.

**Land Securities**

YIELDING only 1.8 per cent at 34s., the 10s. shares of Land Securities Investment Trust are clearly a long term investment. Mr Harold Samuel emphasises this view when he tells shareholders that no marked improvement in income is to be expected before 1963. No major development was completed in the year to March, 1961, but in the provinces 82 shops and 11 stores were built. Rental income less ground rents rose from £2 million to £2.3 million but with interest charges up from £1.5 million to £1.9 million net profits rose by £56,000 to £614,000. The ordinary dividend was raised from the equivalent of 5½ to 6 per cent.

The current year should see the completion of the East Island site in Oxford Street, much of which is already occupied, as well as the first phase of the Esso office and shop development scheme in Victoria Street. In both streets, further areas have been acquired for development and the group has also applied for permission to build a large office building on the corner of Albert Embankment and Vauxhall Bridge. A further 71 shops and 5 stores are under construction in the provinces but the major provincial scheme is in Liverpool where the Ravenscroft subsidiary is to redevelop 5 acres in the city centre. The project which will include 100 shops, a large hotel and covered parking for 1,000 cars, will incorporate such features as heated shopping arcades, escalators to take shoppers to a new high level market and the

exclusion of motor traffic from the shopping areas.

Fixed assets have increased from £44.8 million to £55.2 million, largely financed by the taking up by the Legal and General of the remaining £3 million of the 6¼ per cent convertible debenture stock and by further bank loans, up from £2.2 million to £8.6 million. The group has raised a further £1 million in mortgages and this should be a growing source of finance as new developments are completed. But, with capital commitments of £6¼ million and with obligations under building agreements of £2.2 million, the group may well have to seek further funds particularly for its longer term projects.

**Stoll Theatres and Moss' Empires**

THE long awaited report on Mr Prince Littler's three theatre-owning companies is rather a damp squib. When he beat off the Clore-Cotton attempt to acquire Moss' Empires, Mr Littler asked S. G. Warburg to submit plans for the three companies, Stoll, Moss and Howard and Wyndham, and their properties, bearing in mind that in considering the development of any property the operation of the theatres should be viewed as a circuit.

Market interest rested on the development potential of the properties over and above their value as theatres but on this the investigation proves disappointing. For Stoll this surplus is estimated at £1¼ million and for Moss at £600,000, while for Howard and Wyndham there is no significant potential at present. On a share basis these surpluses work out at about 3s. per Stoll 4s. share and 1s. 6d. per Moss 4s. share; Stoll's control of Moss would add about a further 6d. to their worth.

There is no suggestion of a merger of the three companies or of Stoll and Moss or of the separate companies that Moss and Stoll are to form to develop the properties which have been specified as having a development potential. In tackling their properties in this way the companies will be following the precedent of Watney Mann, which again after a take over bid from Mr Clore, established a separate company to develop the properties. If the developments are successful, it is suggested that a merger of the property subsidiaries should then be made and that the Moss and Stoll directors should consider obtaining a quotation for the shares in the merged company which would then be distributed to the shareholders of the two companies.

Last November many people were asking whether Mr Littler could really do justice to his shareholders by remaining a theatre owner and justify the seemingly high price paid for control of Moss Empires. The present circular leaves the answer to that question still at large and it is not surprising that the shares of all three companies have fallen. Moss' Empires lost 3s. 4½d. to 10s. 6d. and Stoll Theatres

1s. 9½d. to 8s. 7½d. and Howard and Wyndham 1s. 6d. to 15s. 3d. but the latter's shareholders can derive some consolation for their company's lack of participation in any property development. The recent capital reorganisation scheme of Thomson Newspapers now makes it possible to place a value on Thomson Scottish Associates, in which Howard and Wyndham has a 10 per cent stake. This holding is worth about £1¼ million or 13s. 6d. per Howard and Wyndham share.

**Rubber Companies**

THERE now seems little chance of estates obtaining an average price for their rubber this year as high as in 1960. Despite further increases in output, the chairmen of London Asiatic Rubber and Highlands and Lowlands Rubber both forecast some reduction in profit this year. These two groups are of roughly comparable size, but Highlands and Lowlands has attained this size by a series of comparatively recent acquisitions and since the end of last year has acquired two more rubber companies. London Asiatic assimilated Lanadron Rubber and the Oriental Rubber Company last year. The chairman, Sir Eric MacFadyen says that the sole aim of this expansion is to enable the group to rationalise its production. One of its other estates, acquired only a year earlier, was sold to allow resources to be concentrated on the development of its new properties.

Further disposals are being negotiated; the group's policy is to sell for cash to help finance replanting programmes without squeezing dividend payments. Last year the group's costs rose by ¼d. a lb. while the average price realised for its output fell by ½d. a lb. But production, including that of the newly-acquired estates rose by 10 million lb. to 28 million lb. A further increase of 1½ million lb is expected this year. After tax of £375,000 and the deduction of pre-acquisition profits, group net profit for 1960 was £926,000, against £668,000 in 1959. Replanting and additions to fixed assets absorbed £357,000 and the ordinary dividend, reduced from 50 to 45 per cent, cost £449,000. At 5s. 10½d., London Asiatic's 2s. units yield 15.4 per cent.

The heavy cost of replanting, which is essential to keep natural rubber competitive with synthetic substitutes, compels rubber companies to retain large cash reserves to be drawn on when profits are too low to finance the programme. London Asiatic held £1,270,000 in liquid assets at the end of December. Highlands and Lowlands had liquid assets of £2,306,000 at that date. Its average realised price for rubber rose by about ¼d. a lb last year, but costs increased by about 1d. a lb. Trading profit was only £26,000 higher at £1,455,000, but net profit rose from £785,000 to £893,000 because of the incidence of pre-acquisition profits in 1959. The ordinary dividend was raised from 39 7/12 to 41 2/3 per cent and the 2s. units at 5s. 8½d. yield 14 per cent.

**London Stock Exchange**

|                 |        |         |         |
|-----------------|--------|---------|---------|
| FIRST DEALINGS: | May 8  | May 29  | June 12 |
| LAST DEALINGS:  | May 26 | June 9  | June 23 |
| ACCOUNT DAY:    | June 6 | June 20 | July 4  |

As the long Whitsun account drew to its close last week-end the equity market was quiet and prices tended to fall back as the small amount of "new time" buying was offset by heavy sales of option stock. On Monday some selective investment buying made prices firmer, but by mid-week prices slipped back under the influence of cautious chairmen's statements about future profits, particularly from Guest Keen and Stewarts and Lloyds, and the forecast of balance of payments difficulties by the National Institute of Economic and Social Research. Prices continued the fall which began a fortnight ago and over the week to Wednesday *The Economist* indicator fell by 8.4 points to 412.7, its lowest level since the beginning of April. The gilt edged market was also dull with business at a low level; until Wednesday small sellers outnumbered buyers and an improvement in prices then went some way to offset earlier falls. But over the week short dated stocks lost further ground, 5½ per cent Exchequer 1966 losing 16 to 99½; among the undated stocks 3½ per cent War Loan lost ¼ to touch their lowest point for the year at 55½, but improved to 55½ by Wednesday.

After the new account opened bank shares came on offer, and their prices fell back; Barclays lost 5s. to 88s. 6d. and Lloyds 2s. 6d. to 71s. 6d. Insurance shares also reflected the market's uncertainty about the future of industrial profits; Commercial Union fell from 78s. 10½d. to 72s. 6d. and Legal and General from 37 to 35½ xd. Although the general movement among equity prices was downwards, store shares moved against this, helped by the full report from United Draperies which put on 1s. 10½d. to 79s. 3d. xd. Debenhams rose by 7s. 10½d. to 73s. 10½d. on rumours of a bid, which were denied. Among chemical shares ICI again fell back, from 78s. 10½d. to 77s. 6d. After a large private placing below the market price, Granada "A" shares lost 3s. 9d. to 61s. 9d. xd. Brewery shares fell; Bass lost 2s. 3d. to 23s. 6d. xd, but Vaux recovered some of last week's fall, closing 1s. 6d. higher at 182s. 6d.

Steel shares were depressed by the interim report from Stewarts and Lloyds which lost 3s. 10½d. to 51s. 4½d. Guest Keen fell by 7s. 6d. to 97s. 1½d. with the news from Stewarts adding to the misgivings following their own chairman's statement. Motor shares changed little, Jaguar "A" gaining 9d. to 81s. and BMC 3d. to 16s. 4½d. Lower profits from shipping lines depressed share prices and P. and O. deferred lost 1s. 6d. to 40s. 6d. Textiles eased further; Courtaulds lost 1s. 6d. to 43s. 6d. There was a further recovery in Kaffir prices, with buying from Johannesburg; Free State Geduld gained 7s. 6d. to 93s. 9d., but tins fell back after their recent sharp rise, Tronoh losing 3s. 9d. to 59s. 3d.

## LONDON AND NEW

## YORK STOCKS

| Prices, 1961 |         | BRITISH FUNDS AND GUARANTEED STOCKS |         | Price, May 24, 1961 | Price, May 31, 1961 | Net Yield, May 31, 1961 | Gross Yield, May 31, 1961 | Prices, 1961 | Last Two Dividends (a) (b) (c) | ORDINARY STOCKS          | Price, May 24, 1961 | Price, May 31, 1961 | Yield, May 31, 1961 | Cover |
|--------------|---------|-------------------------------------|---------|---------------------|---------------------|-------------------------|---------------------------|--------------|--------------------------------|--------------------------|---------------------|---------------------|---------------------|-------|
| High         | Low     |                                     |         |                     |                     |                         |                           | High         | Low                            |                          |                     |                     |                     |       |
| 92 1/2       | 89 1/2  | Savings Bonds 3% 1955-55            | 92 1/2  | 92 1/2              | 2 1/2               | 5 1/2                   | 5 1/2                     | 94 1/2       | 65 1/2                         | BANKS, DISCOUNT & HP     | 93 1/2              | 88 1/2              | 2 1/2               | ...   |
| 100 1/2      | 99 1/2  | Conversion 4 1/2% 1962              | 100 1/2 | 100 1/2             | 1 1/2               | 4 1/2                   | 4 1/2                     | 100 1/2      | 74 1/2                         | Barclays                 | 100 1/2             | 97 1/2              | 3 1/2               | ...   |
| 96 1/2       | 95 1/2  | Exchequer 3% 1962-63                | 96 1/2  | 96 1/2              | 1 1/2               | 4 1/2                   | 4 1/2                     | 96 1/2       | 80 1/2                         | Lloyds                   | 96 1/2              | 93 1/2              | 3 1/2               | ...   |
| 101 1/2      | 100 1/2 | Treasury 5 1/2% 1962                | 101 1/2 | 101 1/2             | 2 1/2               | 5 1/2                   | 5 1/2                     | 101 1/2      | 86 1/2                         | Martins                  | 101 1/2             | 98 1/2              | 2 1/2               | ...   |
| 93 1/2       | 92 1/2  | Exchequer 2 1/2% 1963-64            | 93 1/2  | 93 1/2              | 1 1/2               | 4 1/2                   | 4 1/2                     | 93 1/2       | 82 1/2                         | Midland                  | 93 1/2              | 90 1/2              | 3 1/2               | ...   |
| 99 1/2       | 98 1/2  | Conversion 4 1/2% 1963              | 99 1/2  | 99 1/2              | 1 1/2               | 4 1/2                   | 4 1/2                     | 99 1/2       | 88 1/2                         | Nat. Provincial          | 99 1/2              | 96 1/2              | 3 1/2               | ...   |
| 98 1/2       | 97 1/2  | Conversion 4 1/2% 1964              | 98 1/2  | 98 1/2              | 1 1/2               | 4 1/2                   | 4 1/2                     | 98 1/2       | 84 1/2                         | Westminster              | 98 1/2              | 95 1/2              | 3 1/2               | ...   |
| 101 1/2      | 100 1/2 | Exchequer 5 1/2% 1965               | 101 1/2 | 101 1/2             | 2 1/2               | 5 1/2                   | 5 1/2                     | 101 1/2      | 90 1/2                         | Australia & N.Z. £1 p.p. | 101 1/2             | 98 1/2              | 2 1/2               | ...   |
| 83 1/2       | 82 1/2  | Funding 3% 1959-59                  | 83 1/2  | 83 1/2              | 1 1/2               | 4 1/2                   | 4 1/2                     | 83 1/2       | 74 1/2                         | Bk. Lond. & S. Amer. £1  | 83 1/2              | 80 1/2              | 3 1/2               | ...   |
| 87 1/2       | 86 1/2  | Funding 4% 1960-60                  | 87 1/2  | 87 1/2              | 1 1/2               | 4 1/2                   | 4 1/2                     | 87 1/2       | 78 1/2                         | Bank of Montreal         | 87 1/2              | 84 1/2              | 3 1/2               | ...   |
| 79 1/2       | 78 1/2  | Savings Bonds 3% 1960-70            | 79 1/2  | 79 1/2              | 1 1/2               | 4 1/2                   | 4 1/2                     | 79 1/2       | 72 1/2                         | Bank of New S. Wales £20 | 79 1/2              | 76 1/2              | 3 1/2               | ...   |
| 84 1/2       | 83 1/2  | Savings Bonds 2 1/2% 1964-67        | 84 1/2  | 84 1/2              | 1 1/2               | 4 1/2                   | 4 1/2                     | 84 1/2       | 76 1/2                         | Barclays D.C.O. £1       | 84 1/2              | 81 1/2              | 3 1/2               | ...   |
| 72 1/2       | 71 1/2  | Savings Bonds 3% 1965-75            | 72 1/2  | 72 1/2              | 1 1/2               | 4 1/2                   | 4 1/2                     | 72 1/2       | 66 1/2                         | Chartered                | 72 1/2              | 69 1/2              | 3 1/2               | ...   |
| 83 1/2       | 82 1/2  | Funding 3% 1966-68                  | 83 1/2  | 83 1/2              | 1 1/2               | 4 1/2                   | 4 1/2                     | 83 1/2       | 72 1/2                         | Hongkong & Shang. \$25   | 83 1/2              | 80 1/2              | 3 1/2               | ...   |
| 97 1/2       | 96 1/2  | Victory 4% 1920-76                  | 97 1/2  | 97 1/2              | 2 1/2               | 5 1/2                   | 5 1/2                     | 97 1/2       | 84 1/2                         | Nat. Com. Bk. Scot. £1   | 97 1/2              | 94 1/2              | 2 1/2               | ...   |
| 85 1/2       | 84 1/2  | Conversion 3 1/2% 1969              | 85 1/2  | 85 1/2              | 1 1/2               | 4 1/2                   | 4 1/2                     | 85 1/2       | 74 1/2                         | Royal Bk. Canada. \$10   | 85 1/2              | 82 1/2              | 3 1/2               | ...   |
| 93 1/2       | 92 1/2  | Conversion 5% 1971                  | 93 1/2  | 93 1/2              | 1 1/2               | 4 1/2                   | 4 1/2                     | 93 1/2       | 84 1/2                         | Royal Bk. of Scotland £1 | 93 1/2              | 90 1/2              | 3 1/2               | ...   |
| 95 1/2       | 94 1/2  | Conversion 5 1/2% 1974              | 95 1/2  | 95 1/2              | 1 1/2               | 4 1/2                   | 4 1/2                     | 95 1/2       | 88 1/2                         | Stand. Bk. Africa. £1    | 95 1/2              | 92 1/2              | 3 1/2               | ...   |
| 73 1/2       | 72 1/2  | Treasury 3 1/2% 1977-80             | 73 1/2  | 73 1/2              | 1 1/2               | 4 1/2                   | 4 1/2                     | 73 1/2       | 64 1/2                         | Hambros £1 f.p.          | 73 1/2              | 70 1/2              | 3 1/2               | ...   |
| 72 1/2       | 71 1/2  | Treasury 3 1/2% 1979-81             | 72 1/2  | 72 1/2              | 1 1/2               | 4 1/2                   | 4 1/2                     | 72 1/2       | 60 1/2                         | Schroders                | 72 1/2              | 69 1/2              | 3 1/2               | ...   |
| 97 1/2       | 96 1/2  | Funding 5 1/2% 1982-84              | 97 1/2  | 97 1/2              | 2 1/2               | 5 1/2                   | 5 1/2                     | 97 1/2       | 84 1/2                         | Union Discount           | 97 1/2              | 94 1/2              | 2 1/2               | ...   |
| 59 1/2       | 58 1/2  | Redemption 3% 1986-96               | 59 1/2  | 59 1/2              | 1 1/2               | 4 1/2                   | 4 1/2                     | 59 1/2       | 48 1/2                         | Bowmaker                 | 59 1/2              | 56 1/2              | 3 1/2               | ...   |
| 88 1/2       | 87 1/2  | Treasury 5% 1986-39                 | 88 1/2  | 88 1/2              | 1 1/2               | 4 1/2                   | 4 1/2                     | 88 1/2       | 78 1/2                         | Lombard Banking          | 88 1/2              | 85 1/2              | 3 1/2               | ...   |
| 63 1/2       | 62 1/2  | Funding 3 1/2% 1990-2004            | 63 1/2  | 63 1/2              | 1 1/2               | 4 1/2                   | 4 1/2                     | 63 1/2       | 54 1/2                         | Mercantile Credit        | 63 1/2              | 60 1/2              | 3 1/2               | ...   |
| 94 1/2       | 93 1/2  | Treasury 5 1/2% 2003-12             | 94 1/2  | 94 1/2              | 1 1/2               | 4 1/2                   | 4 1/2                     | 94 1/2       | 84 1/2                         | United Domin. Inst. £1   | 94 1/2              | 91 1/2              | 2 1/2               | ...   |
| 65 1/2       | 64 1/2  | Consols 4% after Feb. 1957          | 65 1/2  | 65 1/2              | 1 1/2               | 4 1/2                   | 4 1/2                     | 65 1/2       | 54 1/2                         |                          |                     |                     |                     |       |
| 59 1/2       | 58 1/2  | War Loan 3 1/2% after 1952          | 59 1/2  | 59 1/2              | 1 1/2               | 4 1/2                   | 4 1/2                     | 59 1/2       | 48 1/2                         |                          |                     |                     |                     |       |
| 59 1/2       | 58 1/2  | Conv. 3 1/2% after Apr. 1961        | 59 1/2  | 59 1/2              | 1 1/2               | 4 1/2                   | 4 1/2                     | 59 1/2       | 48 1/2                         |                          |                     |                     |                     |       |
| 40 1/2       | 39 1/2  | Treasury 3% after Apr. 1966         | 40 1/2  | 40 1/2              | 1 1/2               | 4 1/2                   | 4 1/2                     | 40 1/2       | 34 1/2                         |                          |                     |                     |                     |       |
| 44 1/2       | 43 1/2  | Consols 2 1/2% after Apr. 1975      | 44 1/2  | 44 1/2              | 1 1/2               | 4 1/2                   | 4 1/2                     | 44 1/2       | 34 1/2                         |                          |                     |                     |                     |       |
| 91 1/2       | 90 1/2  | British Electric 4 1/2% 1967-69     | 91 1/2  | 91 1/2              | 1 1/2               | 4 1/2                   | 4 1/2                     | 91 1/2       | 81 1/2                         |                          |                     |                     |                     |       |
| 75 1/2       | 74 1/2  | British Electric 3 1/2% 1968-73     | 75 1/2  | 75 1/2              | 1 1/2               | 4 1/2                   | 4 1/2                     | 75 1/2       | 66 1/2                         |                          |                     |                     |                     |       |
| 70 1/2       | 69 1/2  | British Electric 3 1/2% 1974-77     | 70 1/2  | 70 1/2              | 1 1/2               | 4 1/2                   | 4 1/2                     | 70 1/2       | 61 1/2                         |                          |                     |                     |                     |       |
| 81 1/2       | 80 1/2  | British Electric 4 1/2% 1974-79     | 81 1/2  | 81 1/2              | 1 1/2               | 4 1/2                   | 4 1/2                     | 81 1/2       | 71 1/2                         |                          |                     |                     |                     |       |
| 75 1/2       | 74 1/2  | British Electric 3 1/2% 1976-79     | 75 1/2  | 75 1/2              | 1 1/2               | 4 1/2                   | 4 1/2                     | 75 1/2       | 66 1/2                         |                          |                     |                     |                     |       |
| 84 1/2       | 83 1/2  | British Gas 4% 1969-72              | 84 1/2  | 84 1/2              | 1 1/2               | 4 1/2                   | 4 1/2                     | 84 1/2       | 74 1/2                         |                          |                     |                     |                     |       |
| 81 1/2       | 80 1/2  | British Gas 3 1/2% 1969-71          | 81 1/2  | 81 1/2              | 1 1/2               | 4 1/2                   | 4 1/2                     | 81 1/2       | 69 1/2                         |                          |                     |                     |                     |       |
| 59 1/2       | 58 1/2  | British Gas 2 1/2% 1990-95          | 59 1/2  | 59 1/2              | 1 1/2               | 4 1/2                   | 4 1/2                     | 59 1/2       | 49 1/2                         |                          |                     |                     |                     |       |
| 75 1/2       | 74 1/2  | British Transport 3 1/2% 1963-73    | 75 1/2  | 75 1/2              | 1 1/2               | 4 1/2                   | 4 1/2                     | 75 1/2       | 65 1/2                         |                          |                     |                     |                     |       |
| 78 1/2       | 77 1/2  | British Transport 4% 1972-77        | 78 1/2  | 78 1/2              | 1 1/2               | 4 1/2                   | 4 1/2                     | 78 1/2       | 68 1/2                         |                          |                     |                     |                     |       |
| 61 1/2       | 60 1/2  | British Transport 3 1/2% 1978-88    | 61 1/2  | 61 1/2              | 1 1/2               | 4 1/2                   | 4 1/2                     | 61 1/2       | 51 1/2                         |                          |                     |                     |                     |       |

## NEW YORK PRICES AND INDICES

| Prices, 1961 |        | DOMINION AND CORPORATION STOCKS      |        | Price, May 24, 1961 | Price, May 31, 1961 | Yield, May 31, 1961 | Prices, 1961 | Last Two Dividends (a) (b) (c) | ORDINARY STOCKS           | Price, May 24, 1961 | Price, May 31, 1961 | Yield, May 31, 1961 | Cover |
|--------------|--------|--------------------------------------|--------|---------------------|---------------------|---------------------|--------------|--------------------------------|---------------------------|---------------------|---------------------|---------------------|-------|
| High         | Low    |                                      |        |                     |                     |                     | High         | Low                            |                           |                     |                     |                     |       |
| 87 1/2       | 79 1/2 | Australia 3 1/2% 1965-69             | 81 1/2 | 81 1/2              | 2 1/2               | 5 1/2               | 48 1/2       | 40 1/2                         | A.E.I.                    | 43 1/2              | 41 1/2              | 7 1/2               | ...   |
| 101 1/2      | 98 1/2 | Australia 6% 1974-76                 | 99 1/2 | 99 1/2              | 2 1/2               | 5 1/2               | 61 1/2       | 50 1/2                         | Brit. Electronic Inds. 5% | 59 1/2              | 56 1/2              | 4 1/2               | ...   |
| 72 1/2       | 70 1/2 | Ceylon 4% 1973-75                    | 70 1/2 | 70 1/2              | 1 1/2               | 4 1/2               | 76 1/2       | 64 1/2                         | B.I.C.C. £1               | 59 1/2              | 56 1/2              | 4 1/2               | ...   |
| 101 1/2      | 98 1/2 | New Zealand 6% 1976-80               | 99 1/2 | 99 1/2              | 2 1/2               | 5 1/2               | 114 1/2      | 114 1/2                        | Crompton Parkinson 5%     | 14 1/2              | 14 1/2              | 4 1/2               | ...   |
| 80 1/2       | 74 1/2 | Rhodesia and Nyasaland 6% 1978-81    | 75 1/2 | 75 1/2              | 1 1/2               | 4 1/2               | 72 1/2       | 60 1/2                         | Decca Record 10%          | 72 1/2              | 72 1/2              | 3 1/2               | ...   |
| 81 1/2       | 75 1/2 | South Africa 3 1/2% 1990-95          | 78 1/2 | 78 1/2              | 1 1/2               | 4 1/2               | 52 1/2       | 42 1/2                         | E.M.I. 10%                | 45 1/2              | 45 1/2              | 3 1/2               | ...   |
| 59 1/2       | 56 1/2 | Southern Rhodesia 4 1/2% 1987-92     | 56 1/2 | 56 1/2              | 1 1/2               | 4 1/2               | 36 1/2       | 24 1/2                         | Elliott Automation 5%     | 36 1/2              | 35 1/2              | 1 1/2               | ...   |
| 94 1/2       | 91 1/2 | Agricultural Mortgage 5 1/2% 1980-85 | 94 1/2 | 94 1/2              | 2 1/2               | 5 1/2               | 58 1/2       | 46 1/2                         | English Electric £1       | 35 1/2              | 34 1/2              | 5 1/2               | ...   |
| 89 1/2       | 86 1/2 | Bi-mingham 4 1/2% 1967-70            | 86 1/2 | 86 1/2              | 1 1/2               | 4 1/2               | 59 1/2       | 47 1/2                         | General Electric £1       | 37 1/2              | 36 1/2              | 5 1/2               | ...   |
| 92 1/2       | 90 1/2 | Bristol 5% 1971-73                   | 90 1/2 | 90 1/2              | 1 1/2               | 4 1/2               | 50 1/2       | 38 1/2                         | C.A. Parsons £1           | 61 1/2              | 60 1/2              | 4 1/2               | ...   |
| 93 1/2       | 90 1/2 | Corporation of London 5 1/2% 1976-79 | 90 1/2 | 90 1/2              | 1 1/2               | 4 1/2               | 50 1/2       | 38 1/2                         | A. Reyrolle £1            | 45 1/2              | 44 1/2              | 4 1/2               | ...   |
| 48 1/2       | 45 1/2 | L.C.C. 3% after 1920                 | 45 1/2 | 45 1/2              | 1 1/2               | 4 1/2               | 107 1/2      | 97 1/2                         | Thorn Electrical 5%       | 57 1/2              | 57 1/2              | 2 1/2               | ...   |
| 89 1/2       | 87 1/2 | L.C.C. 5% 1980-83                    | 88 1/2 | 88 1/2              | 1 1/2               | 4 1/2               | 52 1/2       | 42 1/2                         |                           |                     |                     |                     |       |
| 93 1/2       | 90 1/2 | Middlesex 5 1/2% 1980                | 92 1/2 | 92 1/2              | 1 1/2               | 4 1/2               | 62 1/2       | 55 1/2                         |                           |                     |                     |                     |       |

## Standard and Poor's Indices (1941-43=100)

| 1961  | 425   | Yield | 25    | Yield | 50    | Yield | Govt. Bonds | Yield |
|-------|-------|-------|-------|-------|-------|-------|-------------|-------|
| May 3 | 70.04 | 2.85  | 32.83 | 4.92  | 59.09 | 3.26  | 91.68       | 3.73  |
| " 10  | 70.26 | 2.93  | 32.79 | 4.93  | 59.47 | 3.24  | 92.11       | 3.69  |
| " 17  | 70.25 | 2.80  | 32.94 | 4.76  | 60.45 | 3.19  | 92.33       | 3.67  |
| " 24  | 69.99 | 2.85  | 33.34 | 4.85  | 59.95 | 3.22  | 91.57       | 3.74  |
| " 31  | 70.46 | 2.83  | 33.05 | 4.89  | 59.35 | 3.25  | 91.46       | 3.75  |

Ex d. div. Tax free. 1. Annual average life 8 years. 2. The net redemption yield: allow for tax at 7.5% in £. 3. Ex capitalization. 4. After Rhodesian tax. 5. To date. 6. Ex dividend. 7. Ex dividend. 8. Ex dividend. 9. Ex dividend. 10. Ex dividend. 11. Ex dividend. 12. Ex dividend. 13. Ex dividend. 14. Ex dividend. 15. Ex dividend. 16. Ex dividend. 17. Ex dividend. 18. Ex dividend. 19. Ex dividend. 20. Ex dividend. 21. Ex dividend. 22. Ex dividend. 23. Ex dividend. 24. Ex dividend. 25. Ex dividend. 26. Ex dividend. 27. Ex dividend. 28. Ex dividend. 29. Ex dividend. 30. Ex dividend. 31. Ex dividend. 32. Ex dividend. 33. Ex dividend. 34. Ex dividend. 35. Ex dividend. 36. Ex dividend. 37. Ex dividend. 38. Ex dividend. 39. Ex dividend. 40. Ex dividend. 41. Ex dividend. 42. Ex dividend. 43. Ex dividend. 44. Ex dividend. 45. Ex dividend. 46. Ex dividend. 47. Ex dividend. 48. Ex dividend. 49. Ex dividend. 50. Ex dividend. 51. Ex dividend. 52. Ex dividend. 53. Ex dividend. 54. Ex dividend. 55. Ex dividend. 56. Ex dividend. 57. Ex dividend. 58. Ex dividend. 59. Ex dividend. 60. Ex dividend. 61. Ex dividend. 62. Ex dividend. 63. Ex dividend. 64. Ex dividend. 65. Ex dividend. 66. Ex dividend. 67. Ex dividend. 68. Ex dividend. 69. Ex dividend. 70. Ex dividend. 71. Ex dividend. 72. Ex dividend. 73. Ex dividend. 74. Ex dividend. 75. Ex dividend. 76. Ex dividend. 77. Ex dividend. 78. Ex dividend. 79. Ex dividend. 80. Ex dividend. 81. Ex dividend. 82. Ex dividend. 83. Ex dividend. 84. Ex dividend. 85. Ex dividend. 86. Ex dividend. 87. Ex dividend. 88. Ex dividend. 89. Ex dividend. 90. Ex dividend. 91. Ex dividend. 92. Ex dividend. 93. Ex dividend. 94. Ex dividend. 95. Ex dividend. 96. Ex dividend. 97. Ex dividend. 98. Ex dividend. 99. Ex dividend. 100. Ex dividend. 101. Ex dividend. 102. Ex dividend. 103. Ex dividend. 104. Ex dividend. 105. Ex dividend. 106. Ex dividend. 107. Ex dividend. 108. Ex dividend. 109. Ex dividend. 110. Ex dividend. 111. Ex dividend. 112. Ex dividend. 113. Ex dividend. 114. Ex dividend. 115. Ex dividend. 116. Ex dividend. 117. Ex dividend. 118. Ex dividend. 119. Ex dividend. 120. Ex dividend. 121. Ex dividend. 122. Ex dividend. 123. Ex dividend. 124. Ex dividend. 125. Ex dividend. 126. Ex dividend. 127. Ex dividend. 128. Ex dividend. 129. Ex dividend. 130. Ex dividend. 131. Ex dividend. 132. Ex dividend. 133. Ex dividend. 134. Ex dividend. 135. Ex dividend. 136. Ex dividend. 137. Ex dividend. 138. Ex dividend. 139. Ex dividend. 140. Ex dividend. 141. Ex dividend. 142. Ex dividend. 143. Ex dividend. 144. Ex dividend. 145. Ex dividend. 146. Ex dividend. 147. Ex dividend. 148. Ex dividend. 149. Ex dividend. 150. Ex dividend. 151. Ex dividend. 152. Ex dividend. 153. Ex dividend. 154. Ex dividend. 155. Ex dividend. 156. Ex dividend. 157. Ex dividend. 158. Ex dividend. 159. Ex dividend. 160. Ex dividend. 161. Ex dividend. 162. Ex dividend. 163. Ex dividend. 164. Ex dividend. 165. Ex dividend. 166. Ex dividend. 167. Ex dividend. 168. Ex dividend. 169. Ex dividend. 170. Ex dividend. 171. Ex dividend. 172. Ex dividend. 173. Ex dividend. 174. Ex dividend. 175. Ex dividend. 176. Ex dividend. 177. Ex dividend. 178. Ex dividend. 179. Ex dividend. 180. Ex dividend. 181. Ex dividend. 182. Ex dividend. 183. Ex dividend. 184. Ex dividend. 185. Ex dividend. 186. Ex dividend. 187. Ex dividend. 188. Ex dividend. 189. Ex dividend. 190. Ex dividend. 191. Ex dividend. 192. Ex dividend. 193. Ex dividend. 194. Ex dividend. 195. Ex dividend. 196. Ex dividend. 197. Ex dividend. 198. Ex dividend. 199. Ex dividend. 200. Ex dividend. 201. Ex dividend. 202. Ex dividend. 203. Ex dividend. 204. Ex dividend. 205. Ex dividend. 206. Ex dividend. 207. Ex dividend. 208. Ex dividend. 209. Ex dividend. 210. Ex dividend. 211. Ex dividend. 212. Ex dividend. 213. Ex dividend. 214. Ex dividend. 215. Ex dividend. 216. Ex dividend. 217. Ex dividend. 218. Ex dividend. 219. Ex dividend. 220. Ex dividend. 221. Ex dividend. 222. Ex dividend. 223. Ex dividend. 224. Ex dividend. 225. Ex dividend. 226. Ex dividend. 227. Ex dividend. 228. Ex dividend. 229. Ex dividend. 230. Ex dividend. 231. Ex dividend. 232. Ex dividend. 233. Ex dividend. 234. Ex dividend. 235. Ex dividend. 236. Ex dividend. 237. Ex dividend. 238. Ex dividend. 239. Ex dividend. 240. Ex dividend. 241. Ex dividend. 242. Ex dividend. 243. Ex dividend. 244. Ex dividend. 245. Ex dividend. 246. Ex dividend. 247. Ex dividend. 248. Ex dividend. 249. Ex dividend. 250. Ex dividend. 251. Ex dividend. 252. Ex dividend. 253. Ex dividend. 254. Ex dividend. 255. Ex dividend. 256. Ex dividend. 257. Ex dividend. 258. Ex dividend. 259. Ex dividend. 260. Ex dividend. 261. Ex dividend. 262. Ex dividend. 263. Ex dividend. 264. Ex dividend. 265. Ex dividend. 266. Ex dividend. 267. Ex dividend. 268. Ex dividend. 269. Ex dividend. 270. Ex dividend. 271. Ex dividend. 272. Ex dividend. 273. Ex dividend. 274



## Money and Exchanges

## EXCHEQUER RETURNS

For the week ended May 27, 1961, there was an "above-line" deficit (after allowing for sinking funds) of £42,633,000 compared with a deficit of £5,738,000 in the previous week and a deficit of £12,538,000 in the corresponding period of last year. There was a net receipt "below-line" of £23,819,000 leaving a total cumulative deficit to date of £81,390,000 compared with £76,769,000 in 1960-61.

| £'000                                  | Estimate 1961-62 | April 1, 1960, to May 28, 1960 | April 1, 1961, to May 27, 1961 | Week ended May 28, 1960 | Week ended May 27, 1961 |
|----------------------------------------|------------------|--------------------------------|--------------------------------|-------------------------|-------------------------|
| <b>Ordinary Revenue</b>                |                  |                                |                                |                         |                         |
| Income Tax                             | 2,728,500        | 193,758                        | 217,939                        | 30,157                  | 34,411                  |
| Surplus                                | 210,000          | 18,400                         | 21,700                         | 1,800                   | 1,700                   |
| Death Duties                           | 240,000          | 37,300                         | 45,800                         | 4,200                   | 5,800                   |
| Stamps                                 | 94,000           | 15,000                         | 17,300                         | 2,200                   | 2,900                   |
| Profit tax, EPT and EPL                | 325,500          | 30,100                         | 34,000                         | 4,200                   | 4,000                   |
| Other Inland Rev. Duties               | ...              | ...                            | ...                            | ...                     | ...                     |
| <b>Total Inland Rev.</b>               | <b>3,598,000</b> | <b>294,558</b>                 | <b>336,739</b>                 | <b>42,557</b>           | <b>48,811</b>           |
| Customs                                | 1,550,000        | 238,594                        | 247,541                        | 29,460                  | 23,236                  |
| Excise                                 | 960,000          | 179,780                        | 170,895                        | 17,530                  | 11,120                  |
| <b>Total Customs and Excise</b>        | <b>2,510,000</b> | <b>418,374</b>                 | <b>418,436</b>                 | <b>46,990</b>           | <b>34,356</b>           |
| Motor Duties                           | 155,000          | 12,510                         | 7,874                          | ...                     | ...                     |
| PO (Net Receipts)                      | 40,000           | 9,400                          | 5,000                          | 2,600                   | ...                     |
| Broadcast Lic.                         | 205,000          | 2,035                          | 80,830                         | 925                     | 221                     |
| Sundry Loans                           | ...              | ...                            | ...                            | ...                     | ...                     |
| Miscellaneous                          | ...              | ...                            | ...                            | ...                     | ...                     |
| <b>Total</b>                           | <b>4,508,000</b> | <b>758,545</b>                 | <b>848,879</b>                 | <b>95,472</b>           | <b>83,388</b>           |
| <b>Ordinary Expenditure</b>            |                  |                                |                                |                         |                         |
| Debt Interest                          | 660,000          | 93,221                         | 104,449                        | ...                     | 5,610                   |
| Payments to N. Ireland Exch.           | 92,000           | 11,738                         | 13,162                         | 3,203                   | 3,553                   |
| PO Fund—Initial settlement             | 15,000           | ...                            | ...                            | ...                     | ...                     |
| Other Consolidated Funds               | 8,000            | 1,084                          | 1,067                          | 28                      | 18                      |
| Supply Services                        | 5,186,902        | 699,826                        | 773,584                        | 104,598                 | 116,700                 |
| <b>Total</b>                           | <b>5,961,902</b> | <b>805,869</b>                 | <b>892,262</b>                 | <b>107,829</b>          | <b>125,881</b>          |
| <b>Sinking Funds</b>                   | <b>40,000</b>    | <b>3,941</b>                   | <b>3,870</b>                   | <b>181</b>              | <b>140</b>              |
| <b>"Above-line" Surplus or Deficit</b> |                  | <b>51,265</b>                  | <b>47,253</b>                  | <b>12,538</b>           | <b>42,633</b>           |
| <b>"Below-line" Net Expenditure</b>    |                  | <b>25,503</b>                  | <b>34,137</b>                  | <b>25,282</b>           | <b>23,819</b>           |
| <b>Total Surplus or Deficit</b>        |                  | <b>76,768</b>                  | <b>81,390</b>                  | <b>37,820</b>           | <b>18,814</b>           |
| <b>Net receipts from:</b>              |                  |                                |                                |                         |                         |
| Tax Reserve Certificates               | 19,087           | 21,658                         | 2,121                          | 2,537                   | ...                     |
| Savings Certificates                   | 15,400           | 4,030                          | 2,000                          | 1,700                   | ...                     |
| Defence Bonds                          | 15,096           | 10,374                         | 1,737                          | 1,432                   | ...                     |
| Premium Savings Bonds                  | 7,300            | 7,900                          | 1,190                          | 1,400                   | ...                     |
| <b>Total</b>                           | <b>56,883</b>    | <b>35,932</b>                  | <b>7,048</b>                   | <b>3,669</b>            | ...                     |

\* Net receipts of the Civil Contingencies Fund of £4 million in 1961-62 compared with £2 million in 1960-61.

## FLOATING DEBT

| (£ million)    |                         |             |                 |     | Total Floating Debt |
|----------------|-------------------------|-------------|-----------------|-----|---------------------|
| Treasury Bills | Ways and Means Advances | Public Debt | Bank of England |     |                     |
| Tender         | Tap                     |             |                 |     |                     |
| 1960           |                         |             |                 |     |                     |
| May 28         | 3,478.0                 | 1,861.5     | 214.7           | ... | 5,546.2             |
| 1961           |                         |             |                 |     |                     |
| Feb. 18        | 3,120.0                 | 1,675.2     | 238.1           | ... | 5,033.3             |
| " 25           | 3,070.0                 | 1,728.1     | 175.1           | ... | 4,973.2             |
| Mar. 4         | 3,060.0                 | 1,696.1     | 199.5           | ... | 4,955.6             |
| " 11           | 3,060.0                 | 1,603.5     | 312.3           | ... | 4,975.8             |
| " 18           | 3,080.0                 | 1,595.9     | 307.9           | ... | 4,983.8             |
| " 25           | 3,100.0                 | 1,606.0     | 300.5           | ... | 5,010.7             |
| " 31           | 4,648.1                 | ...         | 307.3           | ... | 4,955.4             |
| Apr. 8         | 3,110.0                 | 1,599.2     | 299.4           | ... | 5,008.6             |
| " 15           | 3,130.0                 | 1,528.5     | 269.5           | ... | 5,333.9             |
| " 22           | 3,140.0                 | 1,911.3     | 336.3           | ... | 5,387.6             |
| " 29           | 3,110.0                 | 1,993.1     | 247.9           | ... | 5,351.0             |
| May 6          | 3,130.0                 | 1,887.3     | 293.3           | ... | 5,310.6             |
| " 13           | 3,160.0                 | 1,893.0     | 275.3           | ... | 5,328.3             |
| " 20           | 3,180.0                 | 1,839.1     | 316.2           | ... | 5,335.5             |
| " 27           | 3,210.0                 | 1,843.3     | 249.7           | ... | 5,303.0             |

## THE MONEY MARKET

FOLLOWING the sharp reduction of 7d. in its previous Treasury bill tender, the syndicate of discount houses maintained the agreed bid of £98 17s. 10d. last Friday. The average rate of discount, however, rose by 5.56d. to £4 8s. 8.74d. per cent as outside bidders adjusted their offers to meet the previous week's rise in the rate. Total applications for the £270 million of bills on offer rose by £8 million to £440 million, and the market received the satisfactory allotment of 50 per cent, following the previous week's quota of 33 per cent.

For the second week running the market balanced its books without recourse to the Bank of England. Credit was in plentiful supply until the week-end and rates for over-night money fell to the clearing banks' minimum of 3½ per cent fairly early on each morning. After the week-end funds were in short supply, and on the three days to the end of the month the authorities assisted the market by moderate to large special purchases of bills. Next week a further £270 million bills will be on offer against maturities of £240 million. In New York the three month bill rate has risen for the fourth week, from 2.354 per cent to 2.438 per cent.

## MONEY RATES

| LONDON                            |       |                   |       |
|-----------------------------------|-------|-------------------|-------|
| Bank rate (from 5½%, 8/12/60) ... | %     | Discount rates: % |       |
| 60 days ...                       | 4½-4½ | Bank bills: %     |       |
| 3 months ...                      | 4½-4½ | 4 months ...      | 4½-4½ |
| 6 months ...                      | 4½-4½ | 6 months ...      | 4½-4½ |
| Deposits (maximum): %             |       | 3 months ...      | 5½-6  |
| Banks ...                         | 3     | 4 months ...      | 5½-6  |
| Discount houses ...               | 3-3½  | 6 months ...      | 5½-6½ |
| Money: %                          |       |                   |       |
| Day-to-Day ...                    | 3½-4½ |                   |       |

| NEW YORK                  |  |                   |       |
|---------------------------|--|-------------------|-------|
| Official Discount rate: % |  | Treasury bills: % |       |
| (from 3½%, 11/8/60) 3     |  | May 22 ...        | 2.354 |
|                           |  | " 26 ...          | 2.438 |

## LONDON CLOSING EXCHANGE RATES AND GOLD PRICE

|                            | Market Rates: Spot |            |            |            |            |            |            |
|----------------------------|--------------------|------------|------------|------------|------------|------------|------------|
|                            | Effective Limits   | May 31     | May 25     | May 26     | May 27     | May 29     | May 30     |
| United States \$           | 2.78-2.82*         | 2.79½-3.16 | 2.79½-3.16 | 2.79½-3.16 | 2.79½-3.16 | 2.79½-3.16 | 2.79½-3.16 |
| Canadian \$                | 13.622-14.027      | 2.75½-3.16 | 2.75½-3.16 | 2.75½-3.16 | 2.75½-3.16 | 2.75½-3.16 | 2.75½-3.16 |
| French Fr.                 | 11.94-12.54*       | 13.67½-68½ | 13.67½-68½ | 13.67½-68½ | 13.67½-68½ | 13.67½-68½ | 13.67½-68½ |
| Swiss Fr.                  | 137.96             | 12.09½-09½ | 12.09½-09½ | 12.09½-09½ | 12.09½-09½ | 12.09½-09½ | 12.09½-09½ |
| Belgian Fr.                | 142.05             | 139.50-55  | 139.50-55  | 139.50-55  | 139.50-55  | 139.50-55  | 139.50-55  |
| Dutch Gld.                 | 9.99-10.29         | 10.03½-03½ | 10.03½-03½ | 10.03½-03½ | 10.03½-03½ | 10.03½-03½ | 10.03½-03½ |
| W. Ger. D-Mk.              | 11.04-11.36        | 11.08½-08½ | 11.08½-08½ | 11.08½-08½ | 11.08½-08½ | 11.08½-08½ | 11.08½-08½ |
| Portug. Esc.               | 79.00½-82.00½      | 80.15-25   | 80.15-25   | 80.15-25   | 80.15-25   | 80.15-25   | 80.15-25   |
| Italian Lire               | 1725-1775          | 1732½-33½  | 1732½-33½  | 1732½-33½  | 1732½-33½  | 1732½-33½  | 1732½-33½  |
| Swedish Kr.                | 14.27½-14.70       | 14.40½-40½ | 14.40½-40½ | 14.40½-40½ | 14.40½-40½ | 14.40½-40½ | 14.40½-40½ |
| Danish Kr.                 | 19.06½-19.62       | 19.34½-34½ | 19.34½-34½ | 19.34½-34½ | 19.34½-34½ | 19.34½-34½ | 19.34½-34½ |
| Norwegian Kr.              | 19.71-20.30½       | 20.00½-00½ | 20.00½-00½ | 20.00½-00½ | 20.00½-00½ | 20.00½-00½ | 20.00½-00½ |
| * Official Limits          |                    |            |            |            |            |            |            |
| One Month Forward Rates    |                    |            |            |            |            |            |            |
| United States \$           | 1½-1½              | 1½-1½      | 1½-1½      | 1½-1½      | 1½-1½      | 1½-1½      | 1½-1½      |
| Canadian \$                | 1½-1½              | 1½-1½      | 1½-1½      | 1½-1½      | 1½-1½      | 1½-1½      | 1½-1½      |
| French Fr.                 | 1½-1½              | 1½-1½      | 1½-1½      | 1½-1½      | 1½-1½      | 1½-1½      | 1½-1½      |
| Swiss Fr.                  | 1½-1½              | 1½-1½      | 1½-1½      | 1½-1½      | 1½-1½      | 1½-1½      | 1½-1½      |
| Belgian Fr.                | 1½-1½              | 1½-1½      | 1½-1½      | 1½-1½      | 1½-1½      | 1½-1½      | 1½-1½      |
| Dutch Gld.                 | 1½-1½              | 1½-1½      | 1½-1½      | 1½-1½      | 1½-1½      | 1½-1½      | 1½-1½      |
| W. Ger. D-Mk.              | 1½-1½              | 1½-1½      | 1½-1½      | 1½-1½      | 1½-1½      | 1½-1½      | 1½-1½      |
| Three Months Forward Rates |                    |            |            |            |            |            |            |
| United States \$           | 1½-1½              | 1½-1½      | 1½-1½      | 1½-1½      | 1½-1½      | 1½-1½      | 1½-1½      |
| Canadian \$                | 1½-1½              | 1½-1½      | 1½-1½      | 1½-1½      | 1½-1½      | 1½-1½      | 1½-1½      |
| French Fr.                 | 1½-1½              | 1½-1½      | 1½-1½      | 1½-1½      | 1½-1½      | 1½-1½      | 1½-1½      |
| Swiss Fr.                  | 1½-1½              | 1½-1½      | 1½-1½      | 1½-1½      | 1½-1½      | 1½-1½      | 1½-1½      |
| Belgian Fr.                | 1½-1½              | 1½-1½      | 1½-1½      | 1½-1½      | 1½-1½      | 1½-1½      | 1½-1½      |
| Dutch Gld.                 | 1½-1½              | 1½-1½      | 1½-1½      | 1½-1½      | 1½-1½      | 1½-1½      | 1½-1½      |
| W. Ger. D-Mk.              | 1½-1½              | 1½-1½      | 1½-1½      | 1½-1½      | 1½-1½      | 1½-1½      | 1½-1½      |
| Gold Price at Fixing       |                    |            |            |            |            |            |            |
| Price (s. d. per fine oz.) |                    | 251/0½     | 251/1½     | ...        | 251/1½     | 251/3      | 251/3      |
| (s. d. per fine oz.)       |                    | 35-06      | 35-06      | ...        | 35-06      | 35-06      | 35-07      |

## BANK OF ENGLAND RETURNS

| (£ million)                | June 1, 1960 | May 24, 1961 | May 31, 1961 |
|----------------------------|--------------|--------------|--------------|
| <b>Issue Department:</b>   |              |              |              |
| Notes in circulation       | 2,197.8      | 2,299.6      | 2,301.1      |
| Notes in banking dept.     | 52.6         | 25.7         | 24.2         |
| Govt. debt and securities* | 2,247.3      | 2,323.5      | 2,323.5      |
| Other securities           | 0.7          | 0.8          | 0.8          |
| Gold coin and bullion      | 0.4          | 0.4          | 0.4          |
| Coin other than gold coin  | 2.0          | 0.8          | 0.8          |
| <b>Banking Department:</b> |              |              |              |
| Deposits:                  |              |              |              |
| Public accounts            | 10.8         | 13.6         | 12.3         |
| Special deposits           | 32.5         | 152.9        | 152.9        |
| Bankers                    | 271.2        | 257.6        | 266.5        |
| Others                     | 64.5         | 77.4         | 77.9         |
| Total                      | 379.0        | 501.5        | 509.6        |
| Securities:                |              |              |              |
| Government                 | 286.6        | 427.8        | 437.5        |
| Discounts and advances     | 38.5         | 46.7         | 47.0         |
| Total                      | 18.5         | 18.2         | 17.9         |
| Banking department reserve | 53.4         | 26.7         | 25.1         |
| "Proportion" ...           | 14.0         | 5.3          | 4.9          |

\* Government debt is £11,015,100, capital £14,553,000. Fiduciary issue increased by £25 million to £2,325 million on April 12th.

## TREASURY BILL TENDERS

| Date of Tender | Amount (£ million) |             | Three Months' Bills       |               |    |
|----------------|--------------------|-------------|---------------------------|---------------|----|
|                | Offered            | Applied for | Average Rate of Allotment | At Max. Rate* |    |
| 1960           |                    |             |                           |               |    |
| May 27         | 91 day 280.0       | 470.7       | s. d.                     | %             |    |
|                |                    |             | 91                        | 1.53          | 55 |
| 1961           |                    |             |                           |               |    |
| Feb. 24        | 240.0              | 418.3       | 87                        | 11.85         | 36 |
| Mar. 3         | 240.0              | 356.7       | 88                        | 10.41         | 54 |
| " 10           | 250.0              | 395.1       | 89                        | 9.54          | 63 |
| " 17           | 260.0              | 395.4       | 89                        | 8.57          | 47 |
| " 24           | 250.0              | 398.3       | 89                        | 8.46          | 45 |
| " 30           | 260.0              | 418.1       | 89                        | 8.41          | 40 |
| Apr. 7         | 260.0              | 473.7       | 88                        | 8.68          | 42 |
| " 14           | 280.0              | 414.1       | 89                        | 7.69          | 42 |
| " 21           | 260.0              | 411.3       | 89                        | 9.01          | 38 |
| " 28           | 220.0              | 379.8       | 88                        | 1.71          | 67 |
| May 5          | 240.0              | 416.2       | 87                        | 4.27          | 49 |
| " 12           | 250.0              | 445.8       | 86                        | 5.04          | 50 |
| " 19           | 260.0              | 432.5       | 88                        | 3.18          | 33 |
| " 26           | 270.0              | 440.2       | 88                        | 8.74          | 50 |

\* On May 26th tenders for 91 day bills at £98 17s. 10d. secured 50 per cent, higher tenders being allotted in full. The offer for this week was for £270 million of 91 day bills. \* Allotment cut by £10 million. \* Allotment cut by £30 million.

## UK External Trade

Imports are valued cif; exports fob.  
Total trade unless otherwise stated.

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

| BRITISH             |           |                    |           |
|---------------------|-----------|--------------------|-----------|
| Prices and Wages    | May 20th  | External Trade     | This week |
| Manpower and Output | May 27th  | Industrial Profits | Apr. 29th |
| OVERSEAS            |           |                    |           |
| Western Europe      | Apr. 15th | United States      | May 6th   |

|                                         |               | Monthly averages |        |        | 1960             |        |                  | 1960             |        |                  | 1961   |        |  |
|-----------------------------------------|---------------|------------------|--------|--------|------------------|--------|------------------|------------------|--------|------------------|--------|--------|--|
| Unit                                    |               | 1958             | 1959   | 1960   | Feb.             | Mar.   | Apr.             | Dec.             | Jan.   | Feb.             | Mar.   | Apr.   |  |
| VALUE                                   |               |                  |        |        |                  |        |                  |                  |        |                  |        |        |  |
| Imports:                                | £ million     | 312.3            | 332.0  | 379.9  | 364.6            | 393.7  | 373.6            | 383.3            | 404.3  | 353.1            | 398.9  | 355.2  |  |
| Total                                   | "             | 124.2            | 126.5  | 128.8  | 122.8            | 139.1  | 129.0            | 132.2            | 131.8  | 117.7            | 131.7  | 126.1  |  |
| Food, drink and tobacco                 | "             | 74.1             | 77.6   | 88.6   | 84.5             | 86.0   | 86.0             | 91.5             | 95.2   | 82.9             | 88.1   | 82.1   |  |
| Basic materials                         | "             | 36.6             | 38.9   | 40.2   | 45.1             | 43.0   | 40.2             | 39.6             | 48.3   | 40.2             | 47.1   | 40.3   |  |
| Fuels                                   | "             | 76.1             | 87.6   | 120.7  | 110.8            | 124.4  | 117.1            | 117.8            | 126.8  | 111.3            | 130.5  | 110.7  |  |
| Manufactures                            | "             |                  |        |        |                  |        |                  |                  |        |                  |        |        |  |
| Exports of UK produce:                  | "             | 264.7            | 277.5  | 296.3  | 297.0            | 309.3  | 308.9            | 306.0            | 330.1  | 297.1            | 309.9  | 318.6  |  |
| Total                                   | "             | 222.5            | 234.4  | 250.1  | 250.4            | 265.8  | 265.2            | 252.2            | 280.9  | 253.8            | 265.7  | 275.0  |  |
| Manufactures—Total                      | "             | 36.0             | 37.8   | 39.3   | 39.1             | 43.1   | 40.7             | 37.7             | 43.1   | 40.5             | 39.4   | 41.6   |  |
| Metals                                  | "             | 115.6            | 122.4  | 131.0  | 131.9            | 141.7  | 145.0            | 132.7            | 149.8  | 132.1            | 142.9  | 151.0  |  |
| Engineering products                    | "             | 21.2             | 20.7   | 21.8   | 22.8             | 23.6   | 21.9             | 21.3             | 24.1   | 21.7             | 22.2   | 21.7   |  |
| Textiles                                | "             |                  |        |        |                  |        |                  |                  |        |                  |        |        |  |
| Re-exports                              | "             | 11.8             | 10.9   | 11.8   | 9.4              | 13.8   | 11.5             | 12.1             | 12.4   | 11.2             | 15.3   | 12.7   |  |
| Balance of trade (exports less imports) | "             | -35.8            | -43.6  | -71.8  | -58.2            | -70.6  | -53.2            | -65.2            | -61.8  | -44.8            | -73.7  | -23.9  |  |
| VOLUME (1)                              |               |                  |        |        |                  |        |                  |                  |        |                  |        |        |  |
| Imports:                                | 1954=100      | 114              | 122    | 138    | 136 <sup>3</sup> | ...    | 140 <sup>5</sup> | 141 <sup>4</sup> | ...    | 143 <sup>3</sup> | ...    | 132    |  |
| Total                                   | "             | 119              | 118    | 121    | 122 <sup>3</sup> | ...    | 120 <sup>5</sup> | 129 <sup>4</sup> | ...    | 124 <sup>3</sup> | ...    | ...    |  |
| Food, drink and tobacco                 | "             | 94               | 101    | 110    | 107 <sup>3</sup> | ...    | 108 <sup>5</sup> | 110 <sup>4</sup> | ...    | 111 <sup>3</sup> | ...    | ...    |  |
| Basic materials                         | "             | 124              | 143    | 157    | 159 <sup>3</sup> | ...    | 154 <sup>5</sup> | 162 <sup>4</sup> | ...    | 179 <sup>3</sup> | ...    | ...    |  |
| Fuels                                   | "             | 132              | 150    | 201    | 194 <sup>3</sup> | ...    | 215 <sup>5</sup> | 199 <sup>4</sup> | ...    | 210 <sup>3</sup> | ...    | ...    |  |
| Manufactures                            | "             |                  |        |        |                  |        |                  |                  |        |                  |        |        |  |
| Exports:                                | "             | 111              | 116    | 122    | 127 <sup>3</sup> | ...    | 124 <sup>5</sup> | 125 <sup>4</sup> | ...    | 128 <sup>3</sup> | ...    | 129    |  |
| Total                                   | "             | 113              | 117    | 124    | 129 <sup>3</sup> | ...    | 128 <sup>5</sup> | 124 <sup>4</sup> | ...    | 131 <sup>3</sup> | ...    | ...    |  |
| Manufactures                            | "             |                  |        |        |                  |        |                  |                  |        |                  |        |        |  |
| BY AREA                                 |               |                  |        |        |                  |        |                  |                  |        |                  |        |        |  |
| Imports:                                | £ million     | 29.2             | 30.9   | 47.2   | 38.9             | 43.3   | 41.7             | 49.6             | 50.5   | 38.9             | 42.9   | 38.9   |  |
| USA                                     | "             | 25.7             | 26.0   | 31.3   | 27.4             | 30.0   | 27.2             | 31.6             | 27.0   | 25.9             | 28.7   | 23.5   |  |
| Canada                                  | "             | 24.6             | 26.8   | 26.0   | 28.7             | 25.2   | 29.8             | 22.7             | 24.9   | 25.3             | 30.2   | 25.5   |  |
| Latin America                           | "             | 44.4             | 46.6   | 55.2   | 55.5             | 60.4   | 54.0             | 51.9             | 56.2   | 52.3             | 60.5   | 53.9   |  |
| West'n Europe—Common Market             | "             | 30.4             | 32.6   | 38.7   | 36.3             | 38.6   | 34.9             | 41.0             | 44.0   | 37.2             | 40.2   | 35.1   |  |
| Free Trade Association                  | "             | 8.5              | 9.7    | 11.6   | 9.9              | 9.4    | 9.5              | 14.8             | 13.4   | 10.7             | 11.9   | 10.2   |  |
| Soviet Eastern Europe                   | "             | 36.7             | 39.2   | 43.6   | 44.2             | 44.3   | 46.7             | 49.7             | 51.9   | 50.9             | 50.4   | 41.8   |  |
| Other Non-Sterling                      | "             |                  |        |        |                  |        |                  |                  |        |                  |        |        |  |
| Sterling area                           | "             | 112.8            | 120.2  | 126.3  | 123.7            | 142.5  | 129.8            | 122.0            | 136.4  | 111.9            | 135.0  | 126.3  |  |
| Exports of UK produce:                  | "             | 22.6             | 30.0   | 26.9   | 31.2             | 31.9   | 30.3             | 23.4             | 21.1   | 20.7             | 20.5   | 19.8   |  |
| USA                                     | "             | 15.7             | 17.3   | 17.8   | 16.8             | 19.0   | 19.5             | 16.8             | 14.8   | 17.6             | 15.7   | 31.3   |  |
| Canada                                  | "             | 12.6             | 12.9   | 14.3   | 15.7             | 15.5   | 12.7             | 15.1             | 14.2   | 14.5             | 13.2   | 13.2   |  |
| Latin America                           | "             | 34.9             | 38.8   | 42.9   | 40.4             | 45.6   | 44.2             | 43.7             | 48.3   | 45.7             | 54.4   | 49.1   |  |
| West'n Europe—Common Market             | "             | 26.6             | 28.8   | 31.7   | 31.0             | 32.7   | 31.7             | 33.5             | 36.1   | 33.2             | 33.7   | 33.3   |  |
| Free Trade Association                  | "             | 3.8              | 5.1    | 6.4    | 5.4              | 6.6    | 6.3              | 5.4              | 8.5    | 7.7              | 8.3    | 7.8    |  |
| Soviet Eastern Europe                   | "             | 32.4             | 32.8   | 37.8   | 36.3             | 41.9   | 37.0             | 39.8             | 45.4   | 37.4             | 42.9   | 37.7   |  |
| Other Non-Sterling                      | "             |                  |        |        |                  |        |                  |                  |        |                  |        |        |  |
| Sterling area                           | "             | 116.1            | 111.8  | 118.5  | 120.2            | 116.1  | 127.2            | 128.3            | 141.7  | 120.3            | 121.2  | 126.4  |  |
| TRADE IN SELECTED COMMODITIES           |               |                  |        |        |                  |        |                  |                  |        |                  |        |        |  |
| Imports:                                | '000 tons     | 376.4            | 356.3  | 342.3  | 276.1            | 367.8  | 372.0            | 274.7            | 205.4  | 349.5            | 379.3  | 343.9  |  |
| Wheat                                   | "             | 69.4             | 67.6   | 70.3   | 58.7             | 94.2   | 72.5             | 56.0             | 69.5   | 60.0             | 76.9   | 66.9   |  |
| Meat                                    | "             | 219.3            | 201.8  | 184.1  | 126.9            | 222.4  | 245.3            | 165.0            | 204.5  | 166.2            | 148.5  | 203.9  |  |
| Sugar, unrefined                        | "             |                  |        |        |                  |        |                  |                  |        |                  |        |        |  |
| Raw cotton (2)                          | "             | 21.5             | 22.5   | 22.6   | 34.7             | 26.4   | 26.5             | 27.2             | 21.0   | 31.6             | 24.9   | 24.6   |  |
| Raw wool, sheep's and lambs' (2)        | mn. lb.       | 51.1             | 58.6   | 49.9   | 46.8             | 56.9   | 62.3             | 56.1             | 75.7   | 58.1             | 66.7   | 73.4   |  |
| Rubber, natural and synthetic (2)       | '000 tons     | 17.0             | 17.0   | 16.4   | 18.1             | 25.4   | 16.7             | 21.0             | 24.2   | 19.8             | 24.6   | 16.7   |  |
| Softwood                                | '000 stds.    | 106.4            | 121.7  | 150.1  | 67.0             | 75.8   | 70.5             | 154.5            | 129.2  | 74.3             | 80.1   | 77.2   |  |
| Woodpulp                                | '000 tons     | 175.4            | 185.4  | 226.0  | 233.7            | 214.1  | 197.5            | 237.3            | 264.1  | 239.3            | 224.6  | 208.6  |  |
| Crude petroleum                         | mn. galls.    | 728              | 847    | 969    | 1,016            | 910    | 953              | 942              | 1,219  | 1,012            | 1,257  | 1,006  |  |
| Exports of UK produce:                  | '000 tons     | 403              | 342    | 455    | 503              | 415    | 400              | 392              | 523    | 397              | 442    | 372    |  |
| Coal, including bunkers                 | "             | 32               | 29     | 27     | 29               | 28     | 31               | 28               | 29     | 24               | 29     | 26     |  |
| Woven piece-goods—cotton                | mn. sq. yds.  | 7,893            | 8,536  | 8,085  | 10,243           | 9,589  | 7,193            | 7,521            | 8,941  | 7,973            | 7,865  | 7,816  |  |
| Wool                                    | '000 sq. yds. |                  |        |        |                  |        |                  |                  |        |                  |        |        |  |
| Passenger cars and chassis              | number        | 40,323           | 47,414 | 47,493 | 57,231           | 65,626 | 63,321           | 29,224           | 31,728 | 27,119           | 26,359 | 31,784 |  |
| Commercial vehicles and chassis         | "             | 9,303            | 10,619 | 12,127 | 11,897           | 11,867 | 12,921           | 14,207           | 17,286 | 16,689           | 16,447 | 13,596 |  |
| Agricultural tractors                   | "             | 8,709            | 9,474  | 11,964 | 10,760           | 14,032 | 14,587           | 10,549           | 12,670 | 13,682           | 13,513 | 12,241 |  |
| Machinery—electrical                    | £'000         | 5,818            | 5,706  | 5,265  | 5,559            | 5,292  | 6,804            | 5,857            | 7,096  | 5,422            | 5,678  | 5,698  |  |
| Other                                   | "             | 42,773           | 47,264 | 52,926 | 50,094           | 56,333 | 55,511           | 57,059           | 66,773 | 59,612           | 64,355 | 62,442 |  |
| Chemicals, elements and compounds       | "             | 5,027            | 5,862  | 6,438  | 5,998            | 6,267  | 6,383            | 6,594            | 7,149  | 6,917            | 6,678  | 6,769  |  |

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Applicants should have at least a second class honours degree in Economics. Some knowledge of Statistics would be an advantage. A knowledge of Accounting is not required. Applications should be sent not later than June 12, 1961, to the Registrar, the University, Bristol 8, from whom further particulars may be obtained.

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Applications are invited for a full-time appointment as **LECTURER** TO TEACH Mathematics and Mathematical Statistics to Institute of Statisticians and economics degree final standard. Candidates should possess a good honours degree (1) in Mathematics and be interested in mathematical statistics, or (2) in Economics with Statistics.

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**UNIVERSITY OF BIRMINGHAM**  
DEPARTMENT OF ACCOUNTING AND ADMINISTRATION

Applications are invited for the post of **LECTURER IN ACCOUNTING**. Salary according to qualifications and experience within the scale: £1,050 x £50 — £1,400 x £75. Applications (3 copies, naming three referees, should reach by July 31, 1961, the Assistant Registrar of Commerce and Social Sciences, The University, Edgbaston, Birmingham, 15, from whom further particulars can be obtained.

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**THE UNIVERSITY OF MANCHESTER**

Applications are invited for the non-tenured post of **ASSISTANT LECTURER** in the Department of Public Administration. The post should be held in the field of public administration and social studies and should have a good honours degree in an appropriate subject. Some experience of industry and an interest in public problems is desirable. The appointment will be in the grade of an Assistant Lecturer for an initial period of three years; salary £500 x £50 — £600 plus F.S.S.U. and Children's Allowance. Applications should be sent not later than July 1, 1961, to the Registrar, the University, Manchester 13, from whom further particulars and forms of application should be obtained.

**THE UNIVERSITY OF LEEDS**  
DEPARTMENT OF SOCIAL STUDIES

Applications are invited for appointment to either one or two posts as Lecturer or Assistant Lecturer in Sociology in the Department of Social Studies, at salaries on the scale £1,050 x £50 — £1,400 x £75 — £1,850 (efficiency bar at £1,550 a year for a Lecturer, or within the range £800 — £950 for an Assistant Lecturer, according to age, qualifications and experience. For one post preference will be given to candidates interested in empirical work in the study of modern industrial societies. Applications (three copies stating date of birth, qualifications and experience, together with the names of three referees, should reach the Registrar, The University, Leeds, 2, not later than 20th June, 1961.

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Applications are invited for appointments as **RESEARCH OFFICERS** in the New Guinea Research Unit. This Unit was established in 1961 to conduct inter-disciplinary research into practical and applied problems in the Territories of Papua and New Guinea.

A vacancy exists for a specialist in the processes associated with urban growth, particularly in the tropics. A candidate with some experience in the administration of rapidly moving urban areas in addition to an appropriate academic background would be preferred. Further vacancies exist for work on problems of land tenure and use, of organisation for productive activity, of the recruitment of indigenous peoples and of communication between persons of widely divergent cultures. Applicants are invited to indicate in what problem or problems they have particular interests and any particular methods, if any, they would prefer to use.

The salary range is from £A1,625 — £A2,450, with annual increments of £A75. Appropriate allowances in relation to costs of living in the Territories of Papua and New Guinea will be determined for those required to work there. Arrangements will be made for periodic leave from the Territories during some part of which the Research Officer will be expected to reside in Canberra and work at the University. The term of appointment will normally be three years, but the Council may extend a Research Officer's tenure to five years. Appointments for periods shorter than three years may be made in appropriate circumstances. Research Officers are eligible for re-appointment. Superannuation is on the F.S.S.U. pattern. Reasonable travel and removal expenses are paid and assistance with housing is provided. Further details are available from the Secretary, Association of Universities of the British Commonwealth, 46 Gordon Square, London, W.C.1.

Applications close, in Australia and London, on July 3, 1961.

## AUSTRALIAN NATIONAL UNIVERSITY

INSTITUTE OF ADVANCED STUDIES

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Initial salary within each range will depend on qualifications and experience. Appointments as Research Fellow or Senior Research Fellow are initially for three years, with possibility of extension to a maximum of five years. Appointments as Reader or permanent, and appointments as Senior Research Fellow or permanent, after an initial period of five years. Superannuation is on the F.S.S.U. pattern. Reasonable travel expenses are paid, and assistance with housing is provided. Further details are available from the Secretary, Association of Universities of the British Commonwealth, 46 Gordon Square, London, W.C.1.

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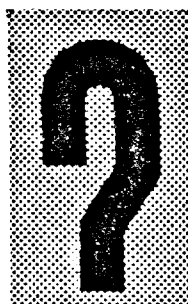
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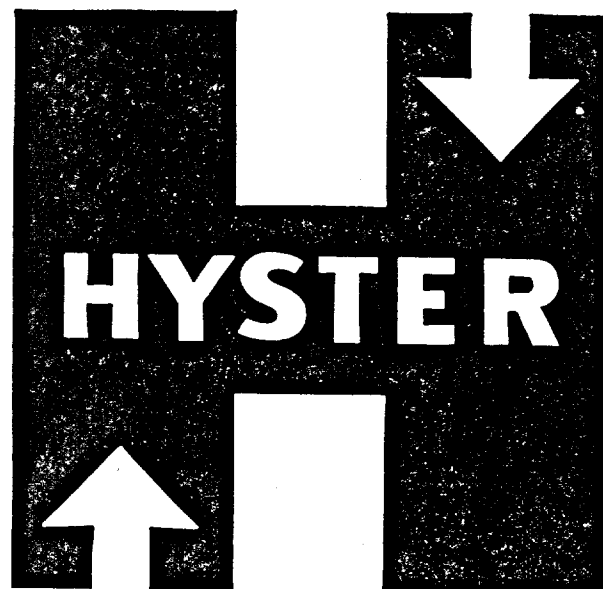
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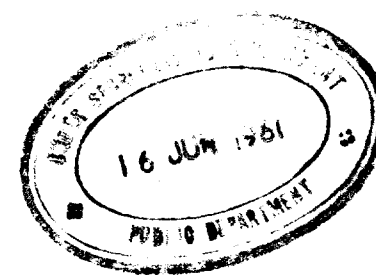


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# The Economist



JUNE 10, 1961

AIR EDITION

FOUNDED 1843

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## How to Avoid Restriction

## Equities Remeasured

## Building Societies in Business

## WORLD POLITICS + BUSINESS

### Viennese Visions

### Waiting Game in Berlin

### The Silences of Mr Kennedy

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## In The Economist this Week

June 10, 1961

### INTERNATIONAL

#### RELATIONS . . . . .

**Moscow and Washington:** Any hopes raised by the polite and sober atmosphere of the Vienna talks (p. 1089) must take account of the renewed fighting in Laos, which has disrupted the talks at Geneva (p. 1093). Nor, though all that he asked from the American people on his return from Europe was their support for foreign aid, is President Kennedy going to get all he wants (p. 1110).

**Moscow and Cairo:** *Pravda* has cracked the whip over President Nasser, suspecting him of wanting to be too neutral (p. 1095). **Cairo and Cyprus and Israel:** The Egyptian President and President Makarios respect each other as neutrals in the big cold war (p. 1096).

*But the archbishop may have received less sympathy from the colonel for his neutrality in the Israeli-Arab vendetta. An agreed solution to this is the prerequisite of any abatement of Israel's siege mentality, with all that this wind of change would imply for the future of the young state* (p. 1122).

#### RUSSIANS . . . . .

**... and Berlin:** Mr Khrushchev and Herr Ulbricht will content themselves with peaceful pressure until the autumn; if without success, stronger methods will be revived (p. 1119).

**... and Agriculture:** The Soviet model of collective farming has been faithfully followed by most of the East European satellites, and trouble has thrived accordingly (p. 1092).

**... and Albania:** Defendants in the recent Tirana trials were found

guilty of plotting with the Americans, but their real crime may have been sympathising with the Russians (p. 1096).

#### RESPONSIBILITIES . . . . .

**British:** The withdrawal of South Africa from the Commonwealth has drawn attention to the problems of the Bechuanaland protectorate (p. 1122). African "acquiescence" in—much less "consent" to—either the new Rhodesian constitutions or the continuance of the federation remains highly doubtful (p. 1093). . . . New and old conflicts in Zanzibar make the presence of the British army necessary to prevent further bloodshed (p. 1094).

**Australia** is anxious to be reassured that Britain is not forgetting its obligations to the white dominions in its anxiety to please the coloured and to solve the problem of the common market (p. 1125).

**Unilateralists:** Those who do not want the German army in Nato to rely too much on nuclear weapons ought, in logic, not to obstruct the training and equipment of conventional forces; or, indeed, conscription either (p. 1102).

#### REFORM?

The new development corporation may have to tackle all Burma's many economic problems (p. 1127).

**Saudi Arabia** needs to do more than swap camels for cadillacs to enter the twentieth century (p. 1120).

General Trujillo the Second may soon find it difficult either to keep or to break his reforming promises in the Dominican Republic (p. 1099).

#### AMERICAN SURVEY

**The Freedom Riders in the South** have begun a new stage in the human drama of their country's race problem (p. 1109).

The Republicans are in an aggressive mood (p. 1110).

### HOME

#### PUFFED UP

Britain's economy is being inflated by wage awards: the pressure should not be relieved by restrictive measures, but by stopping the pump (p. 1087).

For a start, the air might be let out of some teachers' complaints about their new salary scales (p. 1094).

#### Clammed Up

Mr Kennedy kept his mouth firmly shut in London—which spoke clearly enough of a new footing for Anglo-American relations (p. 1132).

#### Lumped Together

Welshmen do not like the plan to amalgamate their counties—and very likely it will not work: but the Principality could benefit from a more radical reconstruction (p. 1090).

One-third of Britain's people live in its six largest cities, and most of the rest of them are in the South (p. 1134): but London is less crowded than it was; and some of the City's firms are finding the suburban air more to their liking (p. 1133).

#### SLIPPING UP

The equity boom has been checked by a recurrence of old afflictions (p. 1137): and sterling takes more punishment (p. 1141).

#### Locking ahead

The gloves are now off in the fight between the gas and coal industries over future gas supplies to British households (p. 1141). Far-sighted exhibitors at Moscow did not expect an avalanche of orders, and have been careful not to leave their prototypes behind at the fair (p. 1142).

#### Up and up

Higher interest rates on mortgages are a step in the right direction; but the building societies may not have gone far enough (p. 1139).

The cost of smoking has risen (p. 1149): sales of clothing fell in April, but durable goods continue to recover (p. 1146): hire-purchase debt is growing again (p. 1143).

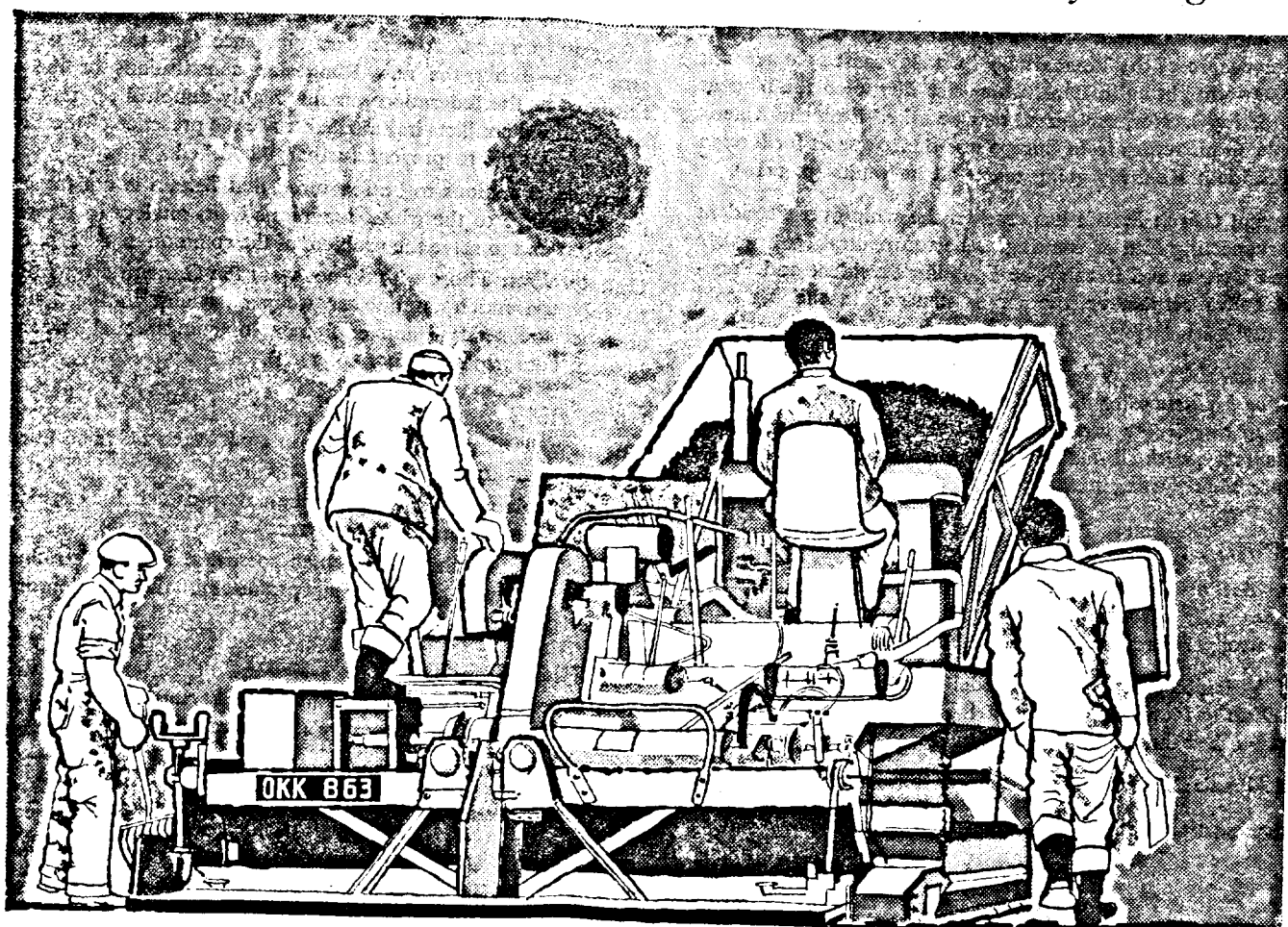
#### Turned Down

The Government has resisted attempts to "reform" the Licensing Bill (p. 1099) and life imprisonment (p. 1096). A hard look should be taken at proposed reforms in the press (p. 1102) and the dock labour situation (p. 1096).

Detailed contents on page 1087

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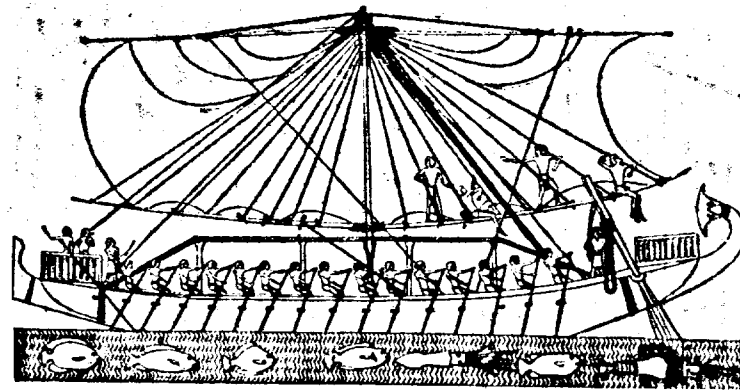
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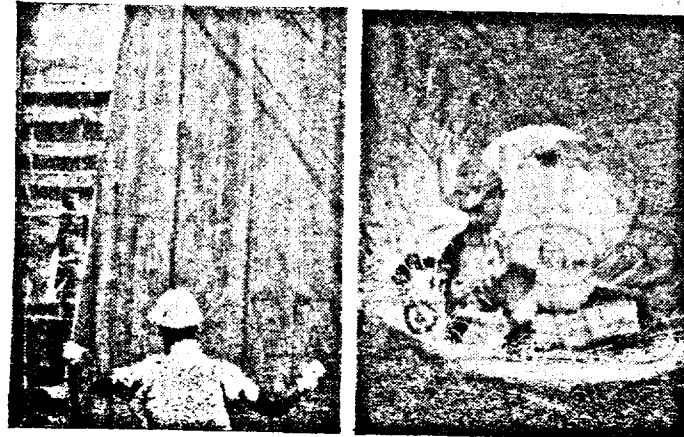
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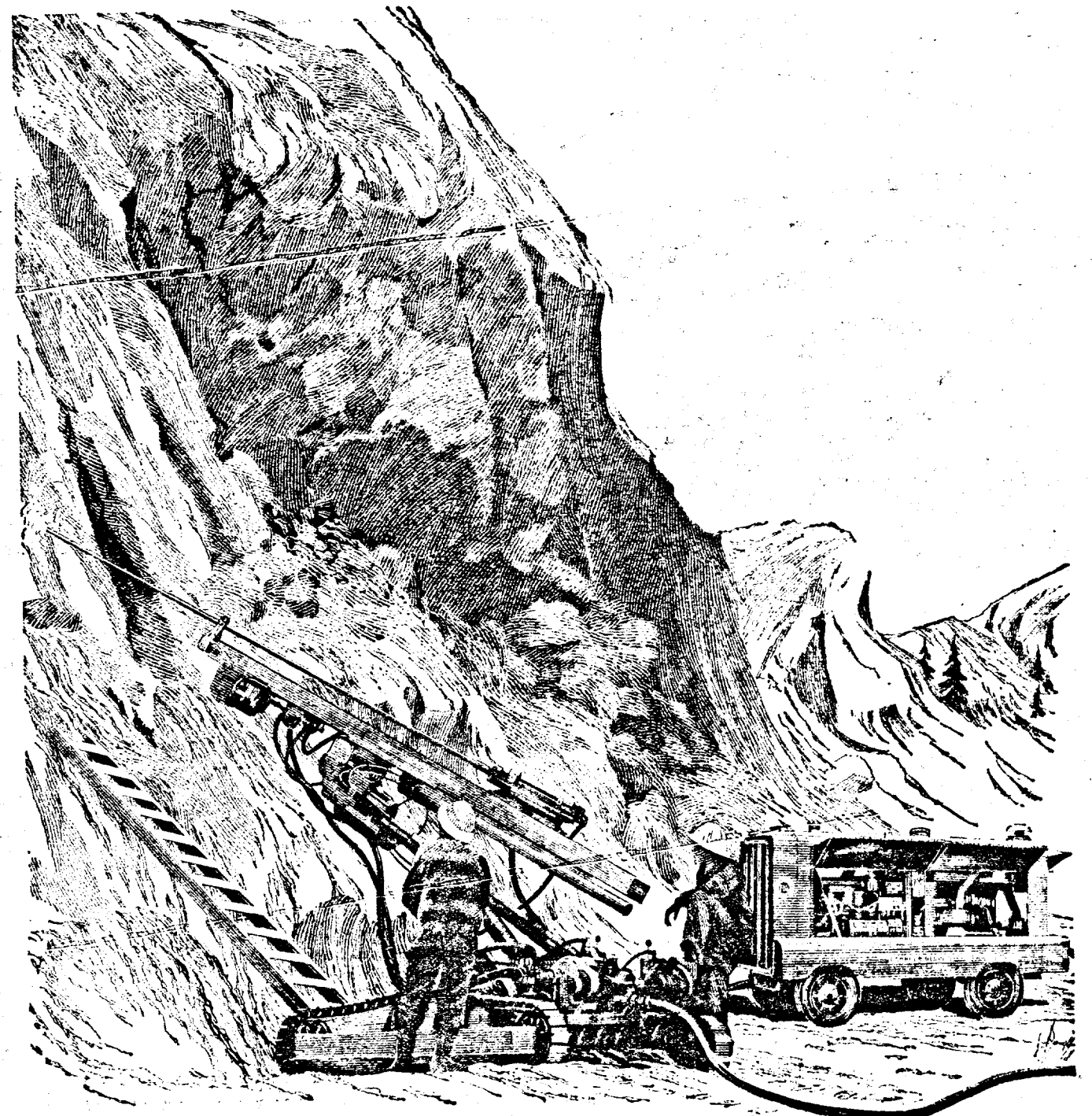
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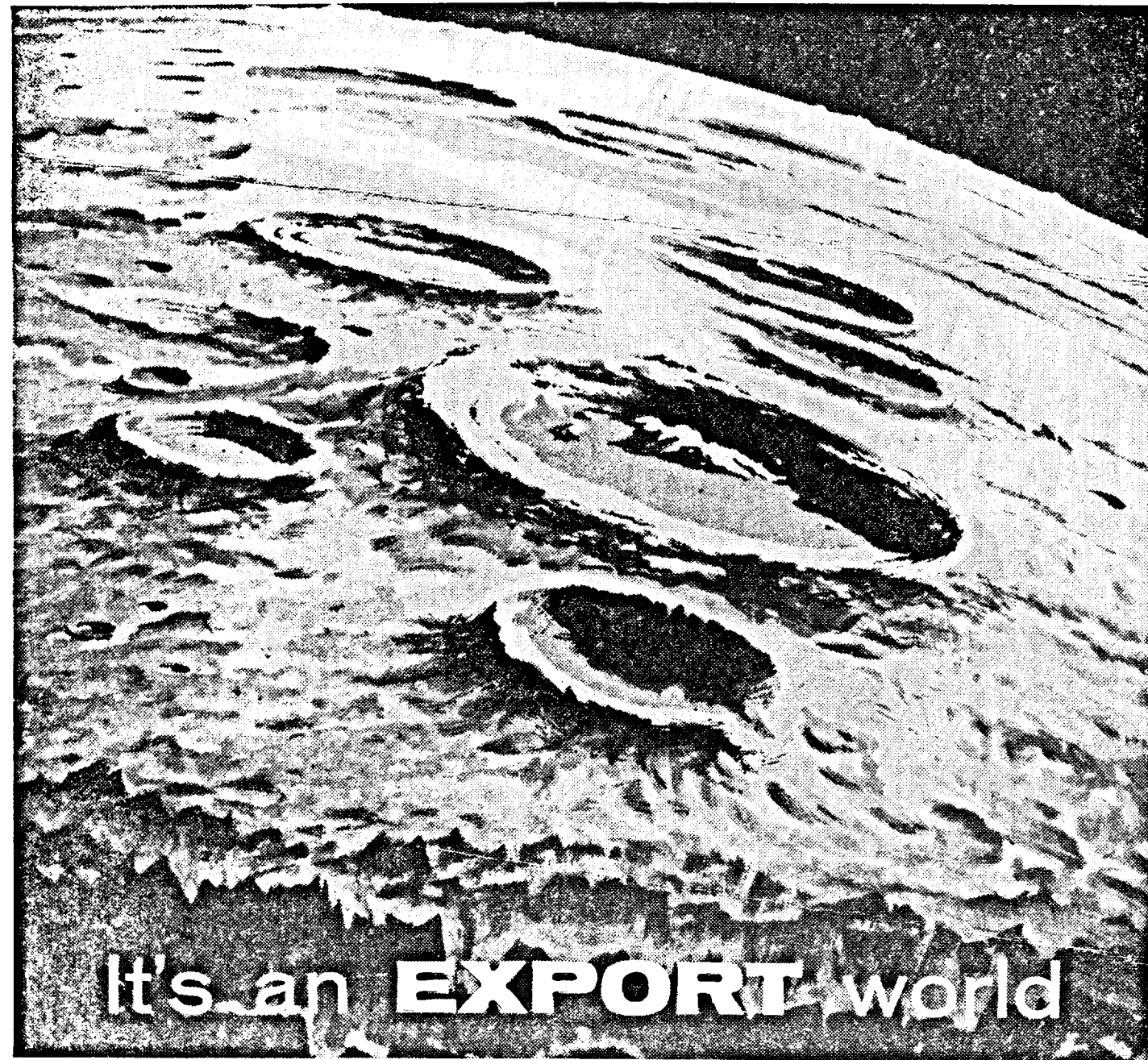
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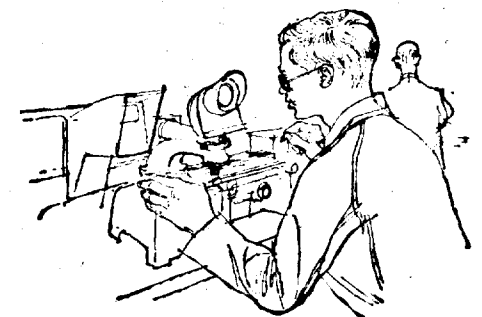
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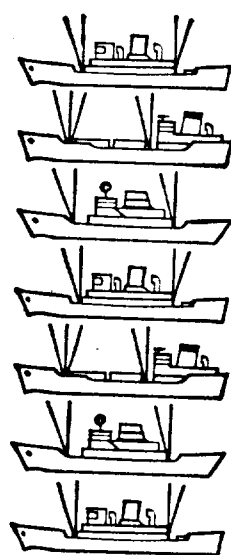
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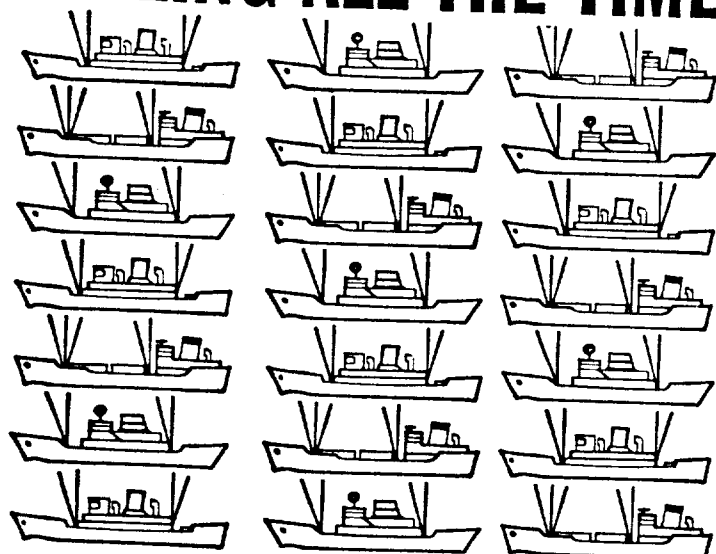
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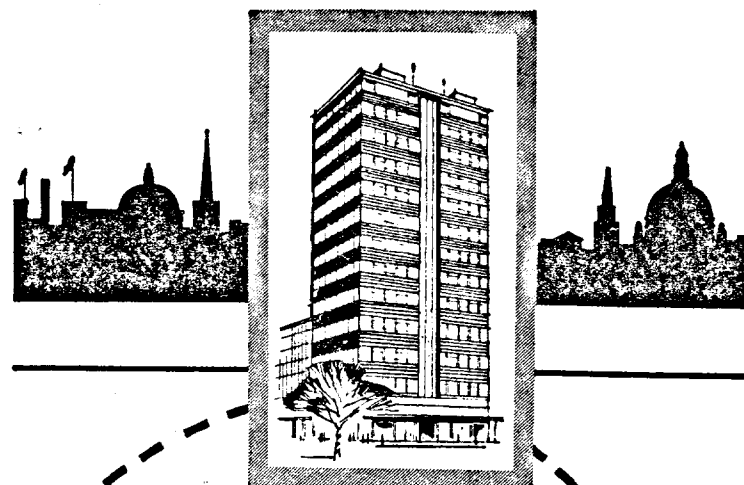
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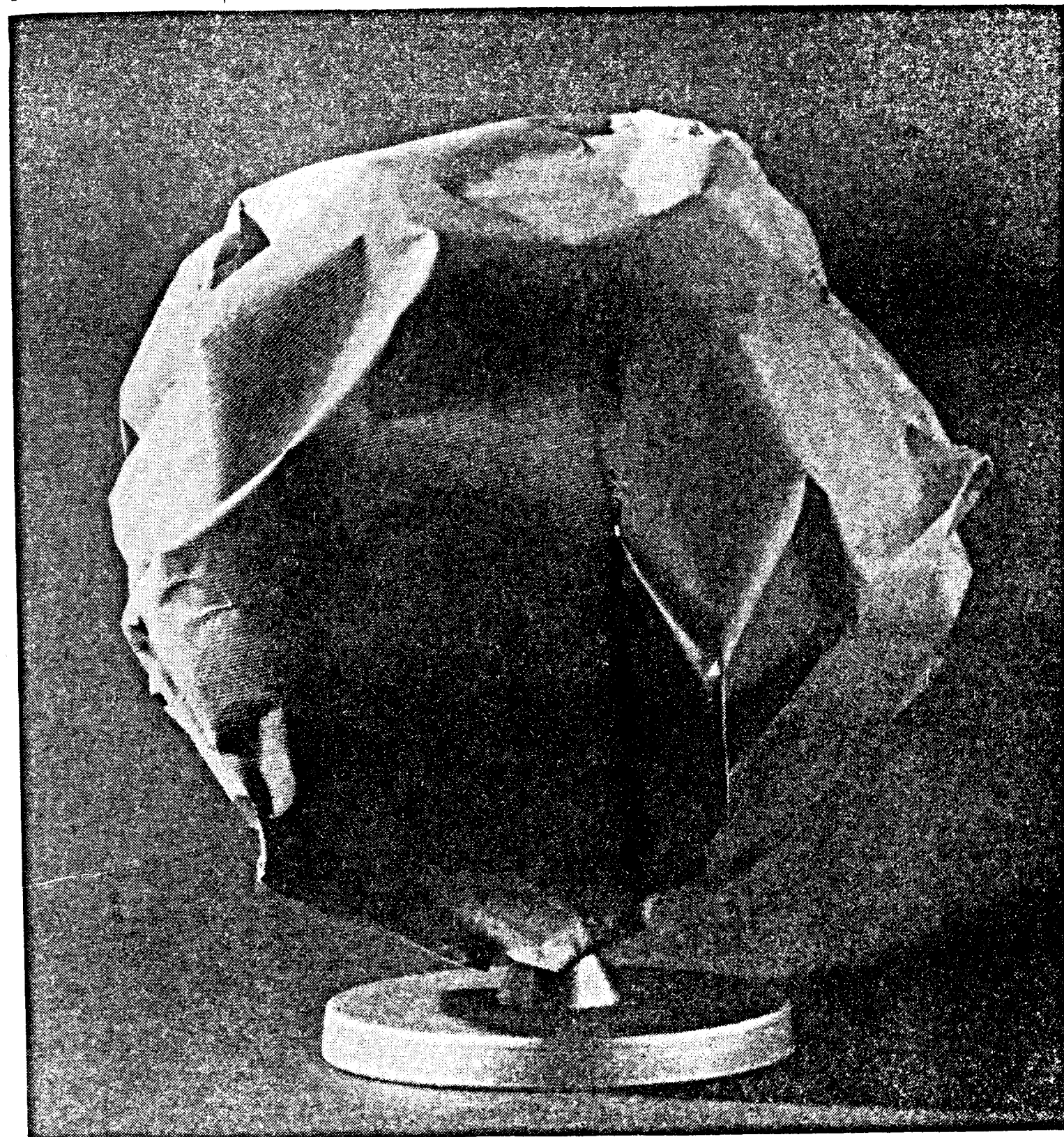


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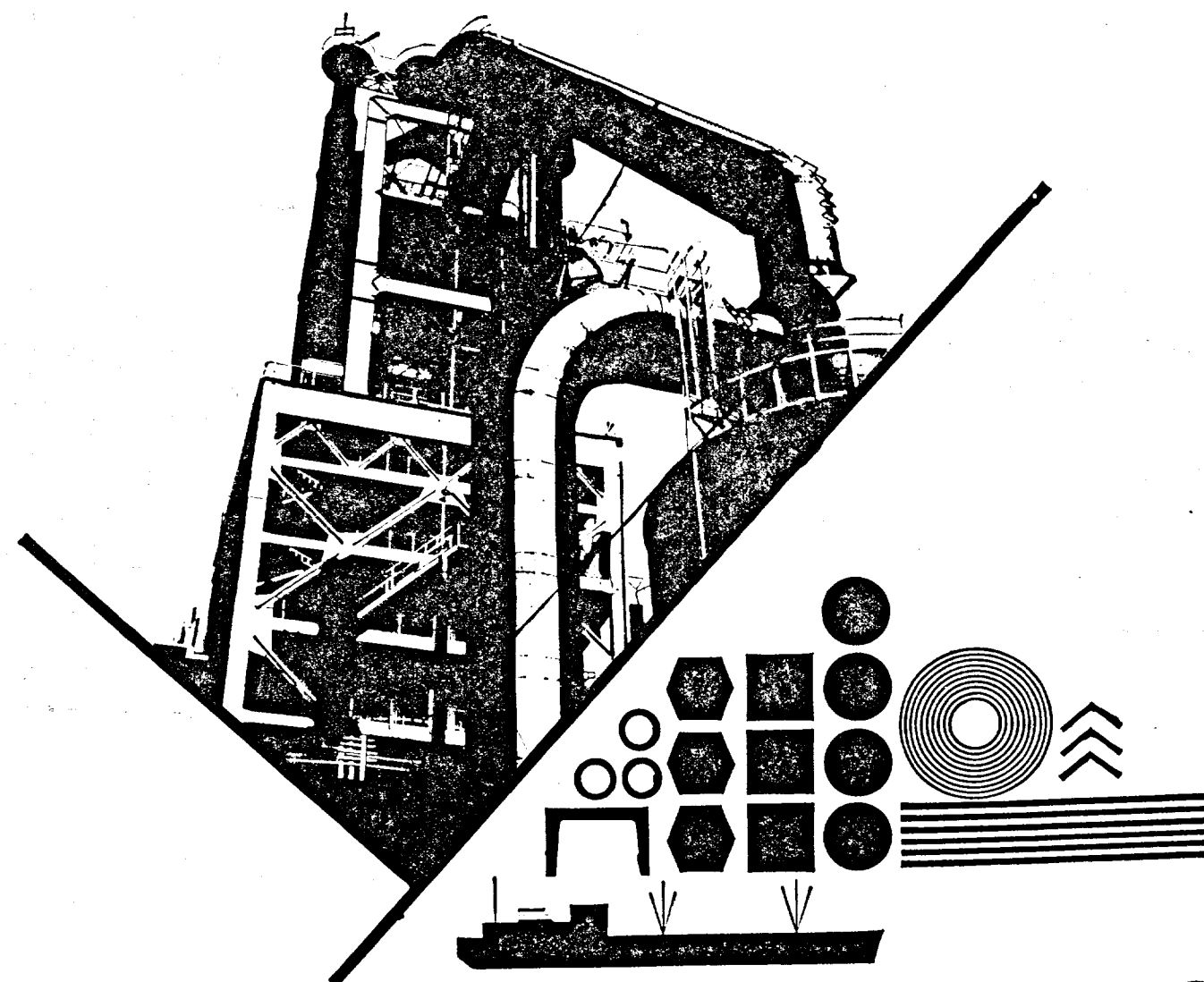
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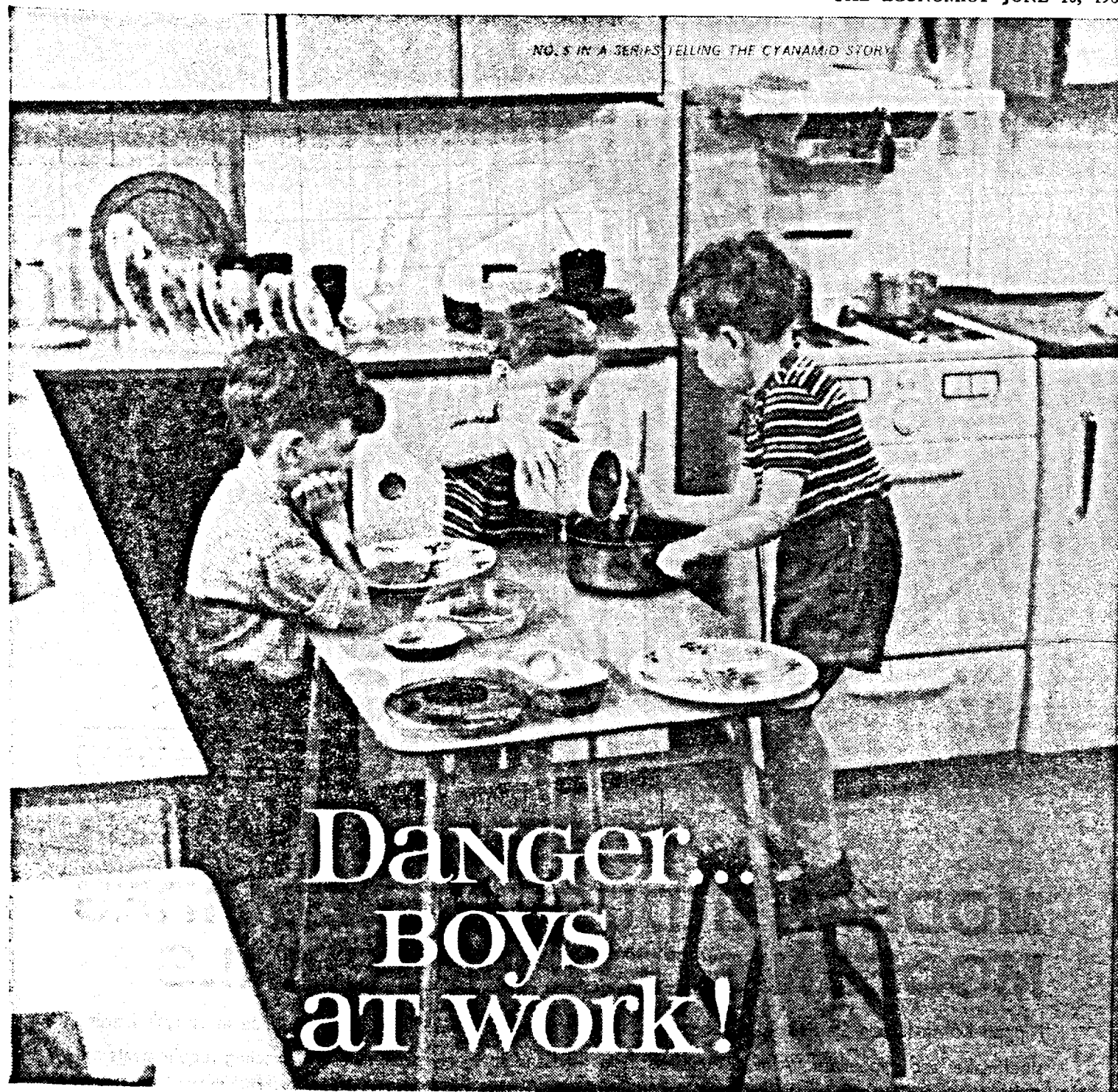
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JUNE 10, 1961

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### BOOKS .....

The Third Europe .....

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### THE WORLD OVERSEAS .....

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### HOME REPORT .....

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### THE BUSINESS WORLD .....

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### BUSINESS NOTES .....

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### COMPANY AFFAIRS .....

Courtaulds Profits Slide; Metal Box; Firth Cleveland; Whitbread; Shareholders' Mecca; Watney Mann; Pressure on Margins; British Oxygen; Steel Results; De La Rue; British and Commonwealth Shipping; J. Lyons; Joan Thompson; Elliott Automation.

London and New York Stocks .....

Money and Exchanges .....

Western Europe .....

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VOLUME CXIX - NUMBER 6146

# How to Avoid Restriction

THE prospect presented by the British economy in this summer of 1961 is dun and drab. It looks as if the authorities may soon feel obliged to take some measures to restrain demand and production—and this at the end of a year when industrial production has not risen at all. The conclusion is so depressing that it is a natural instinct for a British observer to shudder away from it if he possibly can. But shuddering is not a policy; the need is to search for an escape route. If the Chancellor and the country are to find one, they cannot do so by the fool's paradise tactic of ignoring the worst of the figures that are now causing some foreign bears to shy out of the pound.

Externally, despite some recent improvement on both import and export account, Britain is still in balance of payments deficit, and the sterling area as a whole is probably running a current deficit (as orthodoxly defined) of around £1,000 million a year. We are being saved from a larger outflow of short-term capital from London by various patch-and-plaster-up arrangements with our European friends, which they will not necessarily be willing to continue indefinitely. Internally, the labour market in Britain has tightened recently so that there are now just under 300,000 unemployed, against just over 350,000 registered unfilled vacancies at the labour exchanges; but either labour is going to or being retained in the wrong places, or else last year's bargained reduction in working hours is having a worse effect than originally expected, for the seasonally adjusted index of industrial production obstinately refuses to rise. At the end of March it was at the same level as a year earlier, although the total labour force in British civil employment had risen by about 1½ per cent, which can be roughly interpreted as meaning that productivity per head had fallen by that amount. Meanwhile the index of weekly wage rates suggests that British workers are being paid between 4 and 5 per cent more per head as a reward for this lower productivity, so that the recurrence of cost and price inflation is not at all surprising.

That there has been a recurrence of cost and price inflation is not now open to doubt. When the latest available cost of living figures were collected, on April 18th last, the cost of living index was 3 points higher than a year before, and all but 0.2 per cent of this rise had occurred in the seven months since September. Since April bread, beer, tobacco and other things with a heavy weight in the index have gone up further, which suggests that the pace up the spiral is now quickening; a plausible guess is that for the first time since 1957 we may at least temporarily be back in a stage of 4 or 5 per cent price inflation a year. Some people draw comfort from the fact that this period of inflation has at any rate seen a record boom in real investment in British industry, and say that production almost certainly has started to rise since the last official figures were published in March. They argue that this would be very much the wrong moment to cause industrialists to falter in their readiness to install new machinery just as it may be about to be more fully used; if the Government feels obliged to take any restrictive measures in the next few months—and in this context it may unhappily hardly matter what form the restrictions take—it seems only too likely that industrial investment programmes may be the first things that are restrained.

This last point provides an additional reason for wishing that the Chancellor should delay, if he can, in taking deliberate measures of restriction. Restriction is no more a cure than shuddering. But when all this has been said—and when

the real hope of a rise in British exports to the quickly recovering United States economy during 1961 has also been noted—the present recurrence of price inflation and of a strain on sterling are inescapable facts. What other means of checking them are there, except the policy of restricting production to which British governments have so often resorted? An accurate mirror of the way that foreigners now regard us can be found in the words of one distinguished international banker who was on a private visit to London this week: “To the outsider, Britain seems to have followed a reasonably sound budgetary and monetary policy for several years. Yet it is always running into crisis. Some thing or things within this economy must therefore surely be basically very wrong.”

**I**N point of fact, as every intelligent British voter and politician must know in his heart, there are at least two main things that are basically wrong. The first of these defects—the lack of a spirit of thrustful competitiveness in British industry—may now be slowly on the mend. To look back, this country has suffered unexpectedly severely from the fact that, unlike continental Europe, most of its big enterprises did not have to be built or rebuilt from virtually nothing just after the war by men of desperate push-and-go. This is not to say that the quality of Britain's top management in this period has been exceptionally bad, but it has perhaps suffered from a surfeit in managerial demeanour of clever conformism and a shortage of extremist ideas. Because fewer organisations than on the continent have been starting really from scratch, able executives have sometimes seen that the safest way to promotion within their firm is not to flutter too many doves by wanting to change too many of the well-established ways of doing and selling things; later, when leading their firms, they have too often felt that the gentlemanly way to progress may be by not running too deliberately foul of other existing producers in their trade. This deadweight burden of tradition in British industry was greatly increased by the catastrophic Crippsian policy of “raw material allocations according to past production entitlement” before 1951 and, to a lesser extent, by some Tory tenderness for trade associations after that.

But in the last few years the Restrictive Trade Practices Act has been shown to have teeth (at least against manufacturers); resale price maintenance has begun to break down despite Britain's outdated legal props for it; there has been a new feeling around of ants in the pants in the boardrooms; tariff cuts and abolition of import restrictions have become respectable; and the country has even come to the brink of joining the common market. Of course, old attitudes take a long time in dying—Britain will not have got very far until it is regarded as automatic that we should grant a welcoming freedom to such things as minicabs and should not grant subventions to Cunarders—but recent advances are gradually becoming apparent.

Unhappily, Britain is still gravely handicapped because it has made no progress to remedy its second basic defect. An OEEC committee pointed it out frankly last week. It found that Britain was one of the three western countries where inflation had plainly been due less to demand pressure than to the fact that collective negotiation of wages is an independent cause of inflation here, because it produces higher

wages than would be produced by a freely competitive labour market; the other two were Denmark and the United States, and the OEEC committee reported it as “significant that economic growth was less vigorous in these three countries” than in any of the others that it studied.

Nobody can really doubt that this process of wage inflation is now Britain's major wasting disease. It is a disease with an almost unvarying prognosis. If demand and production, after having remained stagnant through most of 1960, now have to be cut down by new regulators in 1961, the main object will be to cause a little more unemployment in 1962 so that by the end of that year the trade unions may give the next wage round a miss, and allow expansion to be resumed in 1963, perhaps in time for the general election of 1964. This is what happened in the last Parliament. The stagnation-cum-inflation of 1956 had to be turned into a minor recession by the emergency measures of late 1957, so that (aided by the defeat of Mr Cousins's bus strike that May) there was a standstill in wage claims in 1958, which allowed production and real earnings of the workers to increase at a record rate in 1959. By the end of 1959 the idea that it was right to get courts of inquiry to cut down the country's real earnings by increasing paper money wages had caught hold again, and it culminated in the nation's decision to run away from a railway strike in February of 1960, which promptly had the effect that every reasonably experienced observer feared would happen at the time. The stagnation-cum-inflation that has lasted from that month to this can most accurately be called the Guillebaud Slowdown in Our Standard of Life.

**T**HE question for 1961 is whether Britain can escape from inflationary awards again without having to impose a new period of temporarily increased unemployment first. Probably the Government could still just avoid the need for using its new regulatory weapons if it started resolutely to refuse all inflationary wage awards that come to it for ratification. As it happens, a plain test case has now been laid upon its plate. Everybody should agree that those who make a lifetime's profession of teaching are still badly underpaid; it is a cruel paradox that this should be so when so much tribute is paid to the national need for more and better education. But a major part of the large new wage award recommended by the Burnham Committee will go to increase by some £80 a year the salaries of the large number of young women who enter teaching only for a couple of years before marriage, and of whom there is at present no market shortage whatever.

If the Government boldly turned down this part of the Burnham award, perhaps adding the sweetener of individually large (but *in toto* much less expensive) increases in senior posts higher up the scale, it would set a pattern of political and industrial fortitude—a pattern which, though it would cause an enormous immediate row, should save it from the need to screw down demand in the whole economy later in the year. But the assumption of most observers in London this week was that it will not dare to do so. If it does not, then resort to Mr Lloyd's new regulatory devices (and to the forced pushing of the British economy into a small recession) is likely to have to follow as the night the day; and the choice between renaissance and restriction will again go the cripplingly wrong way.

## Viennese Visions

Having restored the civilities, Mr Kennedy and Mr Khrushchev must now try to meet each other on points of substance

**N**OBODY expected miracles,” said Tuesday's *Pravda*, a paper to which one does not normally turn for unobtrusive common sense, but “both sides considered it useful.” The subject was last weekend's brief encounter between Mr Kennedy and Mr Khrushchev; and *Pravda's* judgment, though wobbling in its reference to a consequent “wave of moderate optimism” (a ripple is the most the facts justify), is essentially correct. The meeting between the two men went as well as could reasonably have been expected. Those who are disappointed that it went no better may belong to either of two schools of incorrigible miracle-seekers. The first school seems to have hoped that Mr Kennedy and Mr Khrushchev would tidy up the world's problems over the weekend in a grand and comprehensive exchange of concessions, like players at Monopoly; this being real life, they were unable to do anything of the kind. The other school, which includes the anonymous officials who have been trying to tell British and American newspapermen what to say, appears to be struck by gloom because Mr Khrushchev did not renounce his aim of extending the area of communism by all means short of war. Not surprisingly, Mr Khrushchev failed to make this act of contrition, just as Mr Kennedy failed to renounce his hopes of extending the sway of liberal ideas by all means short of war.

Miracles being unavailable, the meeting in Vienna produced perhaps the next best thing. In its own sober way (the adjective chosen by Mr Kennedy in his broadcast to the Americans on Tuesday night) it was almost a model of how a confrontation between the two most powerful men in the world should be conducted. It avoided the twin extremes of hysteria which made the meeting at Geneva in 1955 seem like the beginning of a new world, and that in Paris in 1960 like the imminent end of the old one. The leaders of East and West, unencumbered except by translators and the fewest possible advisers, talked privately, politely and, by all accounts, penetratingly. Above all, they talked in secret.

Those who saw the spokesmen of the two delegations, Mr Salinger and Mr Kharlamov, holding fifteen hundred journalists at bay on Saturday and Sunday evenings, for all the world like two company directors required to tell the shareholders that the balance sheet was being kept in a safe, saw a sight that was both entertaining and instructive. It is not entirely irreverent to suggest that the one major improvement that might be made in the procedure next time Mr Kennedy and Mr Khrushchev meet would be to dissuade such vast numbers of journalists from attending. Having been bumped round half of Europe, deprived of sleep, wet by rain, and given nothing more to chew on than a surfeit of schnitzels and *coq bourguignonne*, some of those who accompanied Mr Kennedy on this trip may decide next time that discretion is the better part of journalism. It is in everyone's interest to diminish the temptation for the Russians and Americans to score propaganda points off each other at these meetings—a temptation which both sides nobly resisted on this occasion, but might not on another.

To suggest that the main achievement of last weekend's meeting was its unreportability, however, is a little negative. What else did it yield? It seems to have produced three main results, none of them very far-reaching or necessarily permanent, but all modestly encouraging.

In the first place, the discussion has restored the interplay of emotions between the United States and Russia to what it was in January and February—in other words, to a relationship of polite disagreement instead of abusive denunciation. After the exchange of courtesies that followed Mr Kennedy's inauguration, the Russians' conduct in Laos, and at the nuclear test talks in Geneva, seems to have led many Americans (including Mr Kennedy, momentarily at least) to conclude that the Soviet Union had given up the idea of settling things by negotiation and had decided to settle them by a contest of naked force instead. It is not entirely fanciful to think that Mr Kennedy's actions in Cuba, and his talk of training guerrillas for a “relentless struggle in every corner of the globe,” may have had the same effect on Mr Khrushchev. The first achievement of the meeting in Vienna is to have restored to each man's mind the belief—however warily held—that the other is still sharply aware of the dangers of a “relentless struggle” and is therefore willing to give negotiation another chance before resorting to rougher methods of argument. So long as this delicate balance of trust continues, neither side is likely to take actions that stretch the other's patience to the snapping point.

**S**OME observers from communist countries who followed Mr Khrushchev to Vienna suggested that this revival of trustful courtesy was his sole object in going there. If this is so, Mr Khrushchev was unduly modest in his aims. For either Mr Kennedy or Mr Khrushchev to say, in effect, that he is not going to give an inch on a single issue but that he is going to be civil in his obstinacy, will not do. The deterioration of Russo-American relations after the events in Laos and Cuba showed how thin the previous veneer of civility had been; having cracked once, it can crack again just as fast. Fortunately, the second achievement of the weekend's conversation is the apparent recognition by both men that affable stubbornness is not enough and that it is necessary to try to meet each other on points of substance. Admittedly, there was no sign of compromise on the subject of a nuclear test ban, where both sides stood fast on their contradictory ideas about how the international control body should be organised. Nor did they get around, it seems, to discussing any general rules to regulate their competition for the allegiance of the uncommitted countries. But on other points the carefully cocked ear can detect a distant whisper of compromise.

On Laos, for instance, a number of sources report that someone in the Russian delegation—either Mr Khrushchev himself or Mr Gromyko—hinted that the Russians were ready to drop their demand for a tripartite structure (and hence a Soviet veto) in the organisation supervising Laotian neutrality.



Mr Kennedy, in turn, is said to have reaffirmed the Americans' willingness to let the pro-communist Pathet Lao take part in a Laotian government of national unity. If this is true, it explains Mr Kennedy's reference on Tuesday night to "some immediate prospect of accord" on the subject; so rosy an estimate is hardly justified by the ambiguous blessing which the participants publicly bestowed on "neutrality" and an "effective cease-fire." It is necessary to see whether the hints dropped in Vienna are translated into reality at the conference in Geneva and whether the still trigger-happy Pathet Lao take the point.

**S**IMILARLY, on the subject of Berlin, Mr Khrushchev left the Americans with the clear impression that he was not going to precipitate a crisis for the next few months. It appears that Mr Kennedy, for his part, very sensibly concentrated on the allies' right to keep their lines of communication with Berlin open, and not on the technicalities about which set of communists has the right to control the lines of communication. This is the nub of the matter; if Nato is to go to war, it must be for the sake of Berlin and not merely for the sake of not showing one's pass to an east German official. Thus the possibility of an accommodation, at least for a time, re-opens. If the allies are willing to deal with east German frontier guards as stand-ins for the Russians, they can leave the east German government to draw whatever implications of "recognition" it likes from this, provided they get Mr Khrushchev's confirmation of the allies' right to go to and from the city.

This leads to the third main point that emerged from the meeting. Mr Khrushchev is unlikely to prolong his self-denying ordinance on Berlin much past the summer. The

west German elections in September, and his own party congress in Moscow in October, give him both the occasion and the motive for seeking some international success to present to his equivalent of an electorate. It might be either a negotiated settlement of the Berlin question, or a triumphal tour of the Soviet Union celebrating the togetherness of the Khrushchevs and the Kennedys (for, it must be remembered, friendship with America is still popular in Russia). In either case, it is probable that last weekend's meeting will be repeated, perhaps before very long. The most encouraging feature of the confrontation in Vienna, therefore, was the evidence it provided that a personal relationship is feasible between the two men, capable of bearing the strain of argument. The possibility of civilised communication between America and Russia has survived not only the turbulence in Laos and Cuba but also the advent of a new President.

This might not have been so. In the meeting of the Kennedys and the Khrushchevs in Vienna it was easy to see the confrontation of two conflicting visions of man's development. Mr and Mrs Kennedy, both young, rich and handsome, straight out of the American dream, stepped from their vast jet aircraft as the embodiment of sleek material power, physical grace and intellectual curiosity. Mr and Mrs Khrushchev, descending from their train, came as the representatives of an earthier tradition that puts more weight on instinct and a lumbering will-power than on the virtues the Americans prize. It was possible that the personal understanding evident in 1959 between Mr Khrushchev and Mr Eisenhower would not be repeated in the case of the new President; that to the clash between the two ideologies would have been added the clash between two incompatible personalities. This has apparently not happened; both of them, and the rest of the world, can now let their breath slowly, and still cautiously, out.

## Re-drawing Wales

**The proposed merger of Welsh counties is unlikely to work, a Welsh correspondent believes, and an even more radical break with the past may be necessary**

**O**NE of the curses of Wales," Lord Ogmore once said, "has been parochialism." When his grandfather was a boy, he explained, the whole of his village used to go out with sticks and beat up the people in the next village, across the River Ogmore, whom they regarded as "foreigners." The first reactions to the draft proposals of the Local Government Commission for Wales suggest that Welshmen have changed little since those days.

Civic dignitaries along the banks of the Conway in the north and the Dulais in the south have already reacted sharply to the logical suggestion that a mountain massif makes a more natural county boundary than a river which appears, to an outsider at least, to bisect a natural community. A request to move certain territories from Denbigh into Caernarvon or from Carmarthen to Glamorgan is being discussed as fiercely as if it were an invitation to sign the Treaty of Rome. Only in Glamorgan, where no major change has been suggested, are the commission's proposals likely to be well received.

Merthyr, with less than 60,000 inhabitants, will fight to retain its county borough status, but it seems unlikely to repeat its 1935 success on this front.

The commission's recommendation to merge all the Welsh counties, save Glamorgan, into four new authorities is unlikely to find favour with any of the councils. Most unpopular of all may be the union suggested between sparsely populated Radnorshire and Breconshire (75,000 people altogether; rateable value less than £800,000) and rapidly expanding Monmouthshire (population 331,150; rateable value over £3 million). A similar reaction probably awaits the suggested union of Flintshire and Denbighshire (combined population 317,870; rateable value over £4½ million) with the far-flung and economically feeble Montgomeryshire (population 44,720; rateable value £368,382).

Yet these two proposals are at the heart of the commission's master plan: "If the mid-Wales areas are to enjoy the standard of local government services to which all counties are entitled," it states, "a way must be found of transferring to mid-Wales some of the economic benefits enjoyed by the coastal areas." Two shot-gun marriages are therefore proposed—to enable "the strong to help the weak." The omens

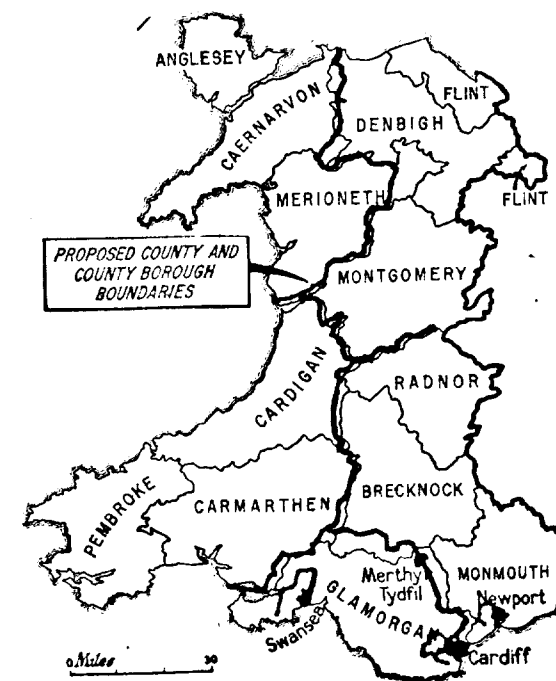
suggest that these would hardly work out in practice. The farmers of Montgomery and Radnor are far from certain that they will be properly looked after by a council with a majority of steel-workers and town-dwellers from Shotton or Llanwern. "The David and Goliath arrangements of the commission," as one countryman has already said, "will only ensure that the mid-Wales counties are outvoted and ignored in the council chambers of the new blocks."

**I**F one takes the opposite view from the commission on this point and gives up the attempt (which is bound, in any case, to fail) to produce authorities that are less dependent for their revenue upon rate equalisation grants, it is possible to produce workable counties which have a greater natural coherence and unity.

The three mid-Wales counties of Brecon, Montgomery and Radnor have a combined population that is just short of 120,000. This has declined by about 12 per cent during the last forty years. In Montgomeryshire the fall in total population has been going on steadily for 160 years. Mid-Wales's depopulation problem is thus one of long standing. The same sort of movement away from the countryside is going on all over Wales. Even in counties where the total population is falling, the size of the towns is tending to grow slightly, while the number of full-time workers on the land is continuing to fall: the figure of 25,100 in June, 1960, was 2,080 less than a year before.

This is one aspect of the slow improvement in agricultural efficiency that is taking place. Even so the great majority of farms in rural Wales are still too small to be economic units. Three-quarters of them are less than 100 acres in size; most of the flocks of sheep and herds of cattle are smaller than the size (500 and 100 respectively) which the Welsh Agricultural Land Sub-Commission regarded as the minimum for profitability. Amalgamation into larger units is taking place extremely slowly. This process has probably not been accelerated by the Small Farms Act (over 80 per cent of the eligible holdings have applied for grants, and about £4 million has already been committed on approved farm plans). Nor has the necessary process of amalgamation been made any easier by the spread of owner-occupation: in some areas, where twenty years ago only 40 per cent of the farms were owned by the occupier, more than two-thirds are today.

It is much to be hoped that future policy will do less to perpetuate these small units. They are so scattered that they represent little in the way of community life. For there are in Wales very few of the nucleated villages which provide the focus of life in rural England. The few country towns are the only real centres in mid-Wales. Young Welshmen will be persuaded that it is worth staying in their native counties only if there are more opportunities to work on larger, more



prosperous farms—where they can afford to run a car or a motor-cycle to get to the life of the towns. In the long run the only sound type of farming in most parts of the area will probably prove to be large scale cattle and sheep ranching. This is expanding slowly—and may be encouraged by entry into the common market.

The population of the country towns themselves can be maintained only by the growth of tourism (a big money-spinner) and the arrival of small industrial ventures. Considerable progress of this kind is now being made in Caernarvonshire and, with the development around Milford Haven, in Pembrokeshire. Nuclear power is making a contribution in Merionethshire and will probably do so in Anglesey as well. The much more limited progress that has been made in mid-Wales has been largely due to the efforts of the Mid-Wales Industrial Development Association, whose strength has lain in the fact that it represented the area as a whole. A county authority of similar scale would probably be the best body to negotiate the entry of a substantial overspill population (and industry) from the Midlands.

**A**LL this suggests that the Local Government Commission would be wise to think again about the wisdom of dividing mid-Wales—and attaching it in pieces to the north-east and south-east counties which it proposes. Some people are wondering whether a more radical revision of approach may not eventually be required. If counties have to be so physically large before they become capable of handling expensive services like technical education or the police, will the councillors ever be found who will be willing to travel the great distances required? Even the present councils may be getting short of talent: at the recent elections 130 out of 162 candidates in Pembrokeshire, Cardiganshire and Carmarthenshire were returned unopposed. And most of the district councils are too small to be effective units: none of the second-tier authorities in mid-Wales is responsible for more than 10,000 people.

There is therefore a great deal to be said for transferring technical and further education to a body like the Welsh Joint Education Committee, ambulances to the regional hospital board—and police to an all-Wales police authority along the lines recently suggested by the Inns of Court Conservatives. Most of the district councils could then be combined into single-tier authorities, over areas as large as the present counties, and reasonably able to bring local knowledge to bear on services like primary and secondary education, housing and roads. The commission and the Minister for Welsh Affairs have an intractable task ahead of them, whichever way they tackle it. They might find it worth breaking sharply away from the two-tier county pattern, which is scarcely natural to the charming but under-inhabited countryside of central Wales.

# Cold Comfort Collective

Collectivisation of the land is almost complete in Eastern Europe—but so is disenchantment

MUCH has been heard in recent months about the failures and back-slidings of Soviet farmers. But down on the farm in the rest of eastern Europe there is trouble too. Since the communists came to power there always has been trouble. But in the present chorus of recrimination and exhortation there is an added note of urgency, provoked perhaps by the fact that, if matters had gone as they should, this ought to have been a time of rejoicing. Throughout eastern Europe this spring (with the notable exception of Poland, where Mr Gomulka has an agricultural policy of his own) the collectivisation of agriculture has been either completed or brought near to completion. In Bulgaria and east Germany the job was already done; in both Czechoslovakia and Hungary, where over 90 per cent of the arable land has been collectivised, the process is now virtually complete; even in Rumania, where the peasants have been particularly recalcitrant, the figure is said to be around 84 per cent.

To bring agriculture within the "socialist sector" has, of course, been a major ambition of the communist regimes of eastern Europe. Over the past ten years or so, they have never lost sight of the goal, although at times they have pursued it with the utmost caution, and even at times apparently abandoned it. Now, however, although they may for ideological reasons rejoice that the goal is largely reached, on practical grounds their raptures have been severely modified. In March, the Czechoslovak minister of agriculture stated flatly that so far the results of large-scale agricultural production "do not correspond either with the needs or the possibilities of the national economy." In April, Mr Zhivkov, the top Bulgarian communist, forced some abject self-criticism out of his minister of agriculture at a special session of the Bulgarian central committee; taking another leaf out of Mr Khrushchev's book, Mr Zhivkov has turned up at several district party meetings devoted to finding scapegoats for agricultural failures. This mood of disenchantment with progress on the farms is common to all the countries that have pushed ahead with collectivisation. It is substantiated by persistent reports—and official admissions—of shortages, particularly of meat and dairy products, as well as by frequent complaints that particular production targets have not been fulfilled.

Many leading communists have shown themselves not unaware that collectivisation in itself solves none of their problems. One Hungarian newspaper admitted early in January that "discussion of the difficulties arising out of collectivisation has now become one of the chief topics of conversation both in town and country." And a Hungarian agricultural expert said that "by establishing collective farms we have only done half the work. . . ." In other words, the communists still have to overcome the deep-rooted preference of most peasants for the old ways, and they still have to train men accustomed to small-scale farming in the far more intricate and involved problems of running large collective farms. They may succeed in time. The pity is that they should in the first place have felt compelled to push collectivisation

through when they still possessed such pitifully meagre stocks both of goodwill and of technical and administrative expertise.

Collectivisation in eastern Europe has not, of course, been the dramatic and violent affair that it was in Russia. Neither the compulsion to join, nor the resistance to joining, has been comparable. On the whole, however, the process of collectivisation can be called "voluntary" only by courtesy; there are plenty of methods of pressure other than downright violence. And, on occasion, the peasants have openly demonstrated their hostility; indeed in Rumania earlier this year peasant disturbances appear to have caused the government to call a temporary halt to its collectivisation drive. Much more important, however, than sporadic outbursts of hostility is the sullen non-co-operation of so many of the new collective farmers. Bitterly resentful in any case at having this major change in their way of life virtually forced upon them, they are thoroughly disillusioned by the inefficiency and mismanagement found in so many of the new collectives. Supplies of fertilisers, tractors and other machinery are often inadequate; spare parts are frequently unobtainable; what machinery there is tends to be badly maintained and inadequately used; shortages of agricultural experts, of book-keepers and of managers lead to confusion and neglect. In these circumstances it is not surprising to read that in the new Hungarian collectives indiscipline, slackness, and even looting of collective property are common, and that an alarming number of farmers are migrating to the towns; or that in Czechoslovakia, Mr Novotny has sharply criticised a tendency to fiddle statistical returns, pointing out that "tricks and paper reports will not supply us with milk, meat and eggs."

EVERY effort will evidently be made to put matters on a better footing—and not merely by way of exhortations and pep talks. (In Hungary, hundreds of "people's educators" have been descending on the countryside "taking," in the near-biblical words of *Népszabadság*, "the word of the Party from house to house.") Agriculture is not the Cinderella it once used to be in the east European economies, and although industry still gets the lion's share of investment the benefits of the greatly increased share of investment in agriculture in recent years should be increasingly apparent. Efforts are also being made to overcome the deficiencies in the administration of agriculture and to speed up the supply of agricultural experts.

But the most important task is to make the individual peasant feel that he has a worthwhile stake in the new collectives. At present so many of them are mismanaged that he feels the stake to be pretty paltry and uncertain. And, as Mr Kadar recently remarked, with unconscious humour, "it requires a good deal of class consciousness to work throughout the year" without knowing what you are going to get for it. Clearly, if the efficiency of the collectives can be improved, the individual members will get more out of them. The difficulty is to overcome the initial reluctance of the members to play their part in making a go of the new system. On the whole, one gets the impression that the communists are relying too much on the powers of persuasion of party activists and not enough on material and financial incentives

In the meantime, however, having brought most of their agriculture into the "socialist sector," the east European communists are proceeding with some caution. The amalgamation of the collectives into even larger units, which the Russians have carried out, is not being attempted, except by the Bulgarians, who completed the process three years ago; the Czechs began it but have suspended operations for the time being. Above all, the communists seem to be aware that they would be ill-advised to tamper with the peasants' private plots because to do so would not only antagonise the peasants still more but also jeopardise an important part of each country's food production. Although the communists complain that the peasants attach far too much importance to their private plots, they themselves make no bones about the quite disproportionate value of private farming at present, especially in livestock and dairy products. In Hungary, the minister of agriculture revealed in March that 40 per cent of the beef, 60 per cent of the milk and pork and 90 per cent of the poultry are produced privately. In Bulgaria, where collectivisation is longer established and better consolidated than elsewhere, Mr Zhivkov has recently condemned the illegal seizure of private plots and repeated earlier warnings that their production was still essential to the national economy. Yet although at present forced to protect them the communists must regard these plots in the long run as undesirable remnants of capitalist society. Only Mr Novotny, however, has had the temerity to refer

openly to "the gradual limitation and elimination of private plot farming."

With their collectivised agriculture making such an inauspicious start, the east European communists must have listened uneasily to the scathing criticism passed on Soviet agriculture—collectivised these thirty years—by Mr Khrushchev, particularly at the meeting of the Soviet central committee last January. (Not surprisingly, these strictures of the Soviet leader were not widely publicised in eastern Europe, except in Czechoslovakia.) But it is very unlikely that having reached, or nearly reached, their goal they will retreat from it. To communists (unless they have the quite exceptional realism of a Gomulka) it is intolerable that the large and vitally important agricultural sector of the economy should remain in private hands. They are very conscious too of the immensely improved opportunities for political control and indoctrination provided by the new agricultural organisation. Mr Novotny stated quite openly in March that the setting-up of the collectives was "an important, in the first place political, step" towards "a truly socialist large-scale agricultural production." It is also the first step towards turning the farm worker into a paid employee of the state, virtually indistinguishable from the worker in the factory. But the communists have still a very long row to hoe before they succeed in persuading the peasants that this is as desirable a consummation as they think it is themselves.

## NOTES OF THE WEEK

### LAOS

#### Guns and Words

AT the beginning of the week, the subdued optimism of Vienna had generated a story that Lord Home, Mr Dean Rusk and M. Couve de Murville would be returning to Geneva to meet Mr Gromyko. By Wednesday, official spokesmen were letting it be known that no such travelling was envisaged. Between Monday and Wednesday, the communist Pathet Lao troops had rained shells on the government-held village of Pa Mon, then overrun it. This was a clear case of cause and effect and, as if to underline the fact, a projected meeting of the international conference on Laos was cancelled on Wednesday.

The conference was thus exactly where it had been before Mr Kennedy and Mr Khrushchev met, with the Russians still saying that plans for a neutral and united Laos should be discussed even if shells were still flying in Laos itself, and the Americans still refusing to table their detailed plan until the firing stopped. The renewed fighting has put both sides in a difficult position. Practically the only hard and fast undertaking Mr Khrushchev committed himself to before leaving Vienna was to respect an "effective cease-fire" in Laos—a phrase which, though not very precise, can hardly

be squared with the events at Pa Mon. The Americans have to decide how long they will stay at Geneva if the firing continues. A senior member of the American delegation in Geneva is reported to have said that the Americans will not rejoin the sessions until the Russians have agreed to tighten the truce arrangements. But President Kennedy, back in Washington, has said that the Americans will stop on at Geneva; thus it seems that some kind of conference will keep going, even if informally.

In a sense, the centre of gravity of the conference had shifted to Nice, from which Prince Sihanouk of Cambodia had invited the three princes who, between them, comprise Laotian politics—Boun Oum, Souvanna Phouma, and Souphannouvong—to meet in Geneva to settle their differences. Prince Boun Oum conferred with Prince Sihanouk last week, then went to Paris, within convenient reach of Nice and Geneva. The princes Souvanna Phouma and Souphannouvong left Hanoi for Geneva together, saying they were ready to meet Prince Boun Oum and find a way out. Their words would carry more conviction, and the way would be easier to find, if the guns could be silenced.

### THE RHODESIAS

#### Expedients

"ACQUIESCENCE" is the British government's favourite private word on the central African federation. Pouting acquiescence is the best result that can be hoped for from the new round of Rhodesian crises due this month. In both the Rhodesian territories, diametrically opposed groups are being asked to agree to new constitutions that none of them really wants, in the belief that this will bring about eventual acquiescence in a continued federation. It will not.

The Prime Minister of Southern Rhodesia, Sir Edgar Whitehead, has reached agreement with Mr Duncan Sandys, but with nobody else, on the form of the new constitution to be put before the mainly white Southern Rhodesian electorate in a referendum next month. Legislation to ratify Britain's end of the agreement (relinquishing most of the reserve powers over the colony's constitution) is likely to be introduced in Parliament next week, and without doubt it can expect Labour opposition. In Southern Rhodesia, the right-wing Dominion Party will fight for an adverse vote in the referendum. The African National Democratic Party has rejected the agreement in advance, holding out for the



right to address meetings in the African reserves and for an end to the reservation of the greater part of Southern Rhodesia's land for whites.

There is a possibility that the proposed new constitution for Northern Rhodesia will turn out to have been amended in a direction intended to satisfy white voters in Southern Rhodesia. Mr Macleod's original proposals, published in February, would, in practice, mean the end of rule by the settler United Federal Party in Northern Rhodesia. Any changes designed to allow the UFP to come back into power and stay there will mean an end to the moderation steadfastly practised by Mr Kaunda's nationalists since Christmas. Mr Kaunda has gone out of his way to reassure white opinion; his party claims 200 white members. His leadership may not be able to survive any marking-time in Northern Rhodesia's constitutional advance. As for the continued existence of the federation, none of these manoeuvres is likely to bring about black acquiescence, let alone the consent called for by the Monckton Commission nine short months ago.

#### ZANZIBAR

### New Wounds

LAYER upon layer, new peoples have for centuries been borne across the seas and put down upon the islands of Zanzibar. The latest eruption is partly due to fossilized hatreds built up when Arab masters imported African slaves. Intermarriage has created a small population of Zanzibaris among whom it is impossible to tell Arab from Shirazi, or Comorian from central African. For the rest, it is easy enough to distinguish between the 40,000 Arabs who own the land, the few thousand Asians who run the businesses, and the 300,000 Africans who do the work and most of the politics. This would leave room enough for antagonisms even without the new topsoil of African nationalism which the mid-century has laid down.

Supported by Mr Julius Nyerere of Tanganyika (and by President Nkrumah of Ghana), the pro-western Afro-Shirazis won ten seats in the elections on June 1st to the Legislative Council, which were followed by some days of riots. If the party did nothing to incite violence against Arabs—scores were killed and hundreds injured—there is not much evidence that it went out of its way to combat racialism. Ten seats were won by the Zanzibar Nationalist party, which claims a majority of African members but which is in fact led by Arabs. The ZNP is on courting terms with President Nasser and flirting terms with Chairman Mao: it has been able to form the new Zanzibar government by winning the allegiance of the non-Arab Zanzibar and Pemba People's Party, which won three seats. In return the leader of the ZPPP, an African, has been given the Chief Ministership over an otherwise ZNP executive

#### NOTES OF THE WEEK

council. The two government parties command strong electoral support. Even so, it has been necessary to send in five companies of the King's African Rifles to keep a peace threatened both by the old wounds of the past and the new conflicts of the present.

#### TEACHERS' PAY

### First Rejection

THE executive of the National Union of Teachers, whose representatives have a dominant voice on the teachers' side of the Burnham committee, has bowled up a nasty one to the Government. It has promptly rejected last week's award, citing as too niggardly precisely those aspects of the award that should, because they really seem too extravagant, have made the Government chary of accepting it. The teachers claim that the starting salary (£600 a year after what is at present a two-year training course) is too low, the gap between primary and secondary teachers too wide, and the operative date (next January 1st) too



Teachers' Tail Wags

late. Although there is likely to be a clear majority for rejecting Burnham at a special union conference at Margate next Saturday, not all local executives (including some big city associations) are happy about the rejection, and certainly not about the reasons given for it. The union dog appears to be being wagged by its long tail of younger (and often temporary) teachers, and by the newly militant generation of girls and young men in the training colleges.

The Government cannot possibly see a case for increasing the starting salary by more than Burnham did. It needs to be repeated that there is no present shortage of entrants at the lowest level: the real problem there is the wastage among young women who, by current practice, expect to marry within two or three years anyway. The need is to encourage them to return to teaching later, and to sustain the young men with family responsibilities—which is exactly what the Burnham salary "steps" after five and six years are designed to do. The other part of the award which is certainly right, even probably still too small, is the supplement for teachers in responsible positions. The professional man's normal incentive in his

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early years is to know what he can aim at.

The primary teachers rest their case on the belief that the balance of power will return into their hands as the new "bulge" enters the schools in a few years' time. Even before that Sir David Eccles has to get through his year of intermission (1962-63) when the colleges will be retaining their trainees for an extra year. The NUT wishes to diminish (not abolish) the gap between primary and secondary scales, but the money cannot be found for this without either reducing the Burnham award to beginners or reducing the secondary teachers' own expectations. The present assumption of most people in the profession is that there will be a second round of negotiations before September, and that strike talk need not be taken too seriously until then. But meanwhile the union is letting itself be edged out by its militants on to what could be a pretty dangerous limb.

#### UNION CONFERENCES

### New Departure

SIR TOM WILLIAMSON, whose impending retirement from the leadership of the National Union of General and Municipal Workers was announced at the union's conference this week, was the surviving stalwart of the redoubtable trade union triumvirate of the early 1950s, of which the other two members were Arthur Deakin and Sir Will Lawther. When Deakin died, Sir Tom did not prove to be of the temperament to lead the right wing brothers against the left wing Cousins; his influence remained quietly great among his own folk rather than nationally vital. It may therefore have been fitting that the conference at which his impending retirement was made public was also the occasion for some trend-setting speeches. Mr Gaitskell chose this level-headed forum to make his sharpest counter-attack yet against the latest tactics of the nuclear disarmers: they are now assailing him exclusively on the question of the Polaris base (against which they hope to secure a majority at Blackpool) not on that of full unilateralism (where they know that



Mr Jack Cooper: new leader?

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they have lost). Mr Gaitskell can hardly have intended his remarks to influence the NUGMW's delegates, who are mostly as firmly committed to multilateralism as they are to sobriety in industrial matters.

But their sobriety does not inhibit new ideas, among the more important of which was the decision taken last year to launch into investing in equities, in a switch out of fading gilt-edged securities; this has been a profitable piece of capitalist business, and the book value of the union's investments has risen by £90,000 in a year. Having also increased its weekly subscriptions by 3d. to 1s. 3d. a week, the NUGMW has put itself in a powerful financial position.

The successor to Sir Thomas's position will almost certainly be either Mr Fred Hayday or Mr Jack Cooper. Neither, at first sight, looks tailored to fit Arthur Deakin's seat; but then nor did Mr Deakin when he first took over from Mr Bevin. Moreover, Mr Cooper, in his chairman's address to this week's conference, presented a carefully argued case for the abandonment of union autonomy in some spheres, and the establishment of a common wages policy designed to distribute the benefits of rising productivity more generally among unskilled as well as among skilled workers; he is the sort of man who rather believes in trade union leaders working with governments on committees. The country's third largest union, which he may soon lead, is not the swiftest moving—but momentum in public affairs is a product of movement multiplied by weight.

### Cudgels Ready

MR GAITSKELL'S other speech to a union conference this week was before the National Union of Vehicle Builders, a left-wing organisation which demanded a rather more soft-footed approach: he got round the problem very well by proclaiming that a man can perfectly well be a good socialist and own a car, a formula designed to appeal to both the emotions and the self-interest of the average revolutionary panel-beater. This had not prevented the NUVB making some rude remarks about him on the previous day, and striking some fairly militant industrial postures. But the really militant conference this week was that of a whitish collar union—the Post Office engineers—who threatened strike action in support of their pay claim.

The National and Local Government Officers' Association, too, accepted an unwontedly militant proposal to give itself power to call a strike: but fortunately there is no danger of a mass walk-out by council clerks as a result. The union has a few members who work for private bus companies and feel themselves to be severely underpaid; and it is for their benefit that this most respectable of associations has—not without some qualms—decided to take up the knobkerry. The union also adopted, against its leaders' advice, a startlingly silly resolution asking for pay

#### NOTES OF THE WEEK

increases to be restricted to members of the union which had negotiated them—which would give councils a strong incentive to employ cheap non-unionists. More serious is the formal announcement, expected for some time, that the mineworkers have repudiated their no-strike agreement with the coal board: the union is now in a more militant posture to resist what it does not like about any plans for coal that may be announced by the board's new broom, Mr Robens.

#### EUROPE

### Midsummer Activity

LATE June and early July will be a busy period in the diplomacy of European integration. On June 22nd there is to be another meeting between British and French officials. On the 28th the foreign ministers of the Six will meet in Rome to prepare for a meeting of their heads of government. This summit meeting put off in May and now to be held in July, is to discuss the next phase of political co-operation. On Monday, and again on July 2nd, the Council of Ministers (probably in fact the same foreign ministers under a different hat) will meet to decide whether to adopt the commission's proposals for a common agricultural policy.

Whether any of these gatherings will decide anything at all is another question. The Anglo-French meeting is unlikely to make significant progress unless the British Government has gone far enough—in its own thinking and in exchanges with the Commonwealth—to be able to find common ground with the French on the tricky terrain of Commonwealth agriculture. Nor does the meeting of the Six on their own agriculture problem look like achieving much. At one time it was thought that a bargain might be struck, with the French agreeing to complete the plan to accelerate the common market as a whole, in return for acceptance by the council of the broad lines of the commission's agricultural plan—a guarantee, in a sense, of German action later on. Now it looks as though the whole linked question of agriculture and the further progress of the common market will be postponed until after the German elections in the autumn. Nor, at this stage, is it at all clear whether the Dutch will allow the discussion of political integration between the heads of government to make headway.

The temptation for the British is to wait and see what the Six do—on both politics and agriculture. But it is a temptation full of dangers. One factor behind the current hesitations of the Six is the growing expectation that Britain will soon make a move to join them. But a diet of expectation is not satisfying for long. Both Dr Adenauer and M. Spaak, who as Belgian foreign minister is once more playing an active part in the European movement on the Continent, believe that Britain's final hesitations can best be overcome by de-

veloping the political unity of the Six. The present pause seems to provide Britain with time to act but not to drift.

#### NEUTRALISM

### Moscow's Riot Act

A WARNING growl from Moscow set the scene for the preparatory meeting of the uncommitted governments that began in Cairo on Monday. The delegates, representing 20 countries and including nine foreign ministers, are to fix the time and place of the neutral "summit" conference, and to decide who should be invited and what they should all talk about. The Soviet Union, less than benign towards a project that is largely the brain-child of President Tito, has chosen this time to give the host country a heavy rap over the knuckles. On May 31st an article in *Pravda*, ostensibly objecting to a couple of articles that had recently appeared in Egyptian papers, reminded President Nasser (in the worst traditions of international philanthropy, that he who pays the piper calls the tune. Cairo radio, seldom slow to battle, has responded with heat to this implied interference with Cairo's domestic processes.

A new, more critical tone has been noticeable for some time in Russian press and radio comment on both the United Arab Republic and Iraq. As long ago as last summer the Russians were complaining about the clock-watching and the muddle on the Aswan high dam. Comment grew sharper after the November meeting of the world's Communist parties in Moscow. Although at the time Mr Khrushchev seemed to have won his point against Peking in favour of supporting "independent national democracies," Moscow radio from then on began broadcasting loaded remarks about the suppression of local communists in Egypt, Syria and Iraq.

President Nasser's acceptance of Russian money, munitions and friendship never made any difference to his policy of keeping all known Egyptian and Syrian communists in prison or under house arrest. The Soviet Union turned a diplomatically blind eye. Even in 1959, when it looked as if a battle of words between Moscow and Cairo was blowing up, Mr Khrushchev deflated the quarrel and resisted any impulses to attach obvious conditions to trade, aid or moral support.

This may happen again. Possibly, the riot act having been read, the matter will be dropped. But the Egyptian articles to which *Pravda* took exception contained, in fact, only a fairly mild reiteration of the thesis that political friendship, and gratitude, do not entail the acceptance of communist ideology. So far, the UAR has taken Russia's side on most of the issues that divide East and West. The timing of Moscow's rebuke indicates that the Soviet Union is concerned lest President Nasser's ambition to become one of the leaders of the uncommitted inclines him too far towards the centre.

## Neutral between Neutrals

CAIRO'S most distinguished tourist this week was President Makarios on his first official visit to the United Arab Republic. Cyprus is not one of the countries represented at the present conference of "neutral" planners, but President Nasser, welcoming the archbishop as a fellow warrior in the cause of freedom and justice, impressed on his visitor that the struggle for peace was being pursued this week in Cairo even as it was last weekend at Vienna. While they stick to first principles, the two leaders can glide along on an exchange of congratulation. But President Nasser is likely to have raised two matters that would have embarrassed a statesman less astute than the archbishop.

The first is the British bases in Cyprus. At a dinner in honour of his visitor, President Nasser referred obliquely to the matter when he equated independence in Cyprus with security for the UAR. But the retention of the bases has always been regarded in Cairo as directed solely against the United Arab Republic. The second issue is one about which it is much more difficult for the two leaders to find a common point of view. Cyprus is an obvious loophole in the Arab blockade round Israel. Israeli tourists flock to Cyprus as one of the few accessible places within reach of their purses, and Cypriots are glad of the money they bring. Cyprus is also the staging point for nearly all foreign visitors who want to visit Israel as well as the Arab countries. This, while a tiresome addition in flying hours to the tourist, makes a useful contribution to the Cypriot economy. It might have been wiser, and it certainly would have been more courageous, if foreign governments had never agreed to accept the face-saving and humiliating device of two passports and detours through Nicosia. But as things are, the archbishop will do well to stick to his neutrality in this particular cold war.

## DOCK LABOUR

### Less Casual?

MR FRANK COUSINS is to give his full attention to the ludicrous situation in the nation's docks: he and the chairman of the port employers, Mr Crichton, are to sit together on a small working party about it. The late Ernest Bevin's dock labour scheme, so revolutionary at the time it was set up in giving every docker a weekly fall-back payment, has been attacked by everybody after the recent London strikes as being now plainly out of date: neither employers nor union have proved able to control the men.

The main hopes now are being placed in the notion of more decasualisation—the assigning of more dockers to a specific employer, instead of the present method whereby employers draw most men as needed from a pool. The biggest advantage of this could be a long term one. The regular employment of particular teams in

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one place could aid the introduction of mechanical handling devices, and make the docker's work—and attitudes—more like those of a skilled man. At present, shifting from job to job and dock to dock, the men are more valued for their brawn than for the brains they would need to man the machines to work for them.

But it would be a mistake to be easily optimistic about this. It will be impossible to lay down a general principle for all ports: in some the amount of work done varies far more according to the season than in others. And there is no correlation between the regularity of work and the strike-proneness of ports; indeed London, which already has one-third of the dockers working regularly for one employer (more than any other port except at Hull)—and where the flow of work is most even throughout the year—has had by far the worst strike record recently. Perhaps, too, high hopes should not be laid on the point that decasualisation "should enable the men to build up some loyalty to their employer," and help the employers to understand more adequately the men's difficulties and thereby to cut costs. Employers cannot predict how many men they are going to need from week to week, and nothing could be more expensive—or more likely to promote strikes—than paying men to sit around on the docks playing cards and talking grievances while there is no cargo to unload. And when the proportion of permanently employed men in the docks reaches a certain height, those who are left in the pool as casual workers are bound to feel that they will be called in only for the nasty or the marginal jobs; how to grant compensation to this remainder could be one of the knottiest problems of all.

## LIFE SENTENCES

### Without Discretion?

THE latest penological (e)motion tabled by a handful of Tory backbenchers—which seeks to substitute a minimum sentence of 25 years' imprisonment for the present life sentence for non-capital murder, and thus virtually to abolish the Home Secretary's discretionary power to release convicted murderers—is wildly ill-conceived. Another Conservative member, Mr David James, in an amendment to the motion, has set out succinctly the principle that should guide the Home Secretary in this matter. No one, says Mr James, should be released from life imprisonment "as long as he or she is likely to be a danger to the general public, even though in some cases this may involve either rapid release or else imprisonment for the term of the prisoner's natural life."

At present, for sane persons, natural life terms in this country are exceedingly rare. As the Lord Chief Justice pointed out recently, the traditions of English law are opposed on grounds of public policy to sentences so long that the criminal is likely to die in prison. In the United States such sentences are commoner, although even

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there the average life sentence is only 10 years and seven months. In the past, life sentences in Britain were certainly longer than they are today, although they were never generally for the natural term. Sir George Grey, when Home Secretary in 1886, laid down a minimum sentence of twenty years which, by the end of the century, had become a conventional maximum. After the first world war the average sentence was between twelve and thirteen years. Since then there has been a further reduction—partly, it seems, because of a shortage of prison accommodation and staff—but the figure of nine years which is being so freely bandied about is misleading. This average includes survivors of suicide pacts, mothers who kill their children, mercy-killers, who are sometimes released very quickly indeed. Furthermore, it does not take into account those sentenced after the 1957 Homicide Act came into operation for what would previously have been hanging offences, and whose sentences may now turn out to be much longer.

It must be admitted that today a sentence of fifteen years' imprisonment would be considered exceptional. As and if fewer murderers are hanged, the public safety may demand that more really bad cases are imprisoned for such periods, or longer. No one should want murder to be treated as a trivial offence and the sentence should always reflect the objective gravity of the crime. But, whatever happens, it is obvious that the Home Secretary's discretion should be kept as wide as possible. In the past it has been so well exercised that there has been only one case this century (and that an increasingly doubtful one) where it has ever been suggested that a convicted murderer committed a second murder after release.

## ALBANIA

### Treason and Plot

THE eight Russian submarines that have passed through the English Channel this week in an ostentatiously peaceful manner are believed to have been on their way home from the Soviet submarine base in Albania. Their journey may be what is called a routine naval movement; but inevitably it is suspected of being connected with the present coolness in Soviet-Albanian relations.

Whether or not these suspicions are



In happier days: Mr K and Mr Hoxha

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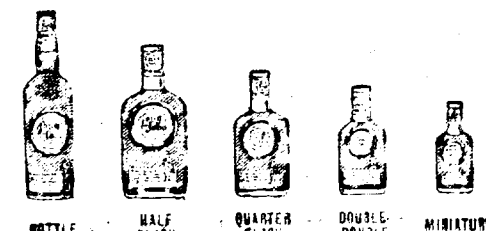
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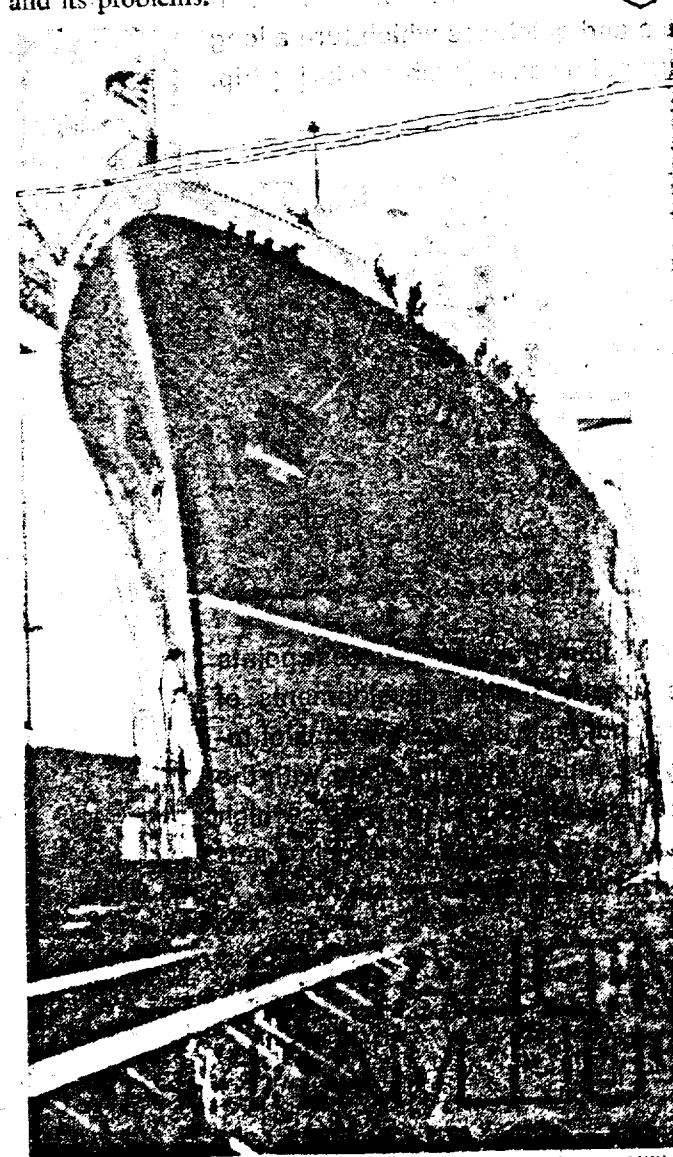
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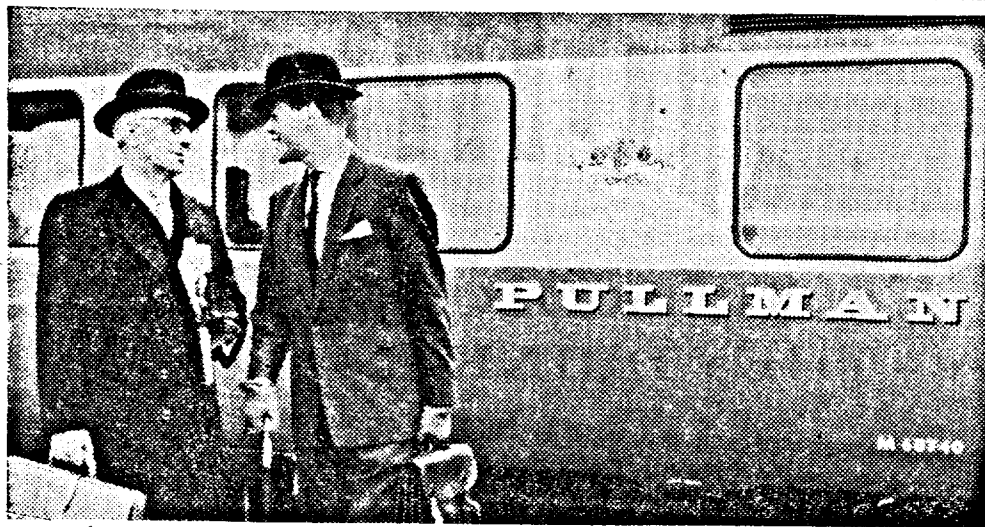


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right, there is certainly no sign of any serious attempt to heal the breach between Moscow and Tirana. According to the latest rumours, the Russians have recently expelled the Albanian military attaché in Moscow in retaliation for the expulsion of their own military attaché from Tirana. More important, the complete silence preserved by the press and radio of the Soviet block (except for one Bulgarian paper) about the recent Albanian treason trial suggests heavy disapproval by Moscow of the whole business.

Held in a Tirana cinema between May 15th and 27th, the treason trial was a careful imitation of a stalinist show trial. The ten defendants were accused principally of conspiring to overthrow the regime with the help of armed intervention by the Greeks, Yugoslavs and Americans. Although, to judge by the broadcast excerpts, they seemed word-perfect in their self-incriminating and often very improbable lines, this did not save them from the firing squad or gaol (four were executed last week). The public prosecutor seized every opportunity of harping on the "aggressive nature" of "US imperialism" which, he said, had been proved by the trial and threatened the whole socialist camp. These may not have been tactful sentiments to utter when Mr Khrushchev was on his way to meet Mr Kennedy; or Moscow may have felt that it was not the Americans, but the Russians, who were being got at as the supporters of Mr Hoxha's enemies.

Mr Enver Hoxha may, however, accept philosophically a further worsening of his relations with Moscow if the trial has succeeded in what was presumably its main object of effectively cowering his internal enemies. According to Yugoslav sources, in addition to the public trial there have recently been a number of secret trials of the regime's opponents. Nothing is known at present of the fate of two prominent party members, Liri Belishova and Koci Tashko, who were disgraced last autumn. Pro-Soviet sympathies are believed to have been their crime.

## MALI

### Guinea for a Lesson

WESTERN foreign ministers who find it hard to believe that Africans mean what they say when they talk of neutrality would do well to look at the President of Mali, Mr Modibo Keita, who spent five days in London this week. President Keita is a militant African; his country is aligned with Ghana and Guinea in a group often suspected of being more neutral towards the East than towards the West. Yet, since it split with Senegal last year, Mali has built up both its contacts with western countries and its reputation for being as angrily anti-colonial and anti-imperial as any Touré or Nkrumah. The West, while tut-tutting, has sent money and polite advisers. Aid from France has continued, despite Mali's departure from the French Community, and

as many trade agreements have been signed with western as with eastern countries. The visit to Britain is expected to produce another agreement and more substantial aid than the three Dakotas given by the British Government to Air Mali. President Keita's words show him willing to accept gifts from anyone but "neo-colonialism" from no one.

The roots of this relationship lie in the vote taken by Guinea in 1958 for independence from France. The amputation that followed was quick and cruel. Deferring to the French, other western countries were slow to offer assistance, and the communists seized the opportunity to take their place.



Mr Modibo Keita: lesson taken

Even so, Guinea is the worse off for not having either French administrators or French money, and President Touré is no less dependent on eastern assistance than he might have been on French. Mali, on the other hand, receives from everyone, including Ghana, and yet is not afraid of criticising everyone as well. President Keita may yet decide to join the moderate Monrovia group of states while remaining in the militant Casablanca group. The lesson of Guinea has been as well taken in Africa as in the West.

## DRINKS

### Nearly Undiluted

UNEXPECTEDLY, the Licensing Bill did not finish its report stage in the Commons this week. Part III of the bill, which deals with the sale and supply of intoxicating drinks in clubs, has still to be considered, and after the third reading the bill has to go through all its stages in the Lords. So far on report the temperance lobby has persuaded the Government to sponsor a clause banning the sale of intoxicating liquor on the motorways; but, against this, Mr Vosper has introduced two new clauses permitting greater flexibility in the distribution of permitted hours. One proposes that the afternoon break, instead of being limited rigidly to the period between 3 p.m. and 5.30 p.m., should be for not less than two hours after noon; the other gives

justices greater discretion in fixing opening hours. Mr Vosper also produced a clause freeing the sellers of liqueur chocolates from the absurd requirement of applying for a justice's licence, but the new clause itself is a prize example of the mad draftsmanship that has characterised too many "compromise clauses" in Home Office legislation recently. Liqueur chocolates will be able to be sold freely only if the shopkeeper is sure that they do not contain "intoxicating liquor in a proportion greater than one-fiftieth of a gallon of liquor (computed as proof spirit) per pound of the confectionery." They must also consist "of separate pieces not weighing more than 1½ ounces" or else be "designed to be broken into such pieces for the purposes of consumption." To prevent the corruption of youth, sale to those under 16 is prohibited, a restriction which contrasts oddly with the complete freedom enjoyed by any five-year-old to take away hooch from an off-licence.

Some determined efforts were made by the Labour temperance lobby, supported by the inevitable Sir Cyril Black, to de-liberalise the bill further. A group of Welsh members made a fruitless but time consuming effort to restrict the proposed referendum on Sunday opening in Wales by stipulating a minimum of a 50 per cent poll as a condition for any change. Another group of Labour members (plus Sir Cyril) tried to except Saturdays from the special hours certificate that will allow certain restaurants to remain open until 3 a.m. the following morning, on the ground that it outraged sabbatical feeling. This attracted significantly small support. One minor concession made to the temperance group is the reduction of drinking-up time from fifteen to ten minutes. Mr Vosper compensated for this by allowing pubs to close at 10.30 p.m. on Sundays instead of 10 p.m. He did not, however, accept Lord Balmiel's sensible amendment which would allow drinking until 1 a.m. when music is provided "by one or more live performers"; but he declared that the idea commended itself to the Government. Since this certificate would provide some much-needed night life for the unwealthy classes, it is to be hoped that its "commendability" will produce something tangible later on, such as a Government amendment incorporating it in the Lords.

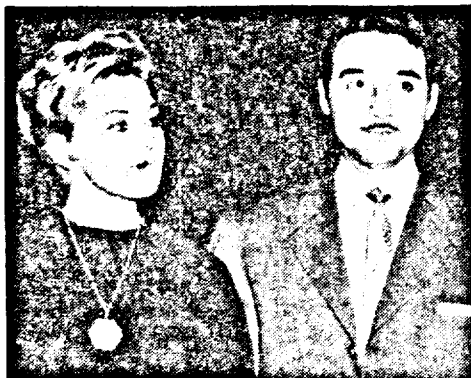
## DOMINICAN REPUBLIC

### El Beneficiario

GENERAL RAFAEL TRUJILLO the younger, whose proficiencies in the past have been proved in pursuit rather than in consolidation, has shown some dexterity in maintaining the old order in the Dominican Republic. As his father's successor he has combined strong preventive measures against local opponents with a more nimble approach to the outside world. Following the promise of revenge made at his father's tomb, General Diaz, alleged to be the



leader of the assassination plot, has been shot dead by security police, and a very large number of suspects are believed to



Rafael II and Madonna

be in prison. At the same time he has competently taken the wind out of his critics' sails by welcoming a mission sent by the Organisation of American States to investigate charges of police terror and brutality. The mission, consisting of representatives from the United States, Colombia, Uruguay and Panama, arrived in the Dominican Republic on Wednesday.

His father had always sturdily refused to allow an inspection team into the family *hacienda*. Rafael the Second seems more confident that all is under control; a government decree has promised protection to anybody who complains to the president's office of official misconduct, and the powerful chief of security, Colonel Garcia, has been sacked. Meanwhile, President Balaguer, a poet, lawyer and diplomat, who was appointed last August as part of an unsuccessful attempt to persuade the American republics that the Dominican Republic could be democratic too, has

## NOTES OF THE WEEK

promised elections next May. With some forty American warships patrolling off the Dominican coast, both General Trujillo and President Balaguer have declared that their overriding interest is the best possible relations with the United States.

The fact that a Trujillo is still running the Dominican Republic confirms the suggestion that *El Benefactor's* murder was more a spontaneous act of revulsion or revenge rather than a phase in a revolutionary plot. The opposition is neither united nor ready to take over, and General Trujillo *filis* moved swiftly. But he will need to be a skilful operator if his gestures towards liberalising the regime, and the need to silence a rekindled opposition, are not soon to prove incompatible.

## FRANCE

### The Best Butter

IF only because of its triumphant demonstration that Mrs Kennedy is worth at least her weight in gold when it comes to fostering goodwill between nations, her husband's trip to Paris was well worth while. But General de Gaulle and Mr Kennedy also went through the motions of protocol with dignity and smiles, and the press of the two nations played up. It was hard to say who was echoing whom, when, on the Kennedys' arrival at Orly, General de Gaulle, as if following the example of the *New York Herald Tribune*, remarked that "the French land" had "never known the Americans except as friends and as allies," and when President Kennedy used the General's phrase "America, daughter of Europe." Mr Kennedy showed that he had the measure of his host's foot, whether in presenting him with a letter of George Washington's applauding France's services in the war of independence, or in acclaim-

## THE ECONOMIST JUNE 10, 1961

ing "your vigour, your leadership, your sense of history," now "more necessary than ever."

The carpenter, however, did not seem to notice if the butter was spread too thick; he seemed, indeed, very pleased with himself and his guest. Neither statesman ventured to disrupt the harmony by hard bargaining over the various points at issue between France and the other allies, such as the nuclear question, or the French role in Nato; but, as President Kennedy said on his return home, "no question, however sensitive, was avoided." Both were delighted to be able to arrive at "general agreement" about the need to stand firm in Berlin on the eve of the Vienna meeting.

It is easy to smile at such ceremonies, but unwise. In the course of the conversations Mr Kennedy, by introducing such topics as aid for Latin America, went some way to gratifying General de Gaulle's long-standing ambition to be consulted by "the Anglo-Saxons" over the whole range of western *Weltpolitik*. He was also anxious to assure the French President that the United States could and would continue to stand by its European allies; some of his remarks can be construed as a gentle reminder of what it has already done for Europe through the Marshall Plan. Obviously it is an excellent thing to have achieved, as Mr Kennedy thinks he has, the sort of reciprocal confidence and respect that gives extra weight to such assurances. Now it must be hoped that this new White House-Elysée amiability will survive the strains of somewhat more businesslike exchanges in the future.

### Straws in the Calm

LOCAL elections, especially in the French countryside, are local: which makes them especially teasing to the psephologist who wants to deduce national trends from their results. The outcome of the elections to the Conseils Généraux (roughly, county councils) on June 4th furnished no exception to this rule. There were more abstentions than for thirty years, and 3 per cent more than last time. This has caused some concern to commentators anxious about the political health of gaullist France. The British may be excused for being less impressed: whereas 57 per cent of the French thought it worth their while to interrupt their weekend to vote, only 34.7 per cent of Londoners turned out in the recent London County Council elections, and this was regarded as pretty good. The rout of the extreme right, symbolised by the fact that M. Poujade and his wife failed to secure re-election in their department, confirms that the fanatics of French Algeria have lost their drawing power; but even this is no longer news.

Calm reigns in France. The election campaign was of the quietest. It is impossible to say whether the great days of French party politics are over permanently, or whether the old system will spring back to life after the departure of President de



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## The Economist

JUNE 8, 1861

### THE DEATH OF COUNT CAVOUR

THE foremost statesman in Europe,—the man whose life was of the highest political value to the world, and second only in importance to that of the Emperor of the French,—is no more. . . . That such a statesman should be cut off while Rome is still in the hands of Austria, and Venetia still in the hands of France, and Venetia still in the hands of Austria, is more than tragic,—for in tragedy the intertwining threads are all cut together,—but here the country's need continues, though the man who could best satisfy it is gone. In no one else can the same powers be found united;—the capacity for ruling rightly, and the capacity for convincing a free people that they are ruled rightly;—the power to win the confidence of an Italian Parliament as no one else could win it, and the power to use the authority so gained as no one else could use it. No English statesman except Pitt has ever gained a power so nearly equivalent to a dictatorship as Count Cavour has exercised for the past nine years over the growing State of Sardinia. Nor is such a combination of practical sagacity and intellec-

tual sagacity,—of the passion that aways, the reasoning that guides, the strength that retains, and the humour that fascinates men,—often seen combined in the same person. . . . But that firm faith in the destinies of his country expressed in his last hour by the dying statesman has been sown by him in so many Italian hearts that it will be impossible for them to despond. It was the last crowning triumph of his life to reconcile all the great men who had assisted him in the glorious work. And now, though in the bitterness of their loss, when they look at Rome and Venetia, many may feel inclined to echo the melancholy old words of patriotic despondency, "The harvest is past, the summer is ended, and we are not saved,"—they will not allow themselves to doubt that the same Power which raised up Count Cavour for his work, and engraved its purposes on the marvellous triumphs of his short administration, will find instruments noble enough to complete what he has so nobly begun.



Gaulle. In one sense, indeed, that departure (if the Fifth Republic survives it) could revitalise local elections, for the members of the Conseils Généraux form part of the electoral college that chooses the President. Such a choice has little reality at present, and many may feel content to vote for General de Gaulle indirectly.

In this context it is not without interest to note that one of the features of the recent contest was a small but useful increase in the Union de la Nouvelle République, or gaullist, vote and representation. Hitherto the party has been weak at the grassroots, in marked contrast to its predecessor, the Rassemblement du Peuple Français, or to the *omnium gatherum* party it looks like replacing, the Radicals.

## DEFENCE

### Unilateralist Inconsistencies

THE left-wing Labour MPs who specialise in attacking the Government's Nato policy have been making hay in the House of Commons in the past fortnight. Two Welsh members, Mr Emrys Hughes and Mr S. O. Davies, have renewed their protests against the proposal to allow German troops to train in Wales. Mr Michael Foot and others have been peppering Mr Heath and Mr Watkinson with questions about the decision by Western European Union to permit the German navy to build destroyers of up to 6,000 tons.

To oppose German rearmament is one thing; to oppose the indiscriminate reliance of western forces on nuclear weapons is another. Those people who do not want nuclear weapons to be used in every small engagement have to consider, if they are not pacifists, what can be done to make defence effective. President Kennedy's policy of holding back the spread of nuclear weapons in Europe, and strengthening conventional forces instead, deserves their support.

Unfortunately few of the left-wing questioners seem prepared to draw logical conclusions from their doubts. If Germany is to be well armed with conventional forces

—because Nato needs the forces and countries like Britain do not provide them—then it is no use splitting hairs about every relaxation in the Brussels treaty. The west German forces need proper equipment, and they need training grounds, some of them outside Germany. If these are not to be sought in Spain—and the political disadvantages of that will hardly be disputed by the Labour left—then Nato's existing members must provide them. Facilities in Britain are an essential consequence of partnership.

The Labour snipers seem even further from accepting the logic for British policy of their dislike of nuclear arms. On June 1st Mr Watkinson made a speech which has drawn criticism—in *Pravda*, and nearer home—for its emphasis on nuclear weapons. But how many unilateralists are prepared to follow Mr George Wigg and Mr Crossman and accept that nuclear disarmament by Britain, and even nuclear-free zones in Europe, would probably require this country to restore conscription?

## PRESS

### Accredited or Discredited?

MR PETER BENENSON'S lively Fabian pamphlet on "A Free Press" has much that is thoughtful, sound and liberal in it. Probably he is right in wanting to strengthen the law of trespass against newspapermen, when they make unlawful entry into a private home by deceit as well as by force. He puts up the interesting idea of a joint working party from the press and the legal profession to inquire into Britain's uniquely strict rules of contempt of court, including the case for permitting some comment to be made on pending civil proceedings. But inevitably most attention (and, in Whitehall, stark horror) has been raised by Mr Benenson's principle that, save in security matters, "all information in the hands of public servants should be public property," and that "there is no sufficient reason why public servants should be able to claim the privilege of secrecy for their usual inter-departmental minutes."

Warming to this theme, and recognising that the files could not be opened to all and sundry, Mr Benenson wants to see a further formalisation of the different groups of accredited correspondents—e.g., Lobby Correspondents, Diplomatic Correspondents, Labour Correspondents, Aviation Correspondents, etc.—with special privileges in their own field. If, says Mr Benenson, there were at each government department "an officially and publicly recognised group of accredited correspondents, it would have its own esprit de corps and its own disciplinary sanctions against an over-zealous member."

Unfortunately, this is the exact opposite of the right recipe for an improved press. It has been extraordinary in recent years how, whenever such a group has become more formalised (and several have done),

the standard of writing on its subject has tended to go down. When a man becomes accredited to a particular department, it becomes difficult for him to criticise it: the principals are apt to be "my very good contacts." An even bigger difficulty is that, once the only man a newspaper can send out on a story is the man with a certain accredited card, its treatment can become cramped and inept. This is true even of the lobby correspondents; the extravert who may be best at finding out who is next likely to stab whom within the Labour party or the Cabinet is not always the right man to have to send along to get a preview of a white paper about a forthcoming Trustee Investments Bill. It can be even more important that the man a newspaper sends along to the Ministry of Labour during a wage dispute should sometimes be a man with a specialised knowledge of the industry concerned, or even sometimes of the state of the national balance of payments—instead of having to be the man with the right card whom the Ministry of Labour knows and whom they can therefore trust to ask only the usual labour correspondents' questions. The greatest recent failing of British press comment is that, even more than government policy, it has become too departmentalised instead of taking broad national views. It would be a great pity if so liberal a pamphlet as Mr Benenson's encouraged anybody to push further the "accredited correspondent" system that has borne a lot of the blame for this.

## PORTUGAL

### Senhor Galvão Again

EVEN if Lord Home's visit to Lisbon was justified by his "breeze of change" suggestions when he got there, the refusal to grant a visa to Senhor Galvão is not. It may be necessary to handle Dr Salazar with tact in the hope that his government will behave better in Angola, if not in Portugal. But it is hard to see why delicacy need go so far as to deny our shores to the man whose *Santa Maria* exploit first dramatised the situation. It was in protest against Portuguese methods in Angola that Senhor Galvão first parted company with Dr Salazar; and few now would deny that he was right.

Labour members wanted to know why General Delgado is allowed into Britain while Senhor Galvão is not, and why Senhor Galvão was less deserving, or more dangerous, than, say, Garibaldi. Mr Renton, for the Home Office, failed to answer the first question and was frankly absurd about the second. "There is a considerable difference," he said, "between the Portugal of today, which is a member of Nato, and the Italy of Garibaldi's time." It would have been interesting to hear Mr Gladstone, who described the Neapolitan government of 1851 as "the negation of God erected into a system of government," on this.

# LETTERS

## US National Output

SIR—Your "Innocent on the New Frontier" (May 27th) reports: "The current game of guessing what the annual rate of national output will be by the end of this year yields some odd comparisons; \$515 billion is in the air which the Council of Economic Advisers breathes, but over at the Federal Reserve Board they talk of a possible \$535 billion." The air from which your roving correspondent has picked his numbers is not the air we breathe at the council.

No council projection—not even the one we made in January on the basis of the Eisenhower budget—has guessed national output in the fourth quarter of 1961 to be running as low as \$520 billion. And we have estimated that additions to the budget proposed by President Kennedy will add \$7.10 billion to the nation's fourth quarter rate of output.—Yours faithfully,

WALTER W. HELLER,  
Chairman, Council of Economic Advisers  
Washington, DC

## More Starch for the White Collar

SIR—As one of the white collar unions mentioned in your article of June 3rd and affiliated to the Trades Union Congress we are only too familiar with the problem of party politics.

Like many other unions in our field we have no political funds or party ties, yet our opponents still try to work the socialist tar brush because of our TUC affiliation. We therefore welcome your observation that nowadays "membership of the TUC would hardly taint any organisation irremediably." We also welcome your observation on voting when TUC discusses "political business." It has often struck me as unethical, to say the least, that unions who have no political affiliations cast votes on these occasions.

If you contract out you must stay out! This is the way our organisation sees it and we have always strictly observed our own belief that we have no standing in party political matters. Therefore, whenever chairmen at TUCs announce that a political resolution has been carried "unanimously" it is due to the fact that it is almost impossible to count those hands—or cards—that are not raised when the vote is taken.—Yours faithfully,

WALTER N. BERNARD  
National Union of Bank Employees  
London, SW1

SIR—In your stimulating article of June 3rd, talking about the effects in negotiation of the fair comparisons "doctrine" of the Priestley Commission, you say that the doctrine leads to shortages of people with

particular kinds of qualifications because of traditional taboos "such as, for example, that administrative officers should not be paid less than scientific staff."

In the civil service, scientific staff are consistently paid much less than are administrative and executive staff. Taking the administrative class as compared with the scientific officer class, the career value of an ordinary career is some £20,000 less for a scientist than it is for an administrator.

What I suggest is really needed is that the Government as the biggest employer of scientific labour should set up a consistent policy of encouraging young men and women to take up scientific and professional careers by ensuring that in the civil service the career open to such persons was at least no less valuable than that open to those who enter the administrative and executive sides of the service. This, I suggest, would be a forward thinking use of the power the Government could undoubtedly exercise in setting an example.

There is every reason why a constructive pay policy should be used to direct persons into the socially most desirable channels of employment. So far as the civil service is concerned the inducement at the present moment is not in this direction.—Yours faithfully,

STANLEY MAYNE  
General Secretary,  
The Institution of Professional Civil Servants  
London, SW1

## Vietnam

SIR—I wish to point out some misconceptions in Dr Phan Huy Co's letter on the Vietnamese elections in *The Economist* of May 27, 1961, the opinion expressed by my brother having been based on errors of facts.

The allegation that President Diem "officially recognised" the "Revolutionary Committee" is totally unfounded. It is furthermore a most dubious view to assume that even a presidential recognition of an armed rebellion can confer legality on the men and their undertaking. The President is granted no power constitutionally by the people to do so even if he so wished.

In this matter, the least Dr Co can do is to credit his leader Phan Quang Dan with enough sense to know what he was doing and risking when he chose rebellion. On the other hand, the choice by the people has been made plain and clear by the resounding majority vote they cast for President Ngo Dinh Diem.

Even when allowing for the argument by your correspondent that there was no opposition in the elections, one cannot simply create an opposition *ex machina*, or rather *ex nihilo*, as he should know. As you say, you can take a horse to the water,

but you cannot make it drink. The people in Vietnam could have found plenty of excuses for not going to the polls, when the Viet Cong was promising bullets for ballot. Even if they had been corralled to the voting stations, which was certainly not the case, they could have cast blank votes, if they so wished: the voting was secret and free, as witnessed by the world's foreign press.

The massive majority for President Diem showed that the people are sufficiently discerning to choose the right medicine for their country.—Yours faithfully,

PHAM HUY TY  
First Secretary  
Embassy of Vietnam, W8

## Bernstein, Triffin, Stamp

SIR—Having been overseas, I have only now had an opportunity of reading the article in your issue of May 6th. Your strictures on the Bernstein plan and your praise of the Triffin plan are both based on the contention that the western world is suffering from a general, a global, lack of international liquidity. You have provided no evidence to support your contention, nor has Professor Triffin, nor has anybody else. Calculations that the ratio of gold held by central banks to global imports or similar ratios of gold plus foreign exchange reserves to global imports have declined over the last 10 or even 30 years are no such evidence. *Pari passu* with global imports global exports have risen, providing the means to pay for imports, so that the global balance has not altered.

What has happened and is relevant is a change in the balances and reserves of individual countries. We have experienced indeed a shift of reserves from one group of countries, i.e., the US and UK, to another group of countries, i.e., mainly continental Europe. It is the merit of the Bernstein plan to recognise this change and some of the problems arising from it and to suggest a solution, though limited, that could be quickly applied. It would speed up the process, already under way, of various currencies of continental Europe becoming "key" currencies in addition to dollars and sterling.

However, the whole discussion in the three plans of Bernstein, Triffin and Stamp and in your comments appears to be on a par with playing Hamlet without the Prince. Nowhere has there been an indication that the present weakness of dollar and sterling and the consequent decline in their capacity to serve as liquidity reserves, has arisen out of vast outpourings to developing countries of grants and long-term investments by the US and UK that are no longer sufficiently supported by loanable surpluses from the "key" currency countries' international earnings, but supplied by borrowing short abroad. Nor has there been an appreciation of the attitude of leading countries of continental Europe which have accumulated vast claims against "key" currency countries and so reduce the latter's international liquidity. They are not acting out of perversity. The basic fact remains

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and marriage certificates. In Canada loopholes in passport regulations allowed a Russian to assume Canadian identity. The authors' viewpoint appears somewhat naive. They assume that the next spies sent from Russia will follow the same method, will use much the same equipment, and employ the same type of transmitter. This surely is underrating the Russian spy mind. Also they explain the encouragement given to the newspapers and the court to allot the case such publicity as a reply to the incident of Francis Powers and the U.2. This may have made some impression on the rest of the world, but not on the Russians, for there was no Russian representative at the trial, and the case was not reported by *Tass*. One doubts if Mr Khrushchev was seized with remorse or indeed paid any attention to this *tu quoque*.

The book shows signs of being put somewhat hurriedly together: the main incidents are well set out, but some of the minor episodes are rather loosely tied in, and to some extent the authors have padded the book with conjecture. But it has the prime quality necessary for publication: it is readable, and it should be read.

### Stuart Speculator

Sir Arthur Ingram, c. 1565-1642

By Anthony F. Upton.

Oxford University Press. 274 pages. 35s.

"THE ways to enrich are many," wrote Bacon, "and most of them foul." His remark finds point in the career of his contemporary, Arthur Ingram, the most notorious speculator of the early Stuart period. Quick and flexible, plausible and unscrupulous, Ingram, with the mercurial temper of the gambler, fitted the acquisitive temper of the times. His hey-day was the reign of James I, when a peculiarly corrupt political system offered him dazzling opportunities for profits from customs-farms, monopolies and crown lands. As Controller of the Port of London he had government contacts of which he made full use, while the indebtedness of those who indulged in too splendid extravagance in an age of inflation gave him another field of investment. Lionel Cranfield, Ingram's partner in his early career, agreeably expressed the felicitous of this situation when he suggested that they should join "to raise our fortunes by such casualties as this stirring age shall afford."

Professor Tawney has recently written a study of Cranfield based on the Sackville manuscripts; Mr Upton has used the partner collection of Ingram's papers from Temple Newsam. Cranfield moved into politics, but Ingram remained the businessman turned landowner, dabbling in government concessions and supported by patrons at court. He achieved his greatest notoriety in his alum deals. Here Mr Upton's chapter fills a gap in the business history of the time. Ingram surpassed himself in obtaining huge sums from the crown for which he failed to account and in evading

obligations for the alum he failed to produce, running down the plant and oppressing the workmen. Mr Upton valiantly but unconvincingly attempts some defence of Ingram, whom he represents as grappling with a young and struggling industry and whose gains were less than his enemies alleged.

Ingram hardly deserves such charity. Mr Upton rightly remarks that the debtors he destroyed brought their fates upon themselves, but his view that Ingram "was not worse than his contemporaries only far more successful than most" is harsh on others. Mr Upton is a painstaking guide through intricate deals, but time after time he reveals contracts unfulfilled, obligations evaded, lies told and partners and friends deserted. A letter to Cranfield, not quoted by Mr Upton, from one of Ingram's partners is redolent of the distrust he evoked: "I intend not to sup or sip of the cup to make me burn my lips or hazard the distemperature of my estate." Supping with the devil needed a long spoon.

Mr Upton has given us the first clear picture of Ingram's deals. It is a solid, honest and highly competent study, but lacks the dramatic touch which Ingram loved; and, since it oscillates uneasily between criticism and defence, fails to give a definitive appraisal of its subject. It is a book for the specialist. The political background is sketched lightly and not always surely. And it is odd that although the book is sub-titled "a study of the origins of an English landed family," Mr Upton does not mention that from Ingram is descended the present Viscount Halifax. Ingram acquired the manor of Halifax in 1609 and characteristically failed to complete the payments on it.

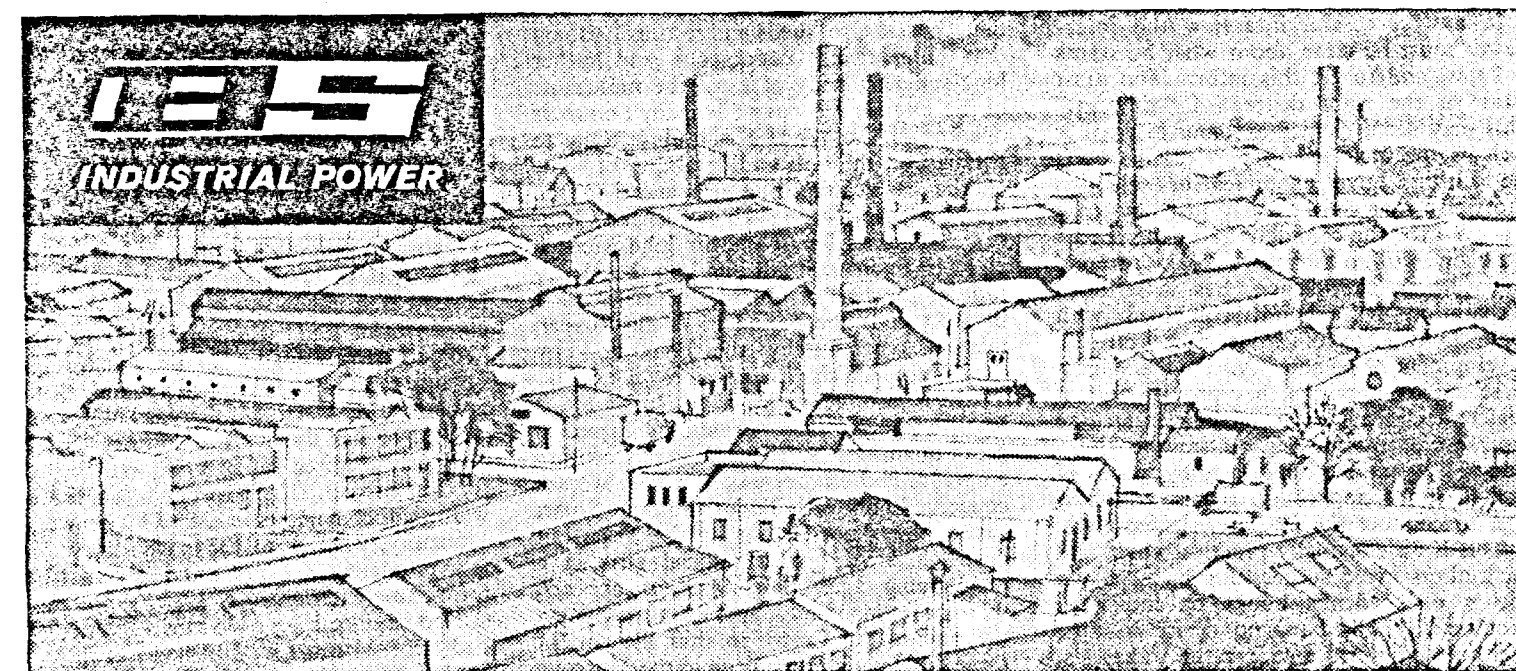
### Question and Answer

#### The Skills of Interviewing

By Elizabeth Sidney and Margaret Brown.

Tavistock Publications. 408 pages. 35s.

THE general public has become steadily more familiar with "interviewing," through watching television, through ever increasing market research and even through psychotherapy—today more and more people are "interviewed" when they get into some kind of trouble. To the lay person and even to the average executive such interviewing seems a matter of experience and intuition. Social scientists, however, have come to regard interviewing as a scientific tool of research, and by now a highly complex body of theory has been accumulated on the subject. The aim of Mrs Sidney and Mrs Brown—both lecturers in industrial psychology—is to present good interviewing as a skill that can be learned. Their basic argument is that nothing can turn the wrong person into a good interviewer, but that the average person can be helped to conduct his interview more effectively by studying and practising the skills involved.

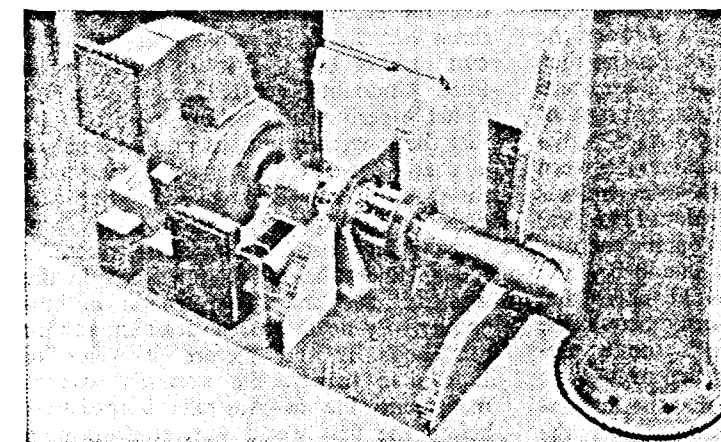


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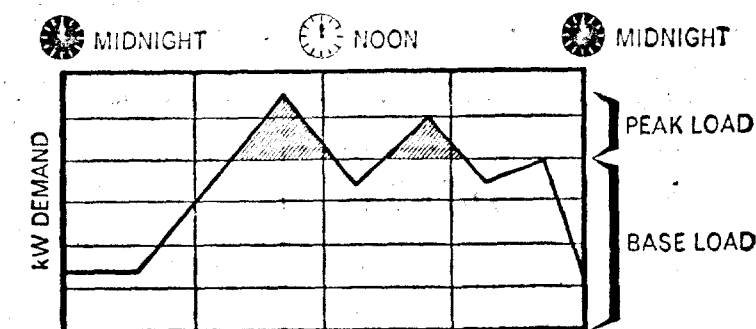
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In any successful interview the interviewer must be clear about what he wants to know, and to get this information must establish the right degree of "rapport." This may seem elementary, but in what is perhaps the most useful part of this book the authors give examples of selection interviews that show clearly just how easy it is even for the confident and experienced interviewer to go astray. The key to good interviewing, they argue, lies in detailed preparation beforehand, combined with some knowledge of what they call the development of personality. On the subject of selection interviews they provide a great deal of technical advice on how to analyse the requirements of the job, how to eliminate the unsuitable candidates by means of well designed application forms, and how best to conduct the interviews themselves.

This is an essentially practical book, and the authors avoid successfully many of the clichés of academic books on industrial problems. They have no desire to turn their interviewers into amateur therapists, and their style is refreshingly free from jargon. A great deal of what they say may appear to be simple common sense and nothing startlingly new is revealed, but it is interesting that the authors found that while many executives questioned agreed with them in principle, in practice they conducted their interviews quite differently—in effect playing them by ear. Of course in a sense this is right: every man has his own style of conducting an interview, or indeed any conversation, and it is useless to pretend that interviewing by textbook rules is always feasible or even desirable. Nevertheless this new book on the subject is full of good ideas that are evidently often overlooked, so that even an experienced administrator might find it very useful reading.

### Gifts of Plate

The English Silver in the Kremlin, 1557-1663

By Charles Oman.

Methuen. 112 pages and 54 plates. 42s.

THIS attractively produced and richly illustrated volume is much more, short though it is, than an expert *catalogue raisonné* of the examples of the English plate in Russia with which it deals. It is

that, but it also sheds interesting light on that enterprising, courageous and rather long-suffering body of men, the merchants of the English Muscovy Company; on their opening of the White Sea trading route to Russia; on the outstanding ability of some of the early English ambassadors to the Russian Tsars—men such as Richard Chancellor, Thomas Randolph, Sir John Merrick and Sir Thomas Smith; and on the ineptitude of the Earl of Carlisle, whose mission in 1663 ends the period of Anglo-Russian relations covered by the book and by the silver which it describes in detail. There is also, as we learn, in Russia much English plate of later periods, purchased in great quantities by the eighteenth century emperors and empresses. But here we are concerned only with Tudor and early Stuart silver, pieces not bought by the Tsars but despatched to them as official gifts in a plate-giving age. Sometimes, it appears, there were none-too-dignified attempts on the part of the Crown to shift the cost of these diplomatic presents on to the Muscovy Company.

Much of the importance of this work lies in the circumstance that the State Armoury Museum of the Kremlin contains "a larger collection of late Tudor and early Stuart silver than can be seen anywhere in England, except when some important exhibition is being staged." This is an interesting fact, and even a surprising one since the work of western goldsmiths, as Mr Oman points out, was not appreciated by the Russians of the Renaissance (other than by the Tsars) any more than examples of their Russo-Byzantine art were then appreciated in the west, where Russian furs proved gifts far more acceptable to the envoys and their staffs than counter-offerings of the local silverware.

Nevertheless, these gifts of plate from the rulers of England to those of Russia, then regarded as the westernmost of the eastern powers rather than as the easternmost of the western ones, "performed quite a distinct function in the negotiations between the two countries." To such an extent was this the case that the Tsar Fedor (Theodore) did not hesitate to return contemptuously, as being "not such as they should be," the presents brought by Giles Fletcher from Queen Elizabeth I. Do we catch here in the voice of Ivan the Terrible's son a preliminary rumble of that of Stalin?

It is encouraging to learn that the authorities of the Kremlin Museum under the Soviet regime were as helpful to Mr Oman as were their predecessors under the Empire in 1880 to Sir Philip Cunliffe Owen, who went to Moscow to make electrotypes of English and Russian plate for the then South Kensington Museum, and in 1909 to Mr. E. A. Jones in connection with his book on "Old English Plate of the Emperor of Russia." It is pleasant to think that the cups, flagons and dishes given by England to Russia three and four centuries ago may still be playing their part today, if in a somewhat different way, in easing relations between the two countries.

### Chairwoman Par Excellence

Lady Denman, GBE, 1884-1954

By Gervas Huxley.

Chatto & Windus. 205 pages. 18s.

FROM an astonishingly long list of public activities, Gertrude Denman will be remembered chiefly for her pioneering encouragement and wise guidance of the Women's Institutes in Britain and for her organisation of the Women's Land Army in both world wars. Mr Gervas Huxley has written of her life with a sincerity that is obviously inspired by affection and respect for his subject. He portrays a woman of warmth and character, sense of humour and humanity, whereas to those who knew her less intimately she presented a somewhat formidable exterior.

Had she not been born into a family that had amassed great wealth, had her mother been less ambitious, who knows whether anything would have been heard of this woman. But the hard Yorkshire streak of dogged determination to use its "brass" to reach a position at the top was strong in her forebears and her mother, Lady Pearson (later Lady Cowdray), was bent on her daughter making a good marriage. Lady Denman's subsequent unhappiness, her rebellion against the fashionable world and the round of social entertaining which she experienced at its fullest as the wife of the Governor-General of Australia, these were the factors which, coupled with an indomitable spirit, drove her to take a strong interest in the well-being of her sex. When, in 1916, at the age of thirty-two she was offered the headship of the Women's Institute movement, then in its infancy, she threw herself wholeheartedly into the difficult task of building it up on Canadian lines. Undoubtedly it is largely as a result of her superb chairmanship for thirty years that the movement has its present strength of nearly 450,000 members. Whatever work she tackled, Lady Denman showed an iron determination to fight with energy and tenacity for what she considered right.

Mr Huxley has a gift for filling in the historical and social background in biography. By no means the least interest in this book is the picture it gives of Edwardian society, the women's suffrage movement, life in Australia immediately before the first world war, troubles over newspaper policy at the time of the Munich crisis (Lady Denman was a director of the Westminster Press) and the fight for education in birth control for the poor (Lady Denman was the first chairman of the Family Planning Association).

First and foremost, the book is a faithful chronicle of fifty years of prodigious service in the field of women's needs and independence, but it has many interesting sidelines. One minor objection, however: a labour of love this may have been, but was it necessary to use the pet name Trudie throughout?



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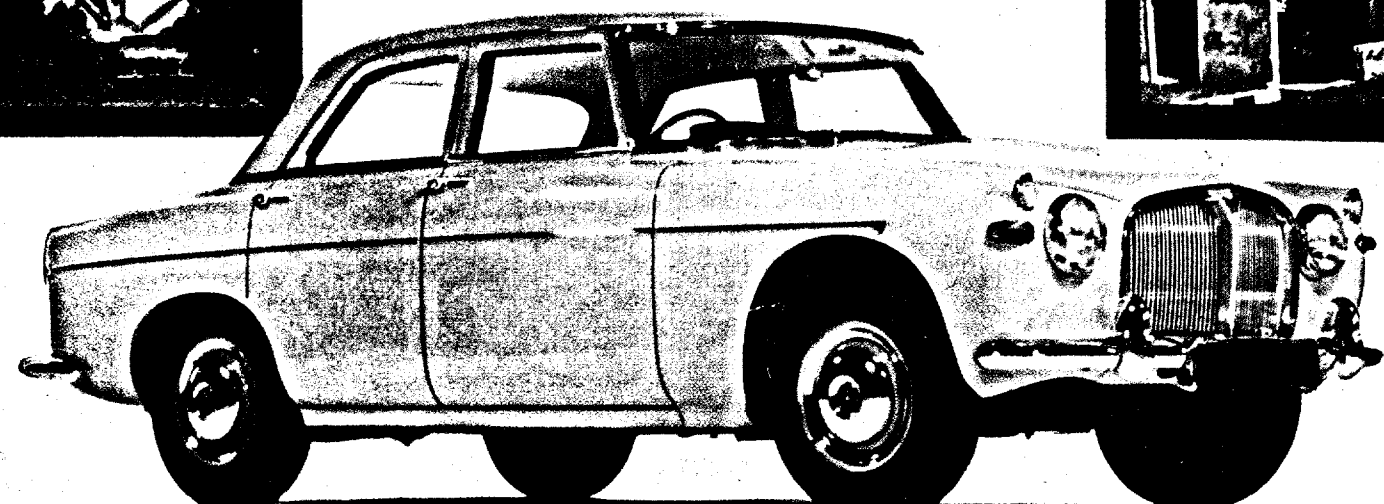
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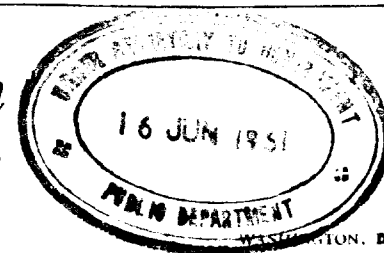
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## AMERICAN SURVEY

### Gandhi in Mississippi



SOONER or later every public facility in the southern states of America will be open to use by any citizen irrespective of the colour of his skin. It will be possible for Negroes in the South, as in the North, to use golf courses, libraries and swimming-pools, schools and colleges, as well as all the restaurants and rest-rooms in bus and railway stations—and it will be a crime to prevent them from doing so. Legally, as a result of decisions of the Supreme Court, no state can now impose segregation by law or stratagem in any public facility of any kind: court actions started or to come will apply the law. In their private affairs Americans, in Georgia as in New York, may continue to practise racial discrimination and remain highly compartmented in their present racial, religious and totemistic groups and this may well continue to be a grave national weakness. But in public, at least, there will be no Jim Crows.

The final demolition of the South's customs and "peculiar institutions" may come about sooner rather than later, however, as the result of the bloodied heads and arbitrary arrests in the last three weeks of the "Freedom Riders" on the interstate buses. The practical significance of these events is that they have enabled the Department of Justice to take a long stride forward in requiring the South to respect the equality of civil rights granted in the Constitution as interpreted by the decisions of the Supreme Court. Under the new Administration, the department is seizing this chance with every appearance of alacrity. It claims that the court cases which have arisen from the challenges of the Freedom Riders to the segregation maintained in bus terminals in the South will not only end racial segregation in practice in interstate travel, but will also test the right of states to impose segregation by local law or by police action. With the legal millstones grinding, the department sees no point in provoking southern mobs simply for the sake of defiance. Once the Riders had made their point, the Attorney General, Mr Robert Kennedy, called for a "cooling-off period," though the Department of Justice feels that it is quite another thing for a federal judge in Alabama to issue an injunction against further organised freedom rides.

But only the lawyers see a new Gettysburg being won in the courts. The Negro groups feel that more is at stake than the starting of new lawsuits to enforce rights which they think should be beyond dispute already. Liberals inside the government think that the appeal for a truce was a psychological error; but they attribute it to the Justice Department's loss

of nerve when it had to send in federal marshals to control the mob in Montgomery and had to face the possibility that federal troops might be needed if the marshals were overpowered. Liberal Congressmen, who seek to put through the strengthened civil rights legislation that has no chance of becoming law without President Kennedy's active backing (which has been withheld so far), see half-heartedness in the Attorney General's office and in the White House. Some people talk indeed of promises to go easy made before the election to southern politicians. In the belief that reliance on the law is not enough, Negro leaders have called for more Freedom Riders, and in Mississippi the decision of some 60 men and women, white and coloured, to serve their manifestly unjust prison sentences rather than pay fines for trying to enter a white restaurant is obviously more than a challenge to the state's racial practices.

There are, in fact, two elements in this new wave of protest against racial discrimination in the South. There is the determination—which interests lawyers most—to establish and enforce an existing right. The first team of Freedom Riders, which was stopped by mob violence, demonstrated that desegregated travel (specifically the free use of restaurants and rest-rooms—the American euphemism for lavatories) was not possible in Alabama although they were not interfered with in Georgia or in North or South Carolina. The ensuing wave of Freedom Riders has produced a batch of legal actions of the utmost importance. In the cases which involve both federal and state courts in Alabama, and which are being brought by the Riders against the bus company and the state authorities, the Department of Justice has intervened as a "friend of the court" to ensure that the basic issue, the freedom from arrest for exercising a constitutional right, is not lost in the complexities of a federal legal system. More important are the appeals of a number of Riders in Mississippi against their convictions on charges of causing a breach of the peace—a police pretext for punishing those who defy segregation notices.

These appeals seem certain to go ultimately to the Supreme Court, which has already laid down the principle that "ingenious as well as ingenuous" devices for excluding Negroes from juries, even though they contain no reference to race, are illegal. Furthermore, the Department of Justice has obtained an injunction against the police in Montgomery (though not in Birmingham) ordering them to give equal protection to all travellers. Though this may seem an *ex post facto* move which offers little comfort to those who were battered by the white hoodlums, and no security for those who may face mobs outside Montgomery itself, in fact it serves notice on the police throughout the South not to look the other way when their friends in the mob are out. An injunction restraining the Ku Klux Klan carries a similar warning.

On the immediate issue of desegregated travel, the Department of Justice has taken a short cut by asking the Interstate Commerce Commission to lay



Department of Justice: millstones grinding



down detailed rules against racial segregation in accordance with the Supreme Court's decision of last December. This decision was significant because it ruled that segregation even in privately operated restaurants in terminals used by interstate travellers is illegal; and if this is the ruling on eating-places, clearly it covers every conceivable facility. The ICC is an independent and perhaps rather hidebound regulatory agency, but it is unlikely to refuse this request. The new regulations would make it a criminal offence for interstate bus companies to use segregated facilities and notices would proclaim this. In practice, moreover, it is impracticable to separate the operation of interstate buses from those operating only within states.

THIS is surely an impressive harvest from the rides; but the Riders, and the organisations which back them (principally the Congress of Racial Equality, the National Association for the Advancement of Coloured People and the *ad hoc* committees of Negro pastors among whom Dr Luther King is an acknowledged leader), have far more in view than the provision of new test cases for the courts. They are not merely asserting law. What has thrown American public opinion into an uproar is that the Riders went to Mississippi, notoriously the best-organised police-state in the South, to defy, show up and suffer from the repressive use of law that is designed to make it impossible for Negroes to assert their rights. They have chosen the Gandhian technique of non-violent resistance. This refusal to wait for due process of law, even though the law is the Negroes' ally, springs partly from the heart-breaking slowness of the judicial process, partly from the fact that until recently poor Negroes have shouldered the whole burden—and taken the risks—of initiating legal action.

Whether the moral persuasion used against the conscience of the Anglo-Indian rulers of India can be made effective against the power structures of the southern states may be arguable. The court injunction against further advertised freedom rides shows the difficulty of mounting a big, let alone a mass, movement. But the Negro leaders, and especially Dr King, are reported to be well pleased with the first fruits of their campaign. After the mob violence which forced the Attorney General resolutely to send federal marshals in to restore law and order in Montgomery, Alabama, the State of Mississippi suddenly took precautions for the safety of the American Satyagrahists which fully parallel the care with which the British Raj handled the Mahatma himself. A few months ago few would have predicted anything but a violent reaction. The Riders have demonstrated that the states are no longer prepared to challenge federal authority when it is a question of maintaining law and order. The Negro leaders believe that this muzzling of the mob will in the end have a profound effect on the depressed morale of the Negroes in the South; it is a palpable blow against the time-honoured threat of mob rule.

Whether or not this invasion of Mississippi is quite the historic step that some liberals acclaim it to be, clearly it is a significant one in the unfolding pattern of Negro protest. How far the Negroes can press their campaign of direct action, and how far they must abide by due process of law, supplemented by fresh legislation when the Administration sees its way clear in Congress to push this through, remains to be seen. The Negroes have limited means and the Riders have come from the ranks of the poorer coloured college students (though they include at any rate one white millionaire). But that they have thrust the South again on the defensive, stirred the sluggish northern conscience, and brought pressure on the White House by publicising America's race problem anew throughout the world, is not in doubt. The stage is set for the next act of perhaps the one great human drama which it is wholly in the power of Americans to end.

## Opportunity for Aid

OF all the serious differences in outlook between the American President and the Soviet Premier which Mr Kennedy had to report to the American people last Tuesday, none was more serious than Mr Khrushchev's belief that the world was moving his way inevitably and that "the revolution of rising peoples would eventually be a communist revolution." And the only immediate request that Mr Kennedy made of the American people as a result of his European trip was for their backing for his foreign aid programme, which gives them an opportunity to demonstrate that "economic growth and political democracy can go hand in hand" and that Mr Khrushchev is wrong. Congressional representatives of both parties urged the public to support the President after his speech. Yet at the same time those representatives were attacking his foreign aid programme in the committee hearings on his request for a total of \$4.8 billion for the coming fiscal year, over \$1 billion more than was allowed last year.

The main trend of the criticism was outlined by Senator Fulbright, the Democratic chairman of the Foreign Relations Committee and an enlightened friend of foreign aid. Recent events, he said, probably thinking of Laos and Korea, had cast doubts upon the effectiveness of the programme's administration. He hopes, however, that the reorganisation proposed by the President will put fresh life into the programme. This reorganisation is certainly intended to answer this type of criticism and also to spur the countries which receive help to do more for themselves. Wasteful duplication should be avoided and concentrated efforts fostered by putting the main forms of economic aid into one agency and by centralising the various types of aid being given to each country.

But even more important as a preventer of waste and a promoter of efficiency is long-term financing, allowing plans to be made for several years ahead. The Administration wants loans to be authorised—\$7.3 billion worth of them altogether, far more than has ever been asked before—for the next five years with the money being borrowed from the Treasury; this means that the Appropriations Committees would have no chance of cutting the aid down to their size. The loans are to be repaid in dollars, not soft currencies, and nearly all the money will be spent in the United States, which should appeal to Congress. The official witnesses have pointed out that Congress could still supervise foreign development loans, even without annual appropriations, and that a number of other government activities have long been financed by this type of borrowing. But these activities are not controversial; Congress's reluctance to give up its direct control of foreign aid is accentuated by its distrust of the way in which that aid has been handled. The Administration is working hard to convince Senators and Representatives that everything is going to be much better from now on, but it will not be easy to do so.

## Republicans Rebound

REPUBLICANS met last week in Washington and in other cities all over the country to raise funds in a buoyant, aggressive mood. They have had time to get over the shock of losing the Presidency last November and the Kennedy Administration has shed a good deal of its air of shining invulnerability. Texas had just sent to Washington the first Republican Senator ever elected by a popular vote in the South and General Eisenhower, in his first political speech since he left the White House, brought his listeners in Washington to their feet with the most partisan, hard-hitting address he has ever made. With President Kennedy in Europe conferring with President De Gaulle and Mr Khrushchev,



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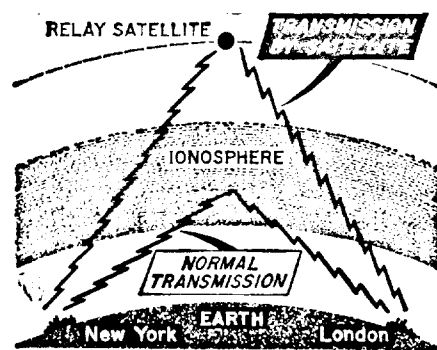
Mr Eisenhower ostentatiously held his hand on the foreign policy of the new Administration. But he dropped a few sharp hints, such as the expectation of the Republicans that they would be consulted before, rather than after, the big decisions—a hint that the President showed he had taken when, on his return, he immediately swept off Mr Dirksen, the Republican leader in the Senate, for private talks.

It was on domestic policy that Mr Eisenhower let fly, with his denunciation of "government by big brother," "immoral deficit spending" and of specific government programmes such as aid for teachers' salaries, more public housing and increased government development of natural resources. The next day Republicans showed how much they relished this fighting line when they chose an aggressive member of the House of Representatives from New York, Mr Miller, as their national chairman in succession to Senator Morton, a mild Kentuckian. Mr Miller was the head of the Republican Congressional Campaign Committee last year and had the satisfaction of seeing his party gain 22 seats in the House even though it lost the Presidency. He hopes to make many more inroads into the Democratic majority in 1962 by concentrating once more on marginal seats where a little extra effort may bring big rewards, by refurbishing the Republican organisation and by encouraging attractive new candidates. If necessary, he may even resign his House seat.

The Republicans themselves recognise only one real risk to their chances: factionalism and particularly the polarisation of party members around the three rivals for the presidential nomination in 1964—Mr Rockefeller on the party's left, Senator Goldwater on the extreme right and Mr Nixon in the middle. Both General Eisenhower and Mr Miller—a professed neutral in this struggle—begged the party to forget about 1964 and concentrate on the congressional and state elections in 1962; a minority party cannot afford the luxury of dissension. Outside observers are not so sure that factionalism is the only danger; they think that the opposition also suffers from a great lack of constructive ideas and sense of purpose. And General Eisenhower, whose mission once was to lead the party into the twentieth century, now seems to have embraced the most barren conservatism.

## Satellite Fever

WHOEVER wins the race to the moon—in which the Russians have a head start—Americans are not neglecting the advantage they enjoy in the task of making space yield more immediate and more tangible benefits to earth-bound human beings. The National Aeronautics and Space Administration has just chosen the Radio Corporation of America to build, for a little over \$3 million, an experimental communications satellite of the "active" variety; that is, unlike the Echo balloon, which simply reflects radio signals, this Relay satellite will carry receiving and transmitting equipment which will make it a much more effective instrument of communication. A system based on such satellites will multiply by many times the telephone channels now available between continents, accommodate the rapidly rising flood of calls and even permit the transmission of television programmes across the oceans. It will have other advantages: it will not be affected by sun-spots and disturbances in the ionosphere as radio com-



munication is today or by the damage to which undersea cables are subject. The capital cost will be great—certainly more than \$200 million—but in the long run it should make communication cheaper.

The system may also be very profitable, which partly explains why private firms are straining so hard to get a foot in this door. The other reason is that only one large commercial system is likely to be needed or financially feasible and the American Telephone and Telegraph Company, the giant firm which provides most of America's domestic and international telephone facilities, once seemed likely to corner it. AT & T stands ready to invest about \$200 million to provide a commercial relay system in about four years. Originally AT & T wanted complete ownership and control of such a system, although it was prepared to lease facilities to others. But to the great comfort of other firms, including those anxious to supply the equipment, the Department of Justice doubts whether the anti-trust laws would permit such domination by one firm and the Federal Communications Commission has suggested that a concerted effort would bring results more quickly.

Thus encouraged, the General Electric Company set up a new subsidiary which it hoped might become the skeleton of such a combine. Late last month GE and its allies suffered a serious setback when the FCC—with the eager approval of AT & T—announced that any such combine should be limited to firms already engaged in the business of international communications; invitations to a meeting called to discuss plans were confined to such companies. At the urging of the Department of Justice the FCC relented and allowed all interested parties to attend, but AT & T has another ace up its sleeve: the relative simplicity of its technical proposals. Those submitted by RCA and GE require the satellites to be placed in precise orbits—something which may remain beyond the ability of American rocketry for several years.

## "Have Ideals, Will Travel"

A DESIRE to go abroad to serve humanity is not sufficient qualification for membership in President Kennedy's Peace Corps. This was brought home to the 3,500 or so people, mostly young, who wrote the entrance examination at the end of May; at centres all over the country for five-and-a-half hours they answered questions to test their verbal capacity, their familiarity with their country's history, their ability to learn languages, their general outlook and their particular knowledge of English, agriculture, health science or mechanics. Another 1,500 who want to be high-school teachers did a special examination this week and a further series will be held in July. While the initial enthusiasm for the Peace Corps was great, particularly in the colleges, the number who actually sat for the examinations was disappointing. But those running the programme are concerned at this point not so much about whether they will get enough volunteers, but about whether they will be the right types. Skilled workmen and teachers are needed most.

The first projects to be approved illustrate why. A team of 28 surveyors, geologists and engineers is to go to Tanganyika to help with road building; another of 64 members to Colombia to encourage handicrafts, rural construction and pig and poultry farming; and a third of 300 to the Philippines to teach science and English, an essential language for technical students there. Other projects all over the world are likely to be agreed shortly; one of the most encouraging aspects has been the welcome given to the Peace Corps by officials in underdeveloped countries. Members will be selected as suitable for specific projects and will serve for two years in return for a basic allowance only. After physical, psychiatric and aptitude tests and personal interviews, as well as the examinations, those accepted will be trained for six months or so, first at a collage in languages and "work

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skills," then at a camp where they will experience some of the discomforts which they will find on the job itself. During this time as many as fifty per cent are likely to be eliminated. Officials are not requiring any form of loyalty oath, but the Federal Bureau of Investigation will be keeping an eye on candidates. Nor is any training being given in anti-communist propaganda, although right-wing student groups have been pressing for it.

Congress, however, may insist on something of this kind when it gets round to setting up the Corps on a permanent basis. The President has asked for \$40 million to send 500 to 1,000 volunteers overseas this year and another 2,700 during 1962. Instead of being included in the new foreign aid agency, as was at first suggested to avoid overlapping, the Peace Corps is to be a separate body, although under the State Department. Its sponsors believe that this will make it more effective, but there is argument about this within the Administration as well as outside. There are also those who think that this type of work should be left to the private missionary and educational organisations which are already doing it and that the Peace Corps will only attract frustrating criticism at home and abroad as a result of being part of the government. Its officials, however, are well prepared for criticism and for attack.

## Cows, Corn and Cholesterol

FROM A SPECIAL CORRESPONDENT

WHEN last November the American Heart Association recommended that Americans reduce their weight, eat less fat and substitute "poly-unsaturated for saturated fats," it also said that "there is yet no final proof that heart attacks or strokes will be prevented by such measures." But the message, anticipated by discussion in both scientific and popular journals, was clear: animal fat, including such long-loved delicacies as cream, butter and dripping, seemed to be potentially dangerous to health while vegetable oils, including cotton, maize and soya oil, and fish fat, were beneficial. Given today's incidence of deaths from heart diseases and the degree of profitable hypochondria in the United States, such statements do not go unheeded and this one set off a double battle: the old fight between butter and margarine was intensified and an intra-margarine fight between the relative merits of various ingredients and processes was begun.

The butter-margarine fight has been waged in the United States for most of this century. First introduced as a cheap substitute for butter, scorned by cooks with ample budgets and excoriated by the powerful dairy industry, margarine made its way slowly but surely into the ranks of big business, while the use of butter declined in spite of a steady attempt by the dairy industry to convince Americans that there was something almost immoral about the laboratories' less expensive imitation of a classic food. Margarine

could, in many states, be sold only when white, looking like lard, so that housewives had to add yellow colouring before their families would eat it. Repeated protests finally pushed down that hurdle, but the stigma of supposed inferiority still remained. Now the scientists may change all this. They have added new dignity to margarine by classifying it as a health food and new barriers to butter by saying that it is possibly dangerous to people with weak hearts and therefore, by extension, to the entire adult population.

If the margarine-butter fight has taken on new dimensions, the intra-margarine fight has grown more bitter as a result of the medical theories. Margarine has been made out of various vegetable oils—soybean, cottonseed, maize, peanut, coconut—and with them at times lard and beef fat. Cottonseed oil was the major ingredient just after the war, but soybean has now far surpassed it; in 1960 it constituted over 80 per cent of all fats and oils used in making margarine. But analysis seems now to indicate that of these vegetable oils it is maize (called by Americans corn oil) which is medically preferable. Yet in 1960 only 50 million pounds of corn oil was used in margarine, compared with 1,105 million pounds of soybean oil. The implications for the corn oil industry are so obvious that the shares of one company making the product have doubled in price since the Heart Association's pronouncement.

The proclaimed advantage of corn oil is that it contains the highest percentage of linoleate, a key element in the present theories about heart trouble and its treatment. But corn oil is a liquid which, if subjected to the usual processes of solidification needed to make it into a table spread, somehow loses the linoleate; yet this is believed to be not only healthy in itself, but actually active in melting out the cholesterol which is thought to clog human arteries when too much animal fat is eaten. But now two competing manufacturers claim that their technicians have discovered how corn oil can be turned into a solid spread for bread without destroying the vital linoleate. Both have put their margarines on the retail market and they are set to fight each other in the courts over the patents involved. Meanwhile their advertising departments are having difficulties in explaining the virtues of the complicated scientific claims of their products to the buying public; tricky under any circumstances, this is rendered more difficult by the fact that since 1959 they have been forbidden by the federal Pure Food and Drugs Administration to use the dread but vital word "cholesterol" in advertisements.

## State Goes Banking

FROM A CORRESPONDENT IN NORTH DAKOTA

IN its effort to encourage industrial development, America's most rural state is finding it a distinct advantage to be in the banking business. Most states promote business development and many have laws permitting cities to build plants so as to induce out-of-state firms to move in. But North Dakota has, in addition, its own source of funds in its Bank of North Dakota—the only state-owned bank in the country and, with \$120 million in resources, the largest one between Minneapolis and the Pacific coast (a stretch of 1,500 miles). By deciding in 1959 to buy \$1 million of revenue bonds issued by the City of Williston the bank helped to attract a plant which exploits the enormous resources of salt discovered while drilling for oil in the area. Once the salt has been mined, the caverns which have been formed will be used to store liquid gas. The bank has also helped to finance a meat-packing plant and others which, it is hoped, will win a share of the expanding market for processed potatoes. The bank was also ready to participate in a nitrogen fertiliser plant that would have made the first major industrial use of the billions of tons of lignite that underlie this wheat-growing state. But this project was postponed.

Continued on page 1116

## Static Steel

NEW YORK

THE immediate prospects for the steel industry have brightened visibly. Gains in production in eleven successive weeks have raised output to 70 per cent of capacity (a level that the industry regards as "normal") and the steel companies feel able to talk again of higher prices—to the concern of the government. Even so, developments in the last few years have raised questions about the basic health of the American industry which accounts for a third of world capacity.

In the first place, the annual output of steel has remained more or less static (at around 100 million tons) for the last five years while the economy has continued to grow. Secondly, the potential productiveness of the industry has expanded rapidly—by 50 per cent in the last ten years—and the companies have therefore been able to meet the demands of the market with a large part of their facilities lying unused. And finally, this basic industry is liable to come to a prolonged standstill every two or three years when its contracts with the trade union come up for their periodic re-negotiation.

Generally speaking (and in spite of a great deal of protest about the squeeze on profits) the steel companies seem to take a fairly optimistic view of their longer-term prospects. They attribute much of the apparent stagnation in demand over the last five years to a number of "special factors." Steel users do not now maintain as large stocks as they did a few years back when deliveries were less prompt, and in any case some steel users are not doing particularly well either; the motor-car industry, for instance, has not yet had another year to match 1955. The American consumer is blamed for this; while he has been spending more each year he has been paying for medical care, education and travel instead of buying new cars and washing machines. But the steel-makers take heart in the reflection that the babies of the post-war "bulge" will soon be setting up house.

The companies are not particularly worried that the facilities for making steel exceed the demand for it. Many industries operate quite happily at substantially below their theoretical limits but this fact attracts little attention because, outside steel, production is not measured as a percentage of capacity. The steel industry tried earlier this year (not for the first time) to discourage the use of this gloomy yardstick, but the habit persists among commentators. Moreover, recently the emphasis has been on the introduction of new cost-saving techniques rather than on the construction of new plants. Most companies now claim that they can satisfy themselves and their shareholders with an operating rate of around 60 per cent and, as the industry's modernisation programme nears completion, the break-even point will fall lower.

A controversial question, particularly between the companies and the steelworkers'

union, is the extent to which pricing policies in the industry have encouraged the use of other products. Steel prices, which were held at an artificially low level during the war, have increased far more sharply since 1947 than have those of competing materials. The result has certainly been some displacement of steel. The greatest threat has come in the construction industry, where reinforced concrete is proving both cheaper and easier to handle than steel in the building of bridges, overpasses and (more recently) commercial structures. Motor manufacturers have as yet found no real substitute for steel but they contrive to use a good deal less of it in each car. Aluminium has invaded the large market for "tin" cans, and plastics are being used extensively for children's toys and for a wide range of household goods where steel once served. Foreign trade is another sensitive area. The steel companies are concerned about the opportunities they are losing in Europe's lush markets because their prices are out of line. Instead of showing a significant export surplus, as in the past, America's foreign trade in steel products is now roughly in balance.

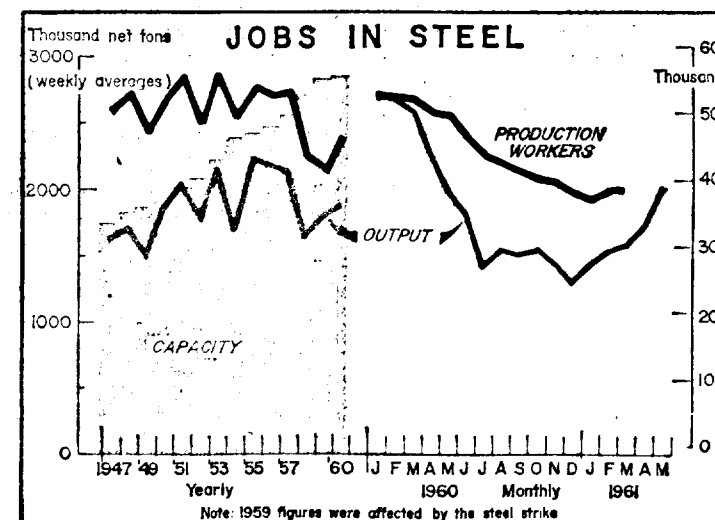
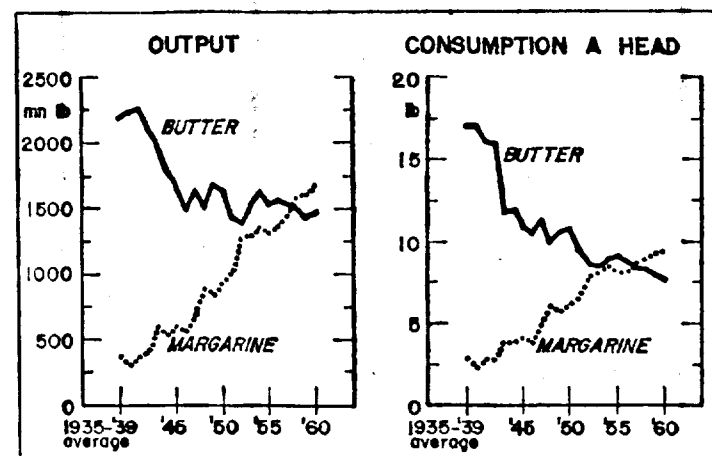
IN the arguments over steel's pricing policies the companies blame the union for saddling them with constantly rising labour costs; the union blames the companies for unwarranted price increases that have reduced the market for steel products; and successive Administrations have been inclined to blame both parties for keeping the wheels of the postwar inflation well-greased. Overshadowing all the disputes between union and management is the fact that the industry's need for production workers has been falling despite a 50 per cent increase in the output of steel since 1947. The union today is more concerned with protecting jobs than it is with increasing wages—hence the epic struggle over work rules which featured so prominently in the 1959 strike.

The crux is a clause, known as 2b, which has appeared in all steel contracts since 1947; this provides that employers may make changes in, say, the size of a work crew, in the scheduling of work and so on only when new types of machinery have been installed or if the changes are agreeable to both management and labour. In 1959 the companies made a major but unsuccessful effort to challenge this stipulation, and the issue was referred instead to a committee representing both sides; about one year and thirteen meetings later the only progress that this committee could report was a decision not to appoint a neutral chairman as originally planned.

An important issue that is involved in the clause 2b dispute is the question of incentive payments, which are governed by local work rules. The question is important because two out of three steel workers receive incentive payments in addition to their basic hourly wage—a state of affairs which is unusual in American industry but which appears to be popular with both parties. The rigidity in the system of incentive payments has naturally produced some strange anomalies in the wage structure—a fact that bothers some companies a good deal more than others.

The tussle to modernise the system of wage payments in the steel industry has had a long and stormy history. Between 1945 and 1947 the United States Steel Corporation, which is usually the pace-setter in all negotiations with the union, worked out a new wage structure so far as the basic hourly wage was concerned—one that divided steelworkers into some thirty grades. These schedules were later accepted by the industry as a whole, although they added to the wage bill, on the understanding that a rationalisation of incentive payments (on which the companies expected to make some offsetting savings) would follow immediately. In spite of endless negotiation, this has not been achieved on an industry-wide basis, but recently two companies—Bethlehem Steel and Jones & Laughlin—have worked out with the union new principles based not on how much a man should produce in a day but on how much a particular machine should produce.

The issue now has a good deal more emotional than economic significance. A study by the Department of Labour took the view in January that employers exaggerated the possible gains, and the union the losses, that would follow the elimination of the offending clause. Certainly many industries envy the steel companies the freedom of movement that they already have. Moreover, the issue is to some extent of declining importance. In the newer plants, work rules and incentive payments give rise to few problems. In any event, the Department of Labour felt able to conclude that clause 2b "does not protect widespread inefficiency because such inefficiency does not exist."



Continued from page 1114

The bank's willingness to purchase such industrial development bonds is an extension of its long-standing policy of buying—in competition with private investment houses—the obligations of the cities and villages in the state. During the agricultural distress of the nineteen-thirties, when less than half the taxes could be collected in areas hard-hit by drought, the bank lent money to cities to help them to maintain public services. Since 1945 it has lent them more than \$125 million for improving their streets, sewers, water supplies and so on. North Dakota's towns are small—there are only fifteen with populations of over 2,500 and the largest has 47,000 people—and they find it expensive to borrow. The bank's successful effort to reduce the interest they must pay is regarded as its most significant contribution to the state.

It was the credit needs of the farmer, however, that the bank was originally set up to serve. It was organised by the Non-partisan League, the last major protest movement of American farmers, which won control of the state in 1919. The league saw the bank as the key part of a semi-socialist programme and it was authorised to make loans secured by first mortgages on real property or by warehouse receipts for farm commodities. Otherwise, it was not to lend to individuals. In practice, the bank has realised neither the aims of its founders nor the fears of its enemies. Its farm loan programme was abandoned amid the foreclosures of the nineteen-thirties and its agricultural lending is now confined to schemes guaranteed by the federal government. It never became "a system of state credit," mobilising the assets of the whole state into one large central bank. Instead, by 1932 most of the state's major private banks had become affiliated

with one or another of the private banking "groups" with headquarters in Minneapolis in the next state, Minnesota.

The Bank of North Dakota has never used its authority to open branches. It accepts, but does not solicit, deposits. Its policy has been to follow the market in setting interest rates. Against its \$106 million of deposits at the end of 1960 (three-fourths of which represented public funds) it held some \$80 million in marketable government securities and some \$30 million of state and municipal obligations. Almost every year it earns as much as the state's original investment of \$2 million in it.

Since 1958, however, the bank has come under increasing criticism from North Dakota's resurgent Democratic party, which has inherited the traditions of the Nonpartisan League and whose leaders feel that the bank should be lending more boldly to meet the farmers' insatiable demand for credit. Mr William Guy, who recently became the first Democrat to be elected Governor of North Dakota since 1952, told the Legislature last winter that "with less than four per cent of its resources used in support of agricultural credit," the bank "is not serving agricultural development in the manner for which it was founded." Republican legislators turned down his proposal to let the bank guarantee loans to help young farmers get started, but Mr Guy has vowed that at least lending under the federal guarantee programmes will be increased. Although responsibility for the bank's day-to-day operations has been delegated to the manager, whom Republican Governors regarded as a sound banker, final control over personnel and policy rests with the three-man Industrial Commission, of which Mr Guy is chairman.

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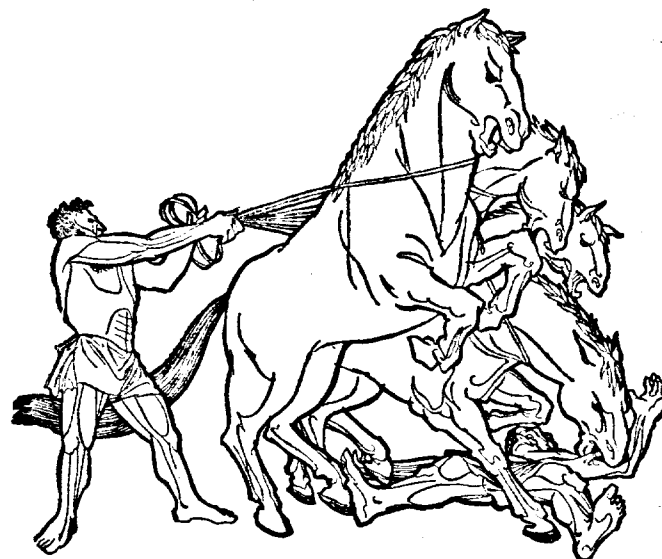
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### Lone Ranger in Los Angeles

CALIFORNIAN politicians, famous for crossing party lines, surpassed themselves in last week's "nonpartisan" mayoral election in Los Angeles. The victor was Mr Sam Yorty, once a left-wing member of the State Legislature and later of the United States Congress; still a Democrat he supported the Republican presidential candidate, Mr Nixon, last November and in retaliation last week the party organisation in the city supported his opponent, the incumbent Mayor, Mr Norris Poulson, once a Republican Congressman, Mr Yorty, a vigorous 51-year-old with a good television appearance, had no official help and was opposed by the local newspapers. But he won the votes of various minority groups—aided by a riot involving Negroes and policemen the day before the poll—and of the many people who were tired of the ageing Mr Poulson. He had been in office eight years, during which he had given Los Angeles a new civic centre and a leading baseball team and had stood up to Mr Khrushchev when the latter visited the city in 1959. Mr Yorty contended that Mr Poulson was the creature of big business and was himself accused of being a tool of the criminal underworld. There were no real issues in the election and less than 50 per cent of the voters went to the poll.

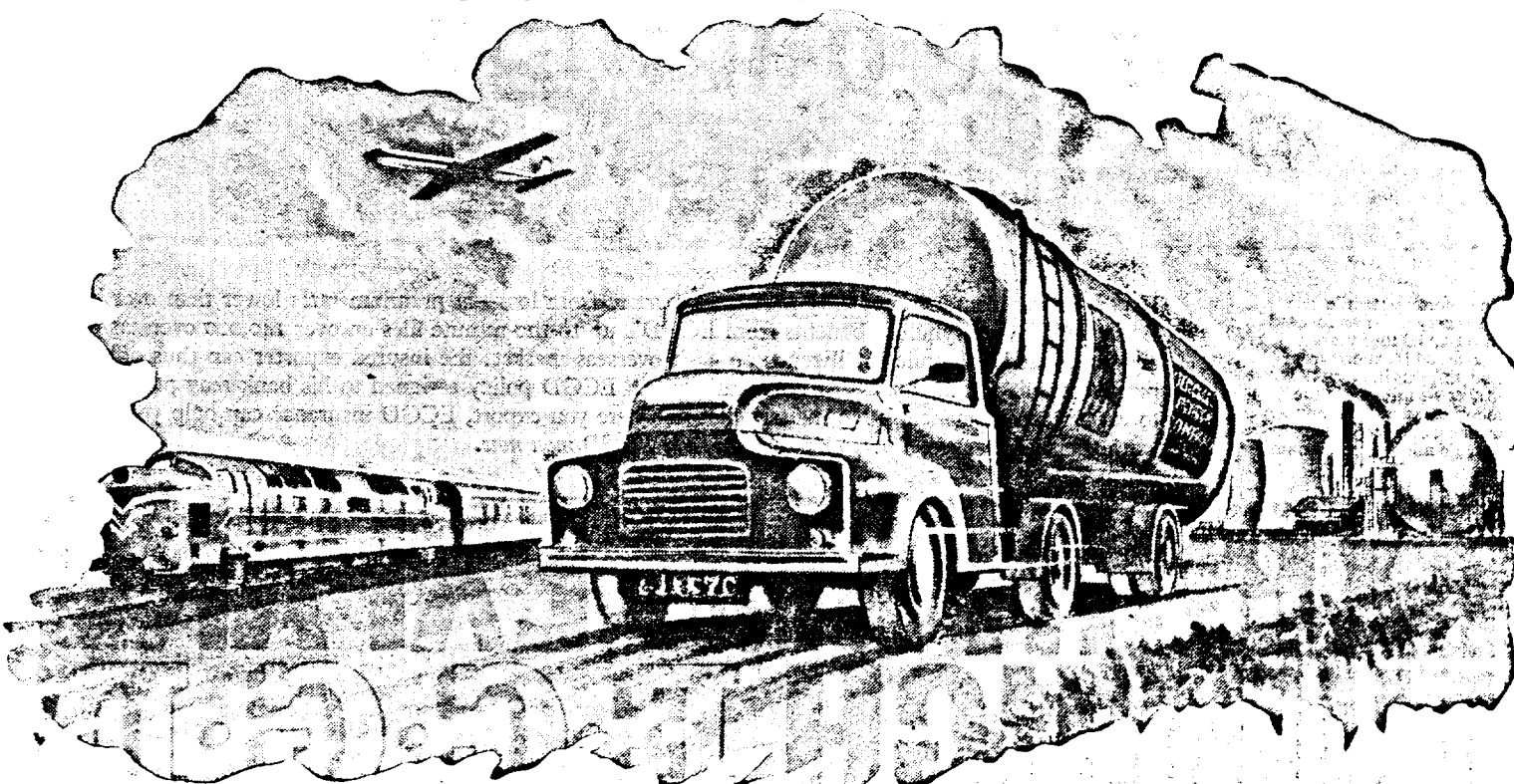
What Mr Yorty does when he takes office on July 1st will be interesting enough; he has promised to begin by shaking up the entire police force. What he does in next year's election will be even more interesting. His disillusionment with the Californian Democratic party dates from 1956, when he lost the senatorial nomination. There are those who think that he will try for that again in 1962 or that he may even challenge Governor Brown, one of his favourite enemies, for his office; alternatively Mr Yorty may support the Republican nominee, especially if he should be Mr Nixon. As long as Mr Yorty has control of the third largest city in the country, in the second largest state and one which is only marginally Democratic and with a divided Democratic party, this political maverick cannot be ignored.



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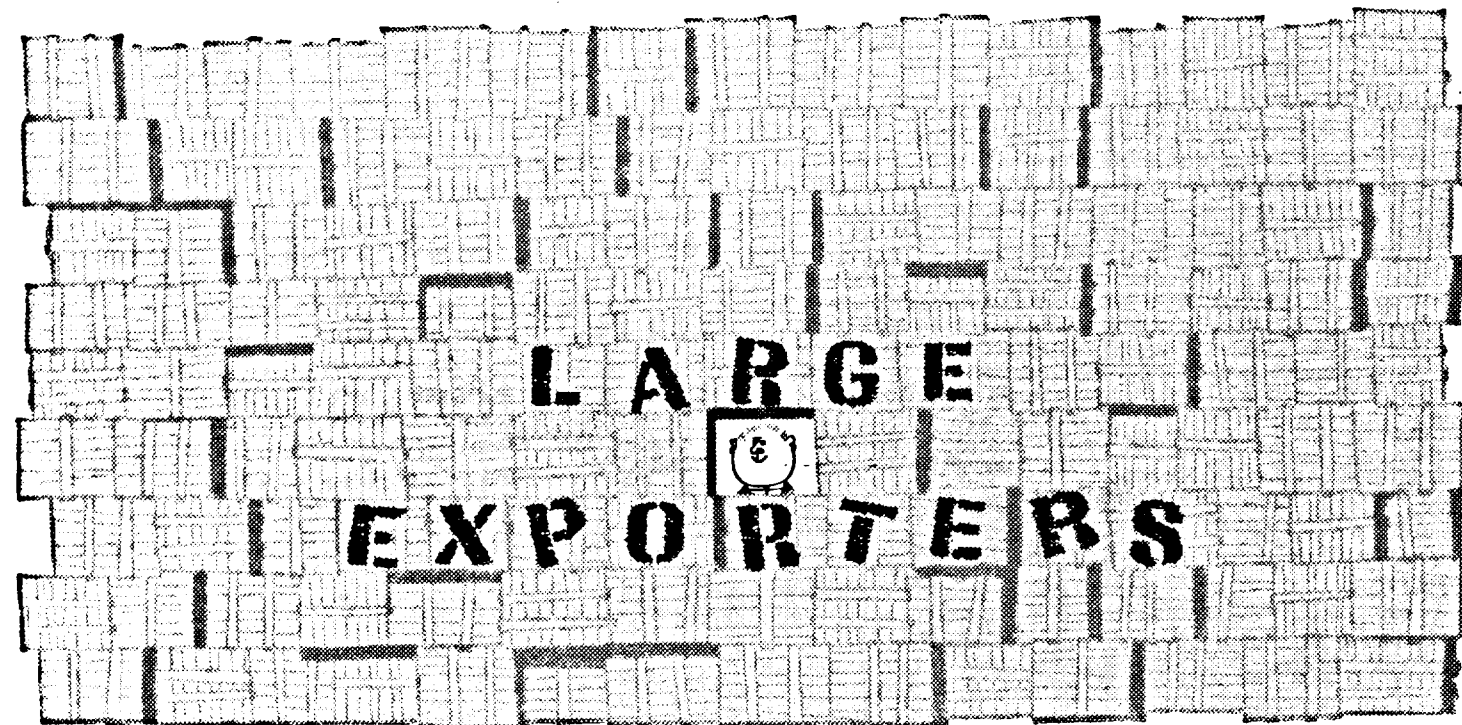
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## THE WORLD OVERSEAS

### Waiting Game in Berlin

FROM OUR BONN CORRESPONDENT

**A**LTHOUGH Herr Ulbricht's stalinist heart is sick with hope deferred, it seems that the communist central planners have effectively counselled him to wait a while longer for the prize of a German peace treaty and a neutralised west Berlin. Yet probably not very much longer; for they must know that, if it is not soon to be desperately short of crew, Herr Ulbricht's ship of state cannot wait for what party believers consider to be the unalterably rising communist tide.

The prize was held out for all the world to see as long ago as November, 1958. While he has since been kept kicking his heels, Herr Ulbricht has been perforce studying the weekly reports of his ministry of the interior on the number of persons fleeing from east Germany, most of them through the west Berlin escape hatch. To him and the state planning commission these returns have become almost as disquieting as were the figures of torpedoed shipping to British officials during the gravest months of the war. During last week alone, for instance, 4,389 more persons turned their backs for good on the Democratic Republic; of these 672 were under the age of 24. The week before that, there were 4,169. The sad, unceasing exodus obviously not only invalidates Herr Ulbricht's claim to speak for his inarticulate subjects but is also slowly undermining the Democratic Republic's economic and social foundations. East Germany's population, now scarcely over 17 million, has declined by over two and a half million since 1949. There are not nearly enough people to do the work in hand, let alone what is projected. There is a shortage of doctors and schoolteachers. The troubled state planning commission appealed last month to workers of 65 and over not to retire, promising both wages and old age pension to those who would carry on. Signs have since appeared in many east Berlin shop and office windows offering "light work for old-age pensioners."

How long can Herr Ulbricht afford to wait? Professional western interpreters of the meagre auguries culled from recent pronouncements in Moscow, Vienna, and Berlin are in general agreement that the communists are not planning to bring the German issue to a head before November. For Mr Khrushchev, that would come fittingly after the personal and political ratifications of the Soviet Union's Communist party congress. For Herr Ulbricht, it would be conveniently after the Federal Republic's general elections. In a much-publicised interview with the party organ, *Neues Deutschland*, a surprisingly courteous Ulbricht has acknowledged that the west German leaders can scarcely be expected to recommend negotiations with the Democratic Republic in the middle of an election campaign, and has indicated that he is ready to wait until there is a newly elected government in Bonn to consider negotiating a peace treaty that would acknowledge the separate existence of the Federal and the Democratic Republics.

Mr Khrushchev and Herr Ulbricht seem really to believe there is some hope that before the year is out the west German government will be encouraged by the pressure of events, and by the counsel of its allies, to enter at last into such negotiations. And it looks as though Herr Ulbricht has been persuaded that consequently his wisest course for the time being would be to try to promote confidence in the communist plan for a Free City of West

Berlin—for the amiable caging of a sort of civic white elephant, regrettably doomed in the nature of things to eventual extinction, but surviving meanwhile unmolested and unmolested in the surrounding red plain.

To switch to official party metaphor, the communist cure for the "west Berlin abscess" was until 1958 either a voluntary total capitulation by the West, or some rough and ready surgery that might set up mortal complications elsewhere. (The surgeons jabbed away from time to time to test the patient's sensitivity.) Today it is seen that these are unnecessarily crude and troublesome alternatives; that, given the survival of the Democratic Republic, the abscess can probably be drained away over a period of special nursing in which west Berlin would continue to indulge in a few harmless western liberties, yet would cease to be the exclusive *protégé* of the Federal Republic and its allies. But, to obtain acceptance, such an arrangement must be made to look feasible. Accordingly, the Soviet news agency, *Tass*, which, if it wanted to, could cover west Berlin quite adequately from its present east Berlin headquarters has newly opened an office in west Berlin; and the Russians are trying to open a virtually superfluous trade mission in west Berlin that would deal directly with the local authorities, superseding the present practice of dealing with west Berlin through the Soviet embassy in east Berlin and the Bonn government.

**I**t is through the long-term effects of a series of peaceful penetrations such as these that the communists now seem to see their cleverest way of eventually winning the whole of the former German capital. President Kennedy told the press in Paris that neither General de Gaulle nor he "would feel it appropriate to have our statutory rights in Berlin changed by force or the threat of force." Force is not going to be used. East Germany's dependence on west Germany for certain important special steels has not been lessened by the new trade agreement, signed last month, which provides the Democratic Republic with a Soviet credit of 2,000 million east marks between now and 1965. Interzonal trade and communications between west Germany and Berlin are not going to be lightly severed. Indeed, in his interview with *Neues Deutschland*, which the east German foreign ministry is quoting as holy canon, Herr Ulbricht also made much of the possibility of these communications being guaranteed by treaty. "All that needs to be done," he said, "is to define by treaty with the Democratic Republic the necessary legal basis for using the routes by air, water and land as far as they touch the territory of the German Democratic Republic."

To put it gently, the Democratic Republic has come to stay for quite a long time. The rest of the communist block will see to that, whatever "little local difficulties" Herr Ulbricht may have. If Mr Khrushchev is disappointed in his expectation that the West will be ready by the end of the year to enter into some kind of negotiations for recognising eastern Germany, it seems most likely that he himself will wait no longer. He will invite such countries of the eastern block as are concerned to sign a separate peace treaty with the Democratic Republic; and west Berlin will be jeopardised anew. In the meantime, we shall see every peaceable

device being employed to strengthen the Democratic Republic's position, and to weaken west Berlin's. Last month the Russians refused to continue to negotiate a cultural agreement with west Germany that would have included west Berlin. The east Germans contrived to elevate their trade mission in Damascus into a consulate. The eastern block boycotted the international water supply conference in west Berlin because it was held under the patronage of President Lübke of Federal Germany. So it will go on. It is tiring for the west, and for conscientious statesmen poses a terrible moral dilemma. Gestures, such as the sending of the British Minister of Defence to attend the Queen's birthday parade in Berlin, will not resolve it.

## The Awakening Saudis

FROM A SPECIAL CORRESPONDENT

"WE are driving western influence out of here," an Egyptian journalist boasted in Jiddah. But in fact, the wind of change that is blowing through the Arabian desert is essentially a western wind. The political and social debates being conducted in an exotic setting of palaces, perfumed concubines and pampered slaves fall upon the western ear with a staggering familiarity. It was a wealthy merchant, wearing gold-threaded black silk and sipping Coca-Cola, who passionately argued that princes tend to be parasites and religion to be the opium of the people. The cooler economic jargon employed by Saudi Arabia's administrators and planners turns out to be cosily familiar: the minister of finance, Amir Talal, is plainly a Keynesian.

Change has not been exactly snail-like in Saudi Arabia in the last couple of decades. On the contrary, ever since the oil wealth flooded and cracked wide open the foundations of an ancient way of life, the pace has been furious. Air-conditioned and neon-lit palaces took the place of skin tents lit by tallow with the ease and celerity traditionally associated with the genie out of Aladdin's lamp. And the Saudis showed themselves impressively adaptable. It is with considerable sangfroid that they have swapped their camels for Cadillacs.

The trouble is that the changes have been uneven. Convoys regularly cross the desert, also criss-crossed by wide, smooth, arrow-straight roads, but the methods of farming are as they were thousands of years ago. The sons of slaves sit in school beside the king's sons, and a former finance minister is the son of a freed slave, but slavery still exists. Death for adultery is now so repugnant that Saudi courts, like 19th century English juries with sheep-stealers, refuse to find guilt; but hysterical women who volunteer confessions of adultery may still be stoned. Everyone gets free medical care; but thrice-convicted thieves still have their anasthetised right hands chopped off in public, before they get theirs.

Nobody now openly opposes reform, save Wahabi religious fanatics whom almost everyone dislikes. The reality of the wind of change is accepted on all sides, and is welcomed by many. The burning argument is not whether there ought to be reform, but how much reform may endanger the House of Saud, and how much is needed to ensure its safety and Saudi Arabia's welfare? The problem here is not the king, an amiable and well-meaning monarch more akin to Charles II than Charles I, but the vast progeny of princes. They were created out of dynastic and tribal considerations rather than uxoriousness, the idea being to have as many blood ties as possible between the Throne and every important family. But now there are about a thousand of them, all busily reproducing themselves.

Few have been properly educated, or allowed to work. All draw literally princely incomes. They spend a lot of their time and money abroad, on the sort of life that Saudi Arabia, wrapped in a black shroud of grim Wahabi puritanism, fails altogether to provide. Now an increasing number of young Saudis (taught in schools where three out of five teachers are emancipated Egyptians) also want to live as if Saudi Arabia were in the twentieth century and not the tenth. They want to see girls, go to cinemas, listen to music, and perhaps even to drink something stronger than non-alcoholic beer. And they complain, with mounting dissatisfaction, that the numerous princes are getting far too big a share of the national income.

The awakening Saudis' other objects of grievance are, as might be expected, foreigners. There are about 50,000 Egyptians in Saudi Arabia, and they have acted as carriers of change and new ideas. But, despite the journalist's claim about driving out western influence, it isn't at all sure that it won't be the Egyptians who are driven out. The Saudi press talks, bluntly enough, about "foreigners who are hypocrites, humbugs and frauds, having come here to get as much money as they can." The Egyptians frankly admit they are well paid and also admit that the Saudis resent them. It should be added in fairness that the Egyptian teachers and technicians fully earn their salaries, and have done Saudi Arabia immense good.

The Americans are less ubiquitous or even visible than the Egyptians, for they live for the most part in their Dhahran oil compound, which resembles a Californian suburban real estate development area. The Saudi employees of the Arabian American Oil Company are not only well-treated and well-paid but are fairly rapidly replacing Americans in the superior jobs. But not very far from the California-type housing there is a "tin village" where Saudis who work for Saudi contractors live in abject poverty and degradation. The contrast is painful and striking. Here too the wind of change is blowing: Sheikh Tariki, the minister of petroleum and minerals, is thinking of turning the oil wealth that flows from a production of one-and-a-quarter million barrels a day into fertilisers and petrochemicals.

And some at least of the princes may find a solution for themselves by going into business. Some have already done so, but in a negative sort of way, by acquiring land and buildings in Riyadh (as well as apartment buildings in Beirut). But the more adventurous are beginning to think in brisker terms than being merely rentiers and landlords. One son of King Saud is financially interested in oil refining, another is reported to be gambling with soap, a third is interested in cement. The future clash may be between this sort of blue-blooded Samuel Smilesism, and the obvious, though nascent, socialism of the younger planners. Meanwhile, the king is turning his palaces into schools and hospitals,



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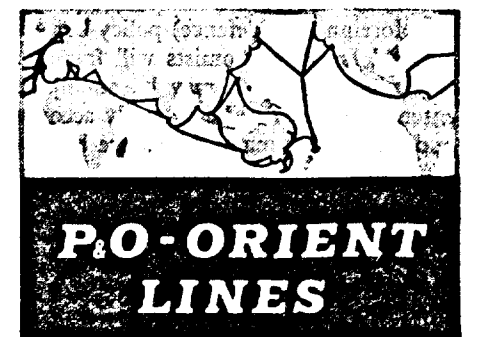
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and, in the "King Saud's Sons' Institute," in Riyadh, young princes and commoners, sharing the same classrooms, are learning that "manners make the man," "the end crowns the work," and, perhaps most significant of all, that "by educating our Saudi girls, we shall have educated wives, instead of ignorant wives."

## Israeli Counterpoint

BY OUR SPECIAL CORRESPONDENT

THE very fleeting visitor to Israel never gets far behind the hospitable face of this single-minded, assertive and accomplished little land. But he does catch echoes of a counterpoint in not a few Israeli minds to the single-mindedness, the patriotic assertiveness and the justified sense of swift and strenuous achievement during the past thirteen years.

The most striking feature now is the historic Eichmann trial, to which your correspondent could not go but which all visitors are invited to attend, with a traumatic visit to a museum where the full horrors of Nazi persecution are pictorially displayed. Israelis will not dispute the justice or the equity or the necessity of this (as all visitors agree) coldly and completely judicial process. But there is a low hum of questioning about what the effects of this grim demonstration may be, not upon the world outside, but upon the politics and the psychology of Israel and the Israelis themselves.

The leading fact about Israel today is that Israel now exists. It is a fact that has to be accepted equally by the Arabs who lament, and exploit, the lost homelands and by those Jews who bewail the funnelling of Jewry's destiny into an outmoded nationalism. Even more, perhaps, it has still to be accepted by Israel.

"It's no good saying that a solution is impossible," said a sensible and intelligent young Israeli patriot last week, when he heard that Mr Ben-Gurion and President Kennedy had talked in Washington about a scheme to solve the problem of the Arab refugees from Palestine; "we've got to have peace so that we can settle down." This wish to pause, without falling back in the race, to make good what has been so very remarkably done already, without striving too soon for too much more, can be glimpsed among veteran patriots as well as young ones, among professional men as well as ordinary folk.

It is not, though, what responsible Israelis say. Nor is it the policy of Israel. The race for survival must go on. The enemy is at the gates (a chief topic is what Arab intentions in the near future may be, and what measures Israel, with its conscript citizen army at the centre of its educational and social as well as military life, must be ready to take to be safe). The need to rally the people, to keep them moving forward, to raise and meet their aspirations as they are absorbed in the new society: these must determine not only foreign (and defence) policy but economic policy as well.

Good Israeli economists will frankly recognise that, on a strict reckoning, too much may be attempted at once; that too many enterprises may not be properly accounted at all, in terms of cost and yield; that many things are being over-produced and, at the same time, prices are too high; that, with so much reliance still on outside subventions for foreign exchange, more economic criteria and a wind of competition, with more natural exchange rates, would be desirable. In economics, as in attitudes, the tendency in Israel, perhaps understandably, is (in the golfing term) to "press" too hard. But these economists, too, go on to say that in the embattled race to secure and build Israel economic incentives have to give way to national and social ones.

The resemblance is to the new nation states of Asia and, still more, Africa—with the difference that Israel is ahead by the length of its educational provision, equipment and esteem, which are the

brilliant spearhead of its restless and remarkable advance. The young Israeli who said last week that peace with the Arabs was needed, so that Israel could settle down, admitted that Arabs might not want it because the profits of living together would go to skilled Israel. An intellectual and orthodox economist said just the same, pointing out that one would have to go, say, 2,000 miles east of Jerusalem to find a university and students' campus like those there.

The Israeli reply to the other Jews who lament the new nation state of Israel because it is an anachronism in the twentieth century is that Israel now has a mission to give example and aid to the new nation states in Africa and Asia, which at present are, in fact, the century's chief feature. The marriage of "liberation and knowledge," they say, which is going to enable Israel to "transcend the bounds of smallness," is what these others most want.

Must the tension and the race, then, go implacably on? And what will the end of it be, in the face that Israel presents to itself and to the world, in the view that the world will take of Israel, and in the attitudes of Israelis to Israelis? The other side of the siege and survival mentality is a formal framework of required conformity to traditional rules of conduct, which spring from the ways of life and worship that have enabled the community of Jews to preserve its identity through the centuries, but which contrast strikingly with the real, possibly unique, social democracy that is being established in Israel.

Here is another counterpoint. It can be caught in the fact that so many political clashes in Israel have sprung from this conflict between conformity and non-conformity; it is echoed in most private conversations. Any judgment by a visitor would be presumptuous. Where religious orthodoxy springs from the true tenacious belief that has withstood the persecution of ages it is the admirable quality of the Jewish people in an unbelieving world. But it is very hard not to feel that until the conformity that is factitious, as well as the gripping tension, can be relaxed for the sake of freer choices, the land of Israel will not be able to reach its real, bright promise.

## Bechuanas in Limbo

FROM A SPECIAL CORRESPONDENT

SOUTH AFRICA'S withdrawal from the Commonwealth fills the broad skies of Bechuanaland with several important questions. Despite the "standstill" agreement which gives a year's grace for South Africa to work out the details of its new relationship with the Commonwealth and with the adjoining British territories, some matters need swift settlement with this northernmost of the three High Commission countries.

Chief of these is the setting up of a new capital. By little more than an historical accident 66 years ago, when Southern Bechuanaland became part of Cape Colony, the present capital of Bechuanaland Protectorate is squarely inside the Union, enclosed in "the imperial reserve" at Mafeking. South Africa has welcomed the trade this arrangement has brought, but can hardly now tolerate such an anomaly. Similarly, Britain cannot long continue to base the protectorate's administration inside a country that has left the

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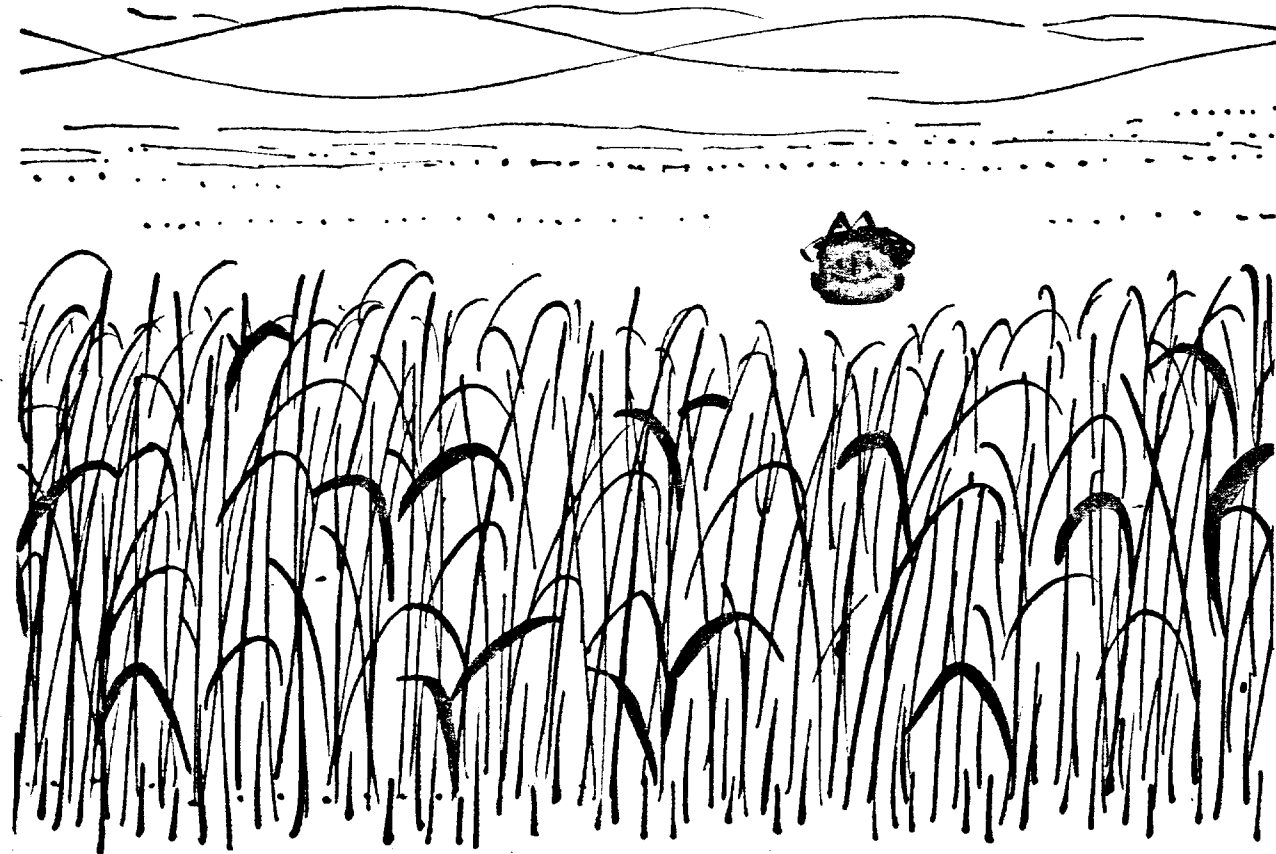
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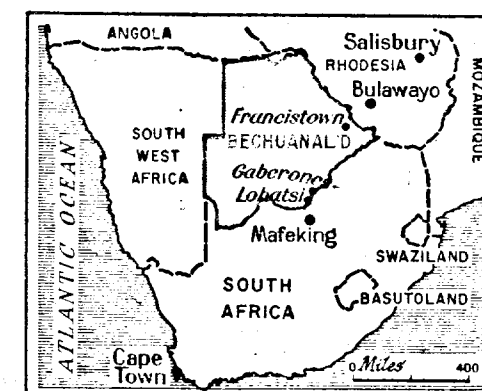


Commonwealth on racial grounds, even though the removal of the capital will cost (according to a range of estimates) anything from £1 million to £4 million.

The hesitation about where the new capital should be sited illustrates the problems facing Bechuanaland and hints at the expense of overcoming them. Either Lobatsi or Gaberones would be conveniently central. But the scarcity of water in the area has so far prevented any attention being given to the country's economically most important institution, the Lobatsi abbatoir. The choice of Francistown on the eastern border would seem better. Francistown has a good airport, is near Bulawayo, and is the main trading centre. The drawback seems to be that it is inside the Tati concession, a strip of two million acres which Lobengula ceded in perpetuity to an exploration company, and which was later taken over by two Johannesburg financiers, the Glazer brothers. Although the Tati company, in expectation of good business, has offered the protectorate government as much free land as it might want in Francistown for a new capital, the government is being very cautious about committing itself into the hands of a chartered company that enjoys almost unlimited powers in its tiny domain. The only logical conclusion may be for the British Government to buy out the Tati company—and, presumably, the sooner the cheaper.

Another issue of importance to be settled is the collection of customs, now performed for the protectorate by South Africa. This year the customs and excise estimates account for nearly a quarter of the country's tiny revenue of £1,480,000. It seems faintly improper that this arrangement should continue, even on an

agency basis. The South African rand is official currency, and there is little reason why it cannot remain so, especially since, in this easy-going country, Rhodesian money is also universally accepted. Perhaps these changes, however, will persuade Britain to take a



thorough look at the Bechuanaland economy. It would not be before time. Little has resulted from the economic survey mission led by the American Professor Chandler Morse in 1959. Cattle exports, after two years of drought and disease, have dropped alarmingly from a 1958 figure of £1,900,000, and the position of the country's only real industry has worsened further with the Katanga and Rhodesian Copperbelt markets dwindling because of uncertainty in the Congo and the decision to give copper miners money instead of meat rations. The measure of the country's poverty is shown by the size of the British grant in aid this year to balance the territorial budget of £2,400,000: the British grant has to provide almost 40 per cent of the revenue.

Bechuanas indicate two possible ways out of their troubles. Those with a kinship to Mr Micawber expect the geologists of the Rhodesian Selection Trust to run into the dusty streets of Francistown with shouts of "Eureka." This American-British copper company has a ten-year concession over 40,000 square miles of the Bamangwato reserve; and through a subsidiary company it is prospecting for a range of minerals as well as separately exploring salt and coal deposits. Although geologists have been at work for eighteen months, they are more concerned with a thorough investigation than with trying to achieve quick results; and if good news is to come at all from this quarter, it is unlikely to come soon.

The other group, which includes Seretse Khama, realistically

says: "We must work with what we know we have." Their development plans are concentrated on improving cattle production and encouraging agriculture. The problem, as always, is the scarcity of water. The government is spending a comparatively large amount on underground water development. A Francistown land agent is only one of many who insist that parts of this huge country have plenty of water, but, because it usually arrives torrentially, it is allowed to flood away to the Indian Ocean. They suggest that a subsidy scheme to assist farmers to build many small conservation dams would bring excellent dividends.

Seretse Khama, after years of semi-retirement when he renounced the Bamangwato chieftainship, has returned to the leadership with spirit. After his uncle Tshekedi's death he became tribal secretary and proved an efficient executive. Last month, in a series of pyramidal elections from democratic area meetings, he gained most votes of the ten Africans chosen for the new Legislative Council. He is almost certain to be one of the two Africans appointed to the Executive Council. Constitutionally, Bechuanaland is pursuing a curious course, with a large unofficial legislative majority of ten Africans and ten Europeans precluding any system of ministerial responsibility. But a most hopeful sign is the way Seretse Khama and another uncle, Rasebolai Kgumane, who has been the tribal authority during the suspension of the chieftainship, deplore tribalism and speak of the national unity of the protectorate's 350,000 people. During the four-year life of this constitution, long steps may be taken towards that goal through the legislative council, and a system of direct elections and ministerial responsibility may be introduced. But until these steps are matched by some economic advance, no one is prepared to talk much about Bechuanaland's independence.

## Australia and the Common Market

FROM OUR CORRESPONDENT IN CANBERRA

AUSTRALIA'S attitude towards the common market and Britain's entry into it was summed up by Mr Menzies in a report to Parliament on April 11th:

So far from complaining about the six-power treaty we have seen in it great political as well as economic value. But we believe that some wider association which would include Great Britain is desirable if western European unity is to be achieved and maintained.

Mr Menzies went on to say that Australia had its special interests to protect and would expect the fullest consultation before Britain entered into negotiations that might lead to an offer, or even to an agreement in principle; and by that he meant consultation while ideas were being formulated, not after they were fixed.

The assurances Mr Menzies asked for were readily given by the British Government and are being faithfully observed. The permanent secretary to the Australian department of trade will soon arrive in London for talks about the common market, and it is rumoured that Britain's Secretary of State for Commonwealth Relations, Mr Duncan Sandys, will visit the Antipodes in person. On the face of it, this would suggest a favourable atmosphere for discussion, but appearances could be deceptive.

The clash of economic interests is well known, at least in general terms. Australia's main export, wool, which still brings in about 40 per cent of total export earnings, would not be hit if Britain (the largest wool-buyer after Japan) joined the Six, since wool would not in any case be subject to duty. Exports other than wool, however, amount to about £A160 million to Britain and a further £A60 million to the Six—a big slice out of total exports of about £A920 million a year. Of these, wheat, meat and dairy produce,



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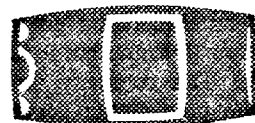
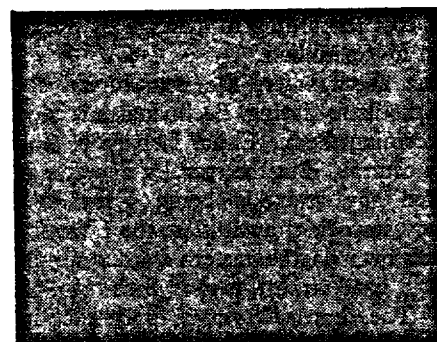
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if denied free entry, would face grave difficulties. As a consumer one might not grieve too much over the fate of the dairy industry, which maintains its exports only by over-charging the home market; but the government can hardly sign its death warrant.

Australia can be relied upon to drive as good a bargain as possible by making the most of such difficulties. It is, however, prepared to pay a price for the political unity of Europe and for the continued prosperity of its largest market. Precisely what its maximum price would be has yet to be determined, and the final word will probably rest with Mr John McEwen, the powerful minister for trade and leader of the Country party. In view of this probability, more than usual interest attached to a lecture given last week by Sir John Crawford who used to be head of Mr McEwen's department and who recently accepted a chair at the Australian National University. He observed gloomily that Australian willingness to negotiate had always been predicated on some agricultural concessions by the European countries, but that these were not in sight. In discussing what Australia would do if Britain had to enter the common market at the expense of Commonwealth interests, he suggested that "it need not be assumed that Britain would in turn lose her preferences. Australia must hesitate to reward an uncompromising Europe in this way." Sir John also spoke of the technical problems of abolishing preferences—whether to do so by raising the tariff against Britain or by lowering the most favoured nation rate.

Apart from differences arising from the conflict of interests, there are other less easily definable possibilities of friction in the Anglo-Australian discussions that will soon take place. Relations between the two governments have been somewhat strained since the Commonwealth prime ministers' conference. There are those in Canberra who feel that the British Government, not excluding Mr Sandys, is so preoccupied with the new members of the Commonwealth that it has forgotten the faithful white Dominions; and that in striving so single-mindedly to build the multi-racial association it may lose what was best in the old Commonwealth. If it lessens that preoccupation, Britain's entry into the common market might have some attraction. On the other hand, if Britain shows anything but the most extreme reluctance to sacrifice Commonwealth interests, the impression of neglect and indifference will be confirmed. There are certainly some fences to be repaired. One must hope that Mr Sandys, if he comes, will have deft enough hands for the task.

## Burma's Maid-of-all-Work

BY A CORRESPONDENT

THE field of action of the new Burma Economic Development Corporation, which held its inaugural meeting at the end of April, is virtually limitless. Its *raison d'être*, like that of the Defence Services Institute which it is to supersede, is to fill the gap in Burma's economic life left by the squeezing out of foreign enterprise and the inexperience of the Burmese themselves. The change-over of the two organisations is, in some respects, merely nominal. The DSI, which expanded under General Ne Win's regime from an organisation performing roughly the same functions as the British Naafi into an economic ginger-group with a network of commercial subsidiaries, was bound to be cut down when civil government was resumed last year under U Nu. While the military regime carried out some necessary reforms, its blunt methods, often arrogantly enforced by junior officers in the provinces, caused widespread resentment. Since the recent purge among brigadiers and colonels—a very gentlemanly affair, the principal weapon being transfer to an embassy overseas—the army as a whole seems as anxious to get back to its proper duties as the population is anxious to see that it does so.

Nevertheless, army participation in economic affairs is still necessary, since the army is the only organised and energetic body capable of playing long-stop to the efforts of civilian business men. Seventeen of DSI's subsidiary companies have been transferred to the BEDC. The corporation's board consists of seven members of whom one, the chairman, is also president of the Defence Services Institute, two are closely connected with the institute, and a fourth is the secretary for defence.

The corporation's immediate concern will be with trade. The first step in the post-independence policy of excluding foreigners from Burma's import trade was to set up "joint venture corporations" of the government and private business men. A year ago, the government set out to transfer the agencies of foreign companies to Burmese hands. This "Burmanisation" of agencies would, if carried through, thrust on to the shoulders of the Burmese business man a heavy volume and complexity of work. It is here that the corporation could come in useful. For what in practice has happened is that, first, the decree intended to implement Burmanisation was so loosely worded that it has small effect; second, and more important, the corporation apparently intends to continue the DSI's policy of taking over foreign trading houses as subsidiaries, including some of the largest British houses, complete with their agencies.

ALTHOUGH Burmanisation is the liveliest issue in Burma's trade, it is not the most important. Most of Burma's imports, like its exports, are controlled by the government. Either they are bought by government organisations, or the choice of supplier is dictated by national trading agreements. The vital question, therefore, is whether the BEDC will intervene in Burma's trade pattern. So far, the pattern has largely been bilateral, and this, in some respects, has been to Burma's disadvantage. The outstanding example has been the reparations agreement with Japan which, until it expires in 1965, will probably mean that Japan continues to displace Britain as Burma's principal supplier. The reparations are paid in goods, which, not surprisingly, are often high in price and sometimes of poor quality. Apart from this, Burma has tended to buy from those countries to which it can sell. The crux of Burma's economic problem remains the recovery of its agricultural and mineral production from wartime devastation, postwar insurgency and post-independence mismanagement, and the diversification of its agricultural production. Burma's precarious balance of payments position leads to an annual fearful search for outlets for its rice crop, with the natural result that in recent years the government has favoured large, simple bilateral deals.

Burma was thoroughly disillusioned with the barter deals of the mid-fifties with the Communist countries. These certainly got rid of the rice but brought a high proportion of poor or unsuitable products in return. Yet, despite this disillusion, the fundamental problems remain and were the main reason behind the barter deal concluded with China in February.

It remains to be seen whether the BEDC will delve into these problems. The army was believed to be suspicious of the Chinese loan. The difficulty is that the directors of the corporation are as inexperienced as most other Burmese in economic and technical affairs. The DSI's answer was to seek the co-operation of foreigners, principally of Israelis. It may be that the new corporation will seek co-operation from similar sources or even from the old trading houses now under its control.

Apart from improving and diversifying its agriculture, Burma is attempting to diversify its whole economy by encouraging manufacturing industry. Because of the lack of a managerial class, and because of its own socialist theories, the government after independence pursued a policy of state enterprise. However, since most

of the government factories proved inefficient, the policy has been abandoned. The DSI launched into the industrial field in co-operation with foreign interests and it is possible that the corporation will continue this course. Apparently the government would like to see the foreign merchant houses withdraw from trading and move into industry, but the majority of them would probably prefer to get out altogether. The government is also inviting over-

seas manufacturers to come in under the Investment Act of 1959, which offers attractive privileges. If investors are put off by the uncertain atmosphere of the country and, in particular, the unsettled status of the foreign trading houses, the corporation may move in, either in collaboration with foreign interests or with the help of foreign aid. The BEDC is in fact a potential maid-of-all-work in Burma's economy.

## Africans on the Move

FROM OUR WANDERING CORRESPONDENT IN AFRICA

As nomadic as any other African tribe, black politicians give ample positive expression to the African personality by flying to Europe and America. Black South Africans look for solidarity in Dar-es-Salaam, Accra, Cairo, London and New York: their leaders are not so easy to find. Nairobi is the last place to look for Mr Tom Mboya of the Kenya African National Union. After the elections, when Kenya was providing plenty of work for its politicians, the presidents and general secretaries of both nationalist parties led full delegations off to Cairo. Mr Mboya and Mr Ngala (of the Kenya African Democratic Union) popped back to Nairobi long enough to discard their sports shirts and put on lounge suits, and then they were off to London, where the Colonial Secretary, Mr Macleod, got back there from Africa just in time to meet them. Mr Mboya is still frequently out of Kenya.

In Nyasaland nothing more serious looms ahead than a general election which will give the colony its first African government. Dr Banda's absence at the beginning of April was, in the circumstances, not a calamity. But in Southern Rhodesia, where things are not decided, the National Democratic Party leader, Mr Nkomo, was missed; so was Mr T. G. Silundika, the general secretary, who went to Indonesia and other places. Mr Nkomo and Dr Banda were joined in New York by Mr Kaunda of Northern Rhodesia: that colony's new constitution is in debate, and one would think that the leader of its strongest black party could hardly be spared.

The first purpose of an African jaunt abroad is the collection of money for party funds. Moral support, or United Nations sympathy, may be gathered on the way. On longer absences political training may also be acquired. Visits to the Colonial Office are proving more useful than dinners with Labour MPs, but either is a legitimate excuse for a trip. The men who stay behind secretly suspect that the real attraction is the glamour of being fêted in foreign capitals. For some, this is quite a relief from the daily routine of an "agitator" in a dusty little town. Black South Africans are often genuine

refugees from unpleasantness. Others are sent off so that they may trumpet down the walls of Dr Verwoerd's Jericho from outside. The complaint all over Africa is that too many non-politicians are leaving the Union in expectation of a free living. Worse, it is charged that not enough good men are staying behind to do the job from within.

In Dar-es-Salaam about thirty South Africans form a small colony in the town's African quarter. Mostly they are bored, and worse fed than at home. Many men whose fame preceded them have stopped over at Dar (some in ministers' houses) on their way to Accra and beyond. Mr Philip Kgosana, of the post-Sharpeville march on Capetown, was one. Others are unknowns and some, it is whispered, are chancers. All are looked after by Mr Nyerere's Tanganyika African National Union, which finds the task expensive. The representative in Dar-es-Salaam of South Africa's banned African National Congress is Mr James Hadebe, whose task is to do his best for his charges, and also to run the local office of the South African United Front (leading the trumpeters).

But not even Mr Hadebe can find work for all the new arrivals, especially at a time when there is much unemployment in Tanganyika. The more fortunate refugees travel by somehow getting to one of the protectorates (Bechuanaland, Basutoland, or Swaziland) and taking special aircraft from there. Others wander, as anonymous migrant Africans, across the long land route. Some, who left the Union at the time of the emergency a year ago, are still arriving in Tanganyika.

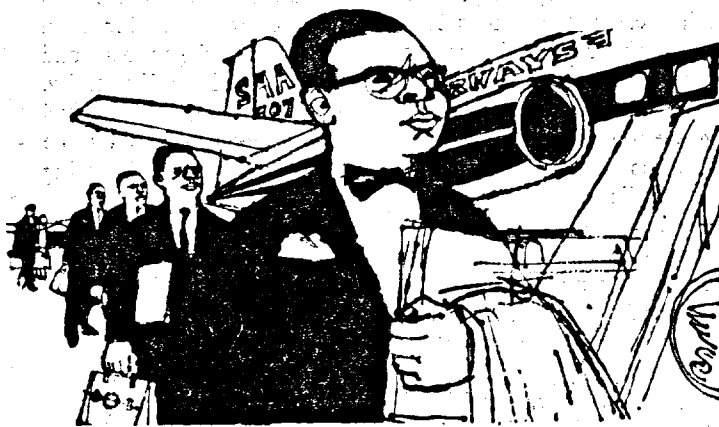
One attraction is a belief that scholarships await all exiles: several hopeful young men have arrived in Dar-es-Salaam to ask about entrance to overseas universities. Not all of them have the necessary qualifications; in any event, scholarships are rare. But it is difficult, and it would

be politically embarrassing, to turn anyone back.

In Nyasaland, and in the Rhodesias, the refugees rarely stay long; the federation is still under a government that could be hostile to them. In Northern Rhodesia the United National Independence Party has, privately, complained to the South African United Front about the number of men who are not genuine refugees who turn up in the colony, expecting money and help from Unip. An arrangement has been negotiated whereby the United Front screens people in the protectorates before they leave.

In Lusaka, Unip officials say that the South African police has sent one or two of its own men through, disguised as refugees, in the hope of learning more about the several "escape routes" used. Men suspected of being police agents have been turned back. In some parts of Northern Rhodesia suspicion of refugees has risen to the point where new arrivals are closely watched for their first week. One or two have had their clothing and belongings searched. Most of them pass this test, however, and are sent on to Tanganyika.

The most damaging quarrel between the South African organisations and nationalist parties in the rest of Africa is about tactics: time and again refugees are asked why they are not at home, resisting or sitting in gaol. Some, of course, are sent out for specific purposes by either the banned African National Congress or the banned Pan Africanist Congress in South Africa. Even these find discussions about South Africa, where "one man one vote" is not around the corner, embarrassing. Few, however, are going back.



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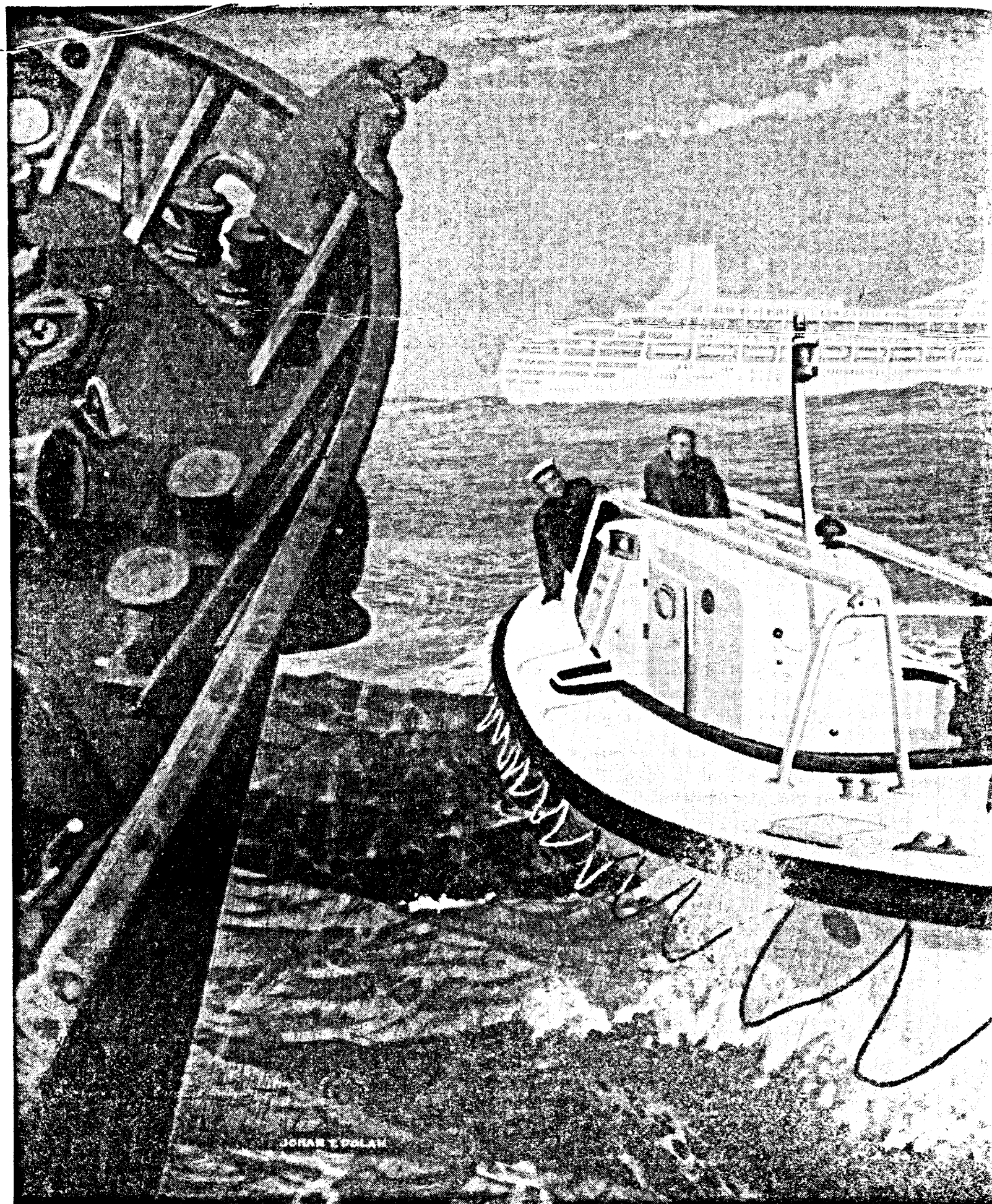
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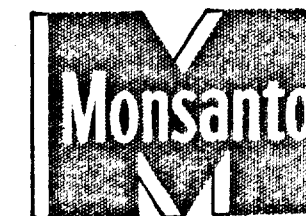
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## HOME REPORT

In HOME REPORT members of the editorial staff and local correspondents report on life and happenings in and around Britain.



From Paris, Coiffeurs...

## The Silences of Mr Kennedy

FROM OUR SPECIAL CORRESPONDENT

MR KENNEDY never said it. Whether he was ever tempted to, out of passing sympathy for the guarded, official faces struggling with inner wishfulness and anxieties, may be doubted. But not a word passed his lips in London to reassure his audience that 1961 was still 1941, that the mystical association, impervious to time or reason of state, persisted into another presidency. He had arrived, as he found it necessary to repeat, to attend his godchild's christening and to tell Mr Macmillan what had passed in Paris and Vienna. The warming words, the predictable Eisenhower sentiment, were not to be. This was astutely, and not unkindly, done. For a tensed and tired man (as he looked on Sunday evening) the silences of Mr Kennedy were sagacious and firm.

The message was not unexpected: so far as it has been understood it has been taken with a good grace. Indeed, Mr Kennedy departed to heartfelt sighs of gratitude from pro-Europeans that, however unsuccessful he may have been in persuading General de Gaulle to give Britain an easy passage into the Treaty of Rome, he had done nothing to justify British dilatoriness in trying to get in. This political preoccupation with the European debate had appeared, in fact, to be sustaining a massive British indifference to the Vienna meeting throughout the preceding week. And this, in turn, was reflected in the British press's own safe preoccupation with Mrs Kennedy's patronage of the House of Givenchy and the comings and goings of Parisian coiffeurs. It came as news to the public that Berlin looked like blowing up into a crisis again. All late-developing fears on this score were, however, extinguished by Eurovision's comforting spectacle on Saturday night of the Kennedys and Khrushchevs in neighbourly attendance at the musical *conversazione* at the palace of Schönbrunn. The Black and White Minstrel Show had nothing on this.

UNTIL late on Sunday evening London even appeared unaware of the Kennedys' approaching descent. On a clammy and unfervent afternoon 3,000 nuclear disarmers gathered in Trafalgar Square to embrace other American visitors en route from San Francisco to (they hope) Moscow: some of these later trailed out westward towards the airport. They were more or less prepared. But the Sunday papers printed no street maps of the Kennedys' route to the Radziwill home in Buckingham Place: even the published hour of their arrival turned out, because of delays in Vienna, to be wrong. The 250,000 people that gathered along the pavements from Hammersmith inwards were uninvited and (judged by the pace set by the motorcade) largely unexpected.

It was not the tumultuous reception that had greeted Mr Eisenhower in 1959. But the mattresses of Hammersmith are stuffed with life savings put by to purchase a home and a plot in Kerry or Wicklow, and the London Irish streamed from the Broadway to the Garryowen club on Sunday night conscious of a duty decently done. The next day the crowds were heavy round the Radziwill home and Admiralty House, but only moderate elsewhere. In Grosvenor Square this disturbed one crew-cut onlooker. His companion was only partially reassuring: "It isn't a world meeting here. He's just called in to see whether he can depend on everybody."

Mr Kennedy could, as it turned out, depend on Mr Macmillan to keep mum in the House of Commons about all that had transpired in the three hours and twenty minutes of "very serious, very friendly" talking at Admiralty House. (The more nationalistic observers promptly calculated that, since there was no need for translation, this was in effect a longer discussion than anything held with General de Gaulle. So much, they concluded prematurely, for the wooing of Paris.) The presidential departure for Buckingham Palace that evening was the occasion for more demonstrations of enthusiasm and an obliging kerbside interview on television. But there was no balcony appearance at the Palace, a matter seemingly of some regret to American officials in London. Such affairs are apparently reserved, with the ceremonial fireworks, for state visits alone.

Mr Macmillan (like Mr Khrushchev in Vienna) certainly made no bones at the airport about his expectations of a helpful, lengthy visit in the near future. Mr Macmillan's speech there, brief but necessitating much turning over of pages, was at once breezy and imploring, itself appearing as a curious reflection of British uncertainty in the face of an altered Anglo-American relationship. It is not yet clear how this will settle down in popular estimation. Mr Kennedy arrived in a London that is aware of changes, conscious of the need to explain itself better (hence, in part, Lord Home's transatlantic journey this month) and, above all, anxious not to displease. This may be why Mr Watkinson evidently thought it desirable last week to add a British nuclear voice to the chorus warning Mr Khrushchev against any hasty move on Berlin. There is inevitably a feeling that the personal associations of the war are ending, and that new ones need to be built up. So Mr Ormsby-Gore, who possesses the necessary foundations of personal friendship, is being despatched to Washington. The British performance this week has not been very confident; but the experience of the Kennedy visit should be a salutary one.



... For London, Conundrums

## Kirk Unmilitant

FROM A CORRESPONDENT IN GLASGOW

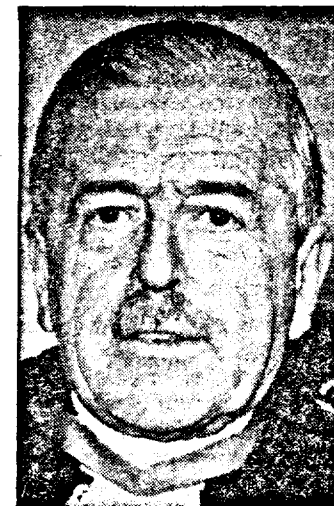
THE Church of Scotland, with 1,300,000 full members and many adherents among the nation's 3,500,000 adult population took some 25 major policy decisions during its annual General Assembly which ended in Edinburgh last week, and demonstrated in the process that it has virility yet. The doubt seems to be whether it has enough to hold what membership it has without embarking on the redemption of the million or more adult Scots whose background is Presbyterian but who nowadays do not go to church at all.

Such backsliding is by no means peculiar to Scotland. But it is a problem that causes acute concern to the auld kirk, which even today enjoys a mass support that makes it more truly representative of national life than most churches. This year's assembly, rich as ever in austere ceremonial, was attended by about 1,400 commissioners (ministers and elders equally apportioned) who were delegated from 66 home presbyteries and a handful overseas. The commissioners, over the eight-day sessions, debated kirk and state in that disputatiously democratic way the Scots have and, in the continuing absence since 1707 of a Scottish legislature, repeated their partially justifiable claim to speak on all matters in the name of Scotland.

BUT the Church of Scotland, strongly evangelical in religion and stubborn in defence of its hard-won freedom within the Reformation, can be highly conservative in other ways. This may be understandable in a body old enough to welcome the Queen last October to its fourth centenary celebrations, but many of its critics decry the kirk's canny tendencies in handling most of the major issues of the day. It may well explain why large numbers of the backsliders do in fact backslide, and it is one reason why the church's claim to speak for a nation with radical traditions deserves to be treated with some reserve.

The assembly has been less fiery than most in recent years, in spite of the urgency of international problems such as Central and South Africa and the Polaris missile or domestic issues like Scottish home rule, Sunday drinking and the churches' modern quest for unity. The assembly at the finish called out most boldly for the third year running on Central Africa (where the kirk has an historic commitment which it feels deeply) and urged the whites in the Federation of Rhodesia and Nyasaland to go more than halfway with emergent Africa to make possible a model association of races on the continent. This decision, like others from Edinburgh in the past which have sustained African nationalism, owed almost everything to the Very Rev. Dr George F. MacLeod, an outstanding radical who can sometimes carry the assembly farther perhaps than it means to go.

Some Scots cynically believe that the church responds best when its own interests are intimately involved or when it is pre-



Dr MacLeod: the radical cal-

sed with a moral challenge so precise that individual members cannot evade it. Central Africa may illustrate the point, for the assembly over three years has shown great willingness to accept the testimony of its Nyasaland missionaries and to fight vigorously for African political rights in an area which its missionaries understand. The kirk apparently felt compelled to demonstrate positive leadership and did it to an exceptional degree; the question of whether a dogmatic approach made for good or bad leadership was exactly what divided the assembly so bitterly during each of the Central Africa debates.

All this partisanship was in sharp contrast to the kirk's more characteristic preference not to take sides on the equally

political question of the Polaris missile base at Holy Loch. Polaris was not debated as such: the assembly accepted a recommendation that Polaris represented a breathing space in which to press for multilateral disarmament. But the issue crept in again on the heels of a unilateralist motion which sought to pledge the kirk totally to pacifism. The motion was roundly defeated, and Dr MacLeod failed further to have a special committee appointed to examine the relative merits of Christian pacifism and the doctrine of the just war. But the kirk's conscience was nevertheless pricked, and as a direct result the assembly instructed its premier committee to prepare for next year a full report on peace and war.

Just what will finally emerge on peace and war is anybody's guess. It may be that an electrifying call in Christian terms would fail to revolutionise international relations, but it might rekindle interest among some, at least, of the kirk's missing million. The verdict, however, is likely to cause less excitement among churchmen themselves than a proposal that the Moderator pay a courtesy call on the Pope when in Rome next year on other business. The kirk remains ultra-suspicious of all traffic with Rome even in its current ecumenical enthusiasm, and with the real possibility of opposition arising within the presbyteries it is far from certain that any such meeting will take place. This, in fact, is the sort of theological issue about which the Church of Scotland can always be trusted to take the firm line that its critics complain is lacking on all but the odd and memorable occasion like Central Africa.

## City and Suburban

FROM A CORRESPONDENT

"GIVE me your tired... your huddled masses yearning to breathe free." The words (from the pedestal of the Statue of Liberty) appear also on a small plaque in a modern office building in Croydon. In flowery terms they describe the offer that Croydon and other London suburbs are making to office workers in the jungles of the City and the West End.

Several firms have already accepted. Whether their reaction to the change is favourable or adverse seems to depend on how well they planned their move, where they are situated and how important they regard the social life of the City. The experience of one of them, the Land Division of Lloyd's Register of Shipping, will serve to show how some of the worst pitfalls of dispersing can be avoided. The office moved to Croydon in June, 1959. It now occupies three floors in a large block built speculatively by the Norwich Union.

The preparations for the move took a year to complete. Croydon was chosen for several reasons. It was near the geo-

graphical centre of the area in which key personnel lived, so that only ten employees out of 65 or 70 felt compelled to move. (The firm paid for this.) The remainder of the staff, consisting of about 30 secretarial and clerical workers, was systematically recruited (whenever a vacancy occurred during the preparatory year) from south London.

Another reason why Croydon was chosen was the frequent 17-minute train service to and from London Bridge. This suited clients visiting the office and messengers travelling to the firm's other departments in Fenchurch Street. Communication by telephone is also straightforward. Unlike some suburban exchanges such as Epsom, CROYDON may be dialled directly from London without an area prefix and without the help of an operator. The expansion of the subscriber trunk dialling system will eventually extend this service (and the metropolitan rate of 2d. for three minutes) to exchanges as far away as Horsham, but it will involve longer dialling codes.



Unlike Surbiton, Croydon retains some local character. On Tuesdays there is a street market with barrows and boisterous costermongers. It also offers office workers a flourish of shops. Typists can choose from several department stores. An office on the Great West Road or Purley Way may be more accessible to executive cars but to secretaries it is a shopping desert to be avoided if possible.

Parking for 11,000 cars within a quarter-mile radius of the town centre is planned by Croydon county borough. Although parking is admitted to be "a hell of a problem," at the rate of 1s. for four hours it is also cheap. New office developers are now required to provide one parking place per thousand square feet of office space, but Lloyd's Register occupies three floors in a recent building and is allocated only three car berths.

On average, people at Lloyd's Register and other Croydon offices seem to travel 35 minutes to work. Croydon is, of course, equally approachable by train from East Grinstead and Victoria. It is also the centre of a network of country buses. Much more difficult is getting to it from Watford, which involves a journey both into and out of London. Equally awkward, unless done by car, is a trip across the suburbs and across the radial pattern of London communications from a place like Hounslow. Clearly, therefore, an office in the suburbs

does control the domicile of its staff more than a City one.

The Croydon restaurants are adequate for everyday meals and modest entertaining; more may spring up as the offices now building are completed. The lack of anything comparable to City luncheon clubs is, however, bewailed by senior and more old-fashioned businessmen.

Rent per square foot for suburban office space can be 15s., 12s. 6d. or less. Many tenants seem to pay about half of what they were previously paying in the City. The buildings they occupy are generally more modern and correspondingly warmer, lighter and cleaner. By paying about three-quarters of their former rent companies can both save money and expand office space. This has a good effect on staff morale. "When I worked in the City," said a telephonist who enjoyed a view towards Selsdon Wood, "you'd have thought I was the crown jewels from the vault I was in."

THE experience of Lloyd's Register and other Croydon firms applies exclusively to offices near the middle of suburban towns. Sites on arterial roads are different. Transport to and from them tends to be by



Yearning to breathe free...

car or bus alone. A lack of shops and restaurants may make it necessary for staff canteens to be provided. The remoteness of banks means that money has to be carried long distances.

Suburban town centres, on the other hand, seem practical and pleasant places to work in. Time may even give them an seem a bit raw but time may give them an atmosphere and associations of their own to set beside those of Threadneedle Street and Bread Lane.

Wales there are five towns with a population of over half a million, while more than half the total population and about two-thirds of the urban population are aggregated in 184 urban local authority areas of 50,000 or more. The concentration is even more intense than these figures suggest since more than one-third of the total population live in the six major conurbations.

AMONG these preliminary findings, perhaps the one that will be most talked about is that women still outnumber men: to every 1,000 men in England and Wales there are 1,066 women. This predominance of females is no longer true at the marrying ages, but, because women live longer than men, they are still in the majority. But not everywhere: in the mainly agricultural areas there are more men. Thus a county analysis shows that, in England and Wales, Rutland has the lowest proportion of women, their ratio to men being 0.913, and Huntingdonshire comes next with 0.944. At the other end of the scale, Sussex has the biggest concentration of women: in the eastern part of the county they outnumber men in the ratio of 1.252.

One further set of facts deserves mention. There are now 14,702,823 private households and 14,647,922 private dwellings in England and Wales; ten years ago the corresponding figures were 13,117,868 and 12,079,712. From having over a million more families than houses, the excess has been reduced to little more than 50,000.

## Snapshot of the British

LESS than seven weeks after the taking of the sixteenth census on April 23rd, well within the target time, the preliminary figures have been published of total and district populations. There are no startling findings: indeed, on first glance, the census seems to tally so well with expectations as to make it seem almost unnecessary.

According to the count, the population of the United Kingdom on April 23rd was 52,675,094; the Registrar Generals had estimated that on June 30th last year it was 52,383,000 and, on recent rates of growth, their predictions for this year could not have differed much from the actual count. However, area by area, the estimates cannot be expected to be quite so good; to begin with, the population of Scotland is now discovered to be about 45,000 less than had been expected.

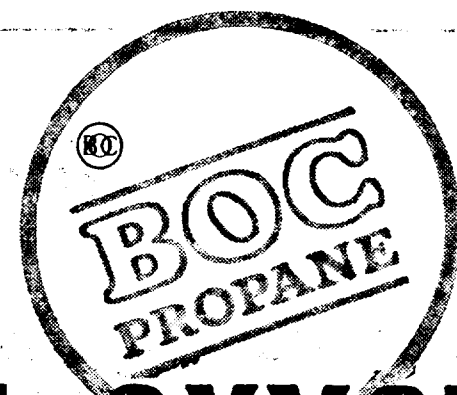
The shifts in the population over the decade between the two censuses have been well documented: the drift away from Scotland (about half of Scotland's loss of some 250,000 by migration was to other parts of the United Kingdom, mainly England, and about half overseas); the falling population in London but the big growth in the surrounding counties and the south-east; the movement of dormitory areas farther away from the centre of the conurbations; the filling up of south-coast resorts by the swelling army of retired people. All these

developments may be familiar. But how well known is the actual snapshot of the British people which the census provides?

How many of its citizens, for instance, could put in order the ten largest cities in Great Britain? Or say to what extent the population of England and Wales is concentrated in urban areas? The two accompanying tables show that in England and

| URBAN DWELLERS (England and Wales) |              |                                   |
|------------------------------------|--------------|-----------------------------------|
| Population of Urban Areas          | No. of Areas | Total Population 1961 (Thousands) |
| Less than 5,000 .....              | 172          | 560                               |
| 5,000-10,000 ..                    | 163          | 1,188                             |
| 10,000-20,000 ..                   | 215          | 3,156                             |
| 20,000-30,000 ..                   | 109          | 2,702                             |
| 30,000-50,000 ..                   | 122          | 4,673                             |
| 50,000-100,000 ..                  | 117          | 7,921                             |
| 100,000-250,000 ..                 | 51           | 6,955                             |
| 250,000-500,000 ..                 | 11           | 3,463                             |
| 500,000-1,000,000 ..               | 3            | 1,919                             |
| 1,000,000 or more ..               | 2            | 4,301                             |
|                                    | <b>965</b>   | <b>36,838</b>                     |

| THE BIG CITIES                       |                             |                               |
|--------------------------------------|-----------------------------|-------------------------------|
|                                      | 1961 Population (Thousands) | Change since 1951 (Thousands) |
| London (administrative county) ..... | 3,195                       | -153                          |
| Birmingham .....                     | 1,106                       | -7                            |
| Glasgow .....                        | 1,055                       | -35                           |
| Liverpool .....                      | 747                         | -43                           |
| Manchester .....                     | 661                         | -42                           |
| Leeds .....                          | 511                         | +5                            |
| Sheffield .....                      | 494                         | +19                           |
| Edinburgh .....                      | 468                         | +1                            |
| Bristol .....                        | 436                         | -7                            |
| Nottingham .....                     | 312                         | +4                            |

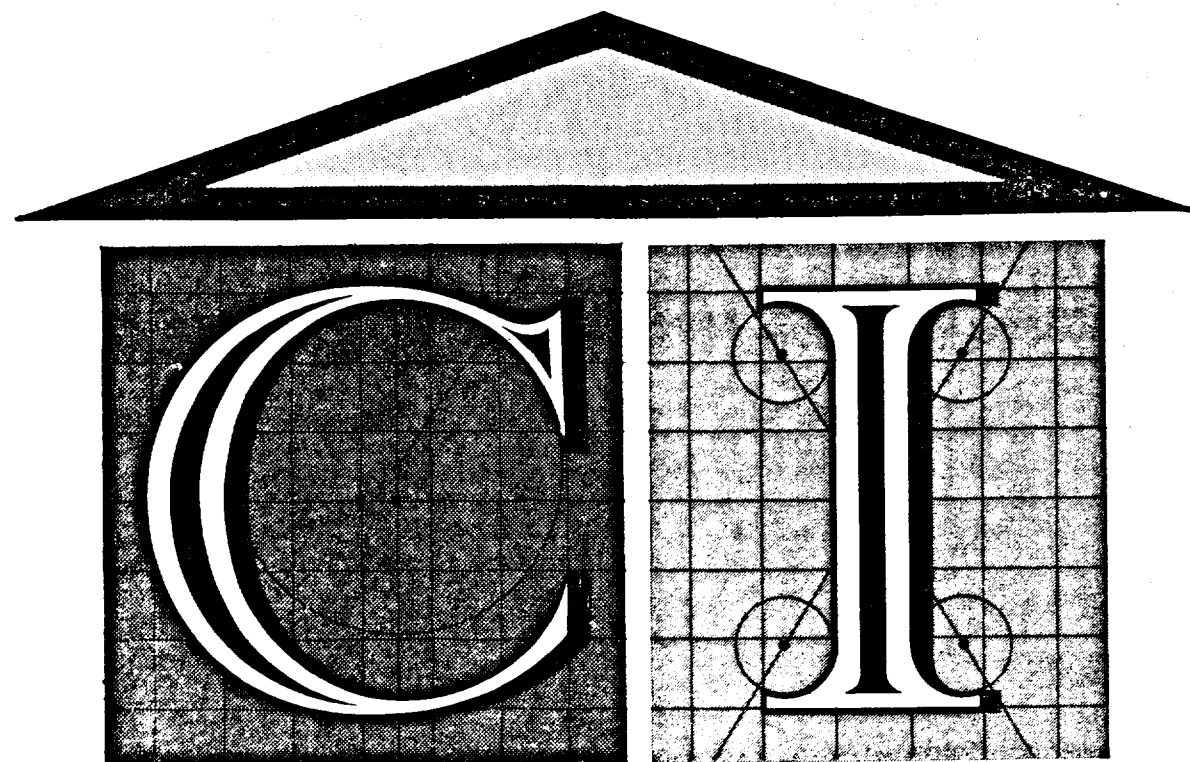


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ASSETS EXCEED \$4,000,000,000

# THE BUSINESS WORLD

## Equities Remeasured

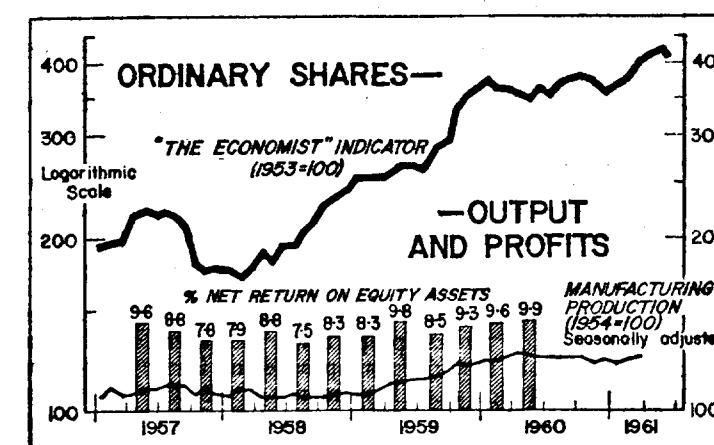
A PERKIER mood has returned to the ordinary share market after last week's sharp tumble. Those of the "equities at all cost" school are shrugging off this setback, arguing from past experience that it was bound to be short lived, and rejoicing in this week's successive recoveries. This is too simple a view. Between the end of 1960 and the middle of May, ordinary share prices, measured by *The Economist* indicator, rose 20 per cent; even after this week's recovery they show a fall of nearly 4 per cent since mid-May. The big rise in the first 4½ months of this year occurred against an improbable background—stationary production, some degree of cost inflation, and some shrinking of profit margins. It seemed as if buyers could wait no longer, having waited most of 1960 for growth to be resumed, though there was little evidence of growth in the economy itself. The issue that the ordinary share market has to decide is a fundamental one: Is the latest setback a first move in correcting an unjustifiably rapid advance in the first months of this year? Or is it a pause for breath in a new long term rise, with all the factors responsible for the standstill in 1960 completely worked out? The answers to these questions will determine whether the *Financial Times* index is bound for 400, or whether it comes back to the 300-320 range.

Yet these questions involve few genuinely new considerations. There were enough warnings about growth and profit margins long before the chairmen of ICI and Vickers added their weight to the evidence. They rest on the same points of caution that investment comment in these columns, and the investment policy of many of the institutions, have had in mind for several months. Essentially they involve the same forces that checked the market in 1960 and they can be summarised in the statement that Britain has not learned how to grow without inflation or how to solve its external problem. The dividend increases of the first four months of this year were generally no better than the share prices of early 1960 had already anticipated (and some were less good). Wall Street was

a help until it, too, got stuck at a peak that looks forward a long way towards the fruits of economic recovery. In both markets, short-term speculation has taken a big hand—in the buying of every insecure share labelled "electronics" in the American market, and in some hectic chasing of brewery, bank and property shares in London. And there has been so much alleged "anticipation" of the trustee investment bill that one wonders if most of the trustees in this country have been indulging in *ultra vires* gun jumping. If, when the act is eventually passed, trustees find themselves able to face the heavy loss of present income and to buy extensively into ordinary shares, they will help further to widen the yield gap, and that fact would not be lost on the institutions whose investment policy has already been significantly adjusted to fit the present gap.

WHAT is the lesson of 1960 for the ordinary share investor? Surely that if the magic of growth is still elusive and the brakes have to be firmly applied after only a brief period of expansion, there can be no immediate growth potential for equities either. Nor are equities a very satisfactory answer to re-emerging inflationary pressures so long as British governments are ready, in the defence of their reserve currency, to check domestic spending. Competitive forces have increased in both home and export markets; and if Britain moves into Europe they will not be lessened even though the opportunities for trade are widened. The only difference in the last few weeks is that industry has begun publicly

to advertise some of these difficulties. Its cost inflation is at work, with wages up and salaries up even more. But industry as a whole cannot nowadays rely on automatically reimbursing itself, as it did for so long after the war, by raising prices. Price increases by the brewers, the bakers and the cigarette makers have caught the headlines, and conceivably they will affect future wage claims. But many important sectors of





industry outside the consumer field are selling less than they could and their productivity suffers from less than optimum use of their invested and employed resources. The result is a nasty squeezing of margins.

In very few industries—almost none since 1952—has there been any purposeful attempt to get costs down. This is not a matter for which industry should bear all the blame—Government and trade union policies should carry a large part of it too. The moral for the ordinary share investor is that foreign competition is already stronger—with the ending of trade discrimination from 1959 and with the formation of EFTA—and will become stronger still when tariff cuts emerge from GATT and Britain gets economically involved in Europe. This involvement of equities in international economics is also sharply brought out by their reaction to pressure on sterling—if the early months of 1961 were in some sense an exception to this principle, that is ground for regarding the rise in ordinary shares at that time with a certain suspicion. It is not that the equity market is currently anticipating exchange depreciation (that indeed would be a classical argument for putting shares up) so much as measures to avert it, such as the Chancellor using his 10 per cent indirect taxing power. In itself, this need not be so terrible for ordinary shares; but the point is that unless the Government changes its mind radically, it will not allow internal demand to go rip and force up ordinary share prices along with everything else.

As soon as uncertainties arise about the future course of equity dividends, fixed interest stocks grow relatively in attraction. Ever since the yield lines crossed in the summer of 1959 to show a reverse gap, equities have been sensitive on this point. Fears about sterling have again depressed the gilt-edged market, driving Old Consols down to 40 and pushing up yields to record heights. Given even a small change in the market's mood, present returns on gilt-edged stocks would become strongly competitive with equities. It is repeatedly said that gilt-edged are friendless. War Loan certainly is just now. But there were friends enough to buy £640 million of gilt-edged between April and December last year, after allow-

ing for bank sales. This huge volume of buying, disguised (or in part encouraged?) by falling prices is portentous; if demand were to continue at anything like the 1960 rate, gilt-edged would surely make progress unless the authorities were prepared to squeeze bank liquidity still further. The Chancellor and his Financial Secretary have come close to advertising this possibility and, clouded though it is by sterling, there may still be a better chance of gain than risk of loss in gilt-edged and in the meantime a high income. At some stage, perhaps reasonably soon, gilt-edged may come to be regarded as eligible investments—as in some degree they already have done in the calculations of at least some institutional investors. But everything hangs on a successful defence of sterling.

UNLESS that defence fails, will it be reasonable to expect the ordinary share market to break through its mid-May peak in the next few months? Will investors come back to a market where they can average 4½ per cent twice covered on a mixed portfolio of equities (with many shares well below the average), but can get nearly 2 per cent more on a 15-year stock? Many of the factors that made for caution and selection last year are equally present now, and they apply, moreover, to a much higher level of prices. At this stage, it is hard to imagine rises in profits, or in dividends, matching those recorded in respect of last year. It may be that current earnings will not force many reductions in dividends, but they may not afford more than modest increases either—which may be disappointing for some shares looking a long way ahead. It looks, indeed, as if the market is destined to fluctuate between narrow limits for the next few months—say, between 320 and 350 for the *Financial Times* index. Below the 320 mark, equities could be said to be cheap in comparison with the end-1960 level of just over 300, since earnings and dividends are higher.

It is, indeed, easier to find groups that look fully valued rather than underpriced. For the best quality in insurance shares, a price is now demanded that will take years to justify.

common stocks would no doubt be strengthened if the administration succeeded in persuading the Federal Reserve not to reverse its present easy money policy. But investors have their doubts whether long-term rates can be stopped from rising as recovery in the economy progresses.

Within present policy, in any case, both the Federal Reserve and the administration aim to keep short-term interest rates up. This week, for example, the Treasury embarked on a new course, offering 1.8 billion dollars in a "strip" of bills that run from 50 to 150 days, with portions maturing in each of eighteen successive weeks. In effect, the Treasury has added 100 million dollars to its regular weekly bill auction but instead of selling them each week has offered them in a package for the entire period. The market looks upon the idea with favour and appreciates the good average yield it can secure. The Federal Reserve, too, welcomes the moderate increase in short term rates.

volume of trading has declined quite sharply and interest is now focused on seasoned issues which offer reasonable values both in terms of prospective earnings and yields. Blue-chips, however, are not in great demand, for earnings reported by the big companies are not very impressive as a whole, and buyers are showing rather more interest in second rank stocks which can be acquired at higher yields than their big brothers.

With the Dow Jones industrial average just above the 700 mark, compared with 565 when the bull market got under way in November, many investors think that the summer rally, if it comes, is likely to be of fairly modest proportions. But there is no doubt that investors, private and institutional funds alike, have money available; if profits improve there could be a new upsurge in buying and the appetite for

The same is true of the steamily growing but expensively fashionable shares in electronics. Breweries and banks after their fine fling are respectively on the 4 per cent and 3 per cent yield marks, prompting the ugly suspicion that one can sometimes pay too much even for the best. The biggest cement company, APC, offers 2½ per cent (though handsomely covered) and its lusty rival, Rugby, yields 1 per cent less (with good cover too); could one justifiably go much further than this in investing in the building boom? When one turns to the top division—ICI, Metal Box, or Guest, Keen, say—modest yields which would certainly be justified by the assured prospect of growth are qualified by recent warnings about costs and the pace of future expansion. This does not mean that excellence has suddenly become unesteemed; but any purchase even of the best is taking for granted prospects of growth about which the leaders of a number of important industrial groups feel less certain than they did.

Unfortunately, the converse of this argument is not automatically true either. Do good yields and good cover on steel shares adequately justify the industry's patchy outlook

on the short view and its concern with expensive expansion on the longer view? They may for the courageous. In oil, the yields have a mouth-watering quality until one remembers first, that a gross fund gets not a penny of tax back, because Shell and BP (and Burmah almost) have a nil net UK rate, and therefore buys them, if at all, on a net yield basis; and secondly, that five years may easily be the minimum time for the industry to get back to more stable market conditions, if indeed it ever can. The dilemma that the top quality in equities has an exiguous yield and that elsewhere a reasonable level of current income usually has some snags attached to it is not new. But at this time, current income is talking more loudly than it did, because there appear to be a few snags about low "growth yields" too. On any significant reaction in the equity market the buyers will come in. If the investor were to wait for that, and meantime to confine his specific attention to equities with solid earnings cover and proven record in growth and dividends, he should not go far wrong. He may indeed see some of the recent fashionable favourites at lower levels before being tempted to buy.

## Building Societies in Business

CROMWELL's major-generals often talked politics in the guise of theology and for a few days this year it looked as if some members of the building society movement were taking a leaf from their scripture in talking of interest rates in terms of tax. The increase in profits tax from 12½ to 15 per cent was the immediate signal for a number of quite bellicose statements that if the tax burden were to become heavier interest rates would have to go up. But the societies knew that the profits tax increase added only 3d. to the total tax payable on each £100 borrowed and lent, and they could easily make the guess that the composite rate of income tax paid on shares and deposits this year will not rise very much above the 5s. 4d. in the £ paid in 1960. The extra pennies in tax are unwelcome as they reduce the already slender margins available for reserve appropriations; but in themselves they were not sufficient cause for an increase in interest rates. The fuss, in fact, was an attempt yet again to persuade the Chancellor to exempt building society surpluses from profits tax.

At the time, however, it drew attention from the lively debate whether, for reasons other than tax, interest rates ought to go up. This debate is now resolved. The Building Societies Association recommends that the net rate on shares should go up from 3½ to 3¾ per cent on October 1st and that the mortgage rate should go up from 6 to 6½ per cent, for new borrowers immediately and for existing borrowers after October 1st. The decision to defer increasing the share rate until the autumn suggests a close debate—a compromise between the views of some big societies that investment rates would eventually have to be put up, though not yet, and those of many small societies pressing for an immediate increase. Some of the latter will probably jump the gun. The important point is not the timing of the change but that big and small societies alike have at last recognised the necessity for an

increase. The grounds are set out in the association's official statement:

During the last few months there has been not only a slowing-down in the amount of savings placed with the building societies but also a tendency for withdrawals to increase and it has now become clear that the present rate of interest on shares is no longer sufficiently attractive to the public. Nor does there seem to be any sign of an improvement in the situation in the near future. In addition, societies are faced with increased taxation and higher management expenses.

In other words, it was lack of resources, not tax or management expenses, that goaded the societies forward—except possibly the Halifax, which remains outside the association and whose directors have decided to defer any decision on rates.

The incidental widening of the gap between borrowing and lending rates will help societies that need to bolster their reserve ratios as a condition of participating in the Government's house purchase scheme and of securing trustee status. This is shown in the following table:

|                                             | Old rates<br>£ s. d. | New rates<br>£ s. d. |
|---------------------------------------------|----------------------|----------------------|
| Share rate .....                            | 3 10 0               | 3 15 0               |
| Composite rate of tax at 5s. 4d. in £ ..... | 1 5 5                | 1 7 3                |
| Income tax on surplus at 7s. 9d. in £ ..... | 5 3                  | 6 6                  |
| Profits tax on surplus at 15 per cent ..... | 2 1                  | 2 6                  |
| Management expenses .....                   | 11 0                 | 11 0                 |
| Reserve margin .....                        | 6 3                  | 7 9                  |
| Mortgage rate .....                         | 6 0 0                | 6 10 0               |

This table is based on the assumption that all money is lent out on mortgage; on the more realistic view that about 15 per cent of shares and deposits is kept in liquid form the reserve margin improves by only 6d., from 4s. 11d. to 5s. 5d. per £100 borrowed. Another effect is less welcome to the societies anxious to expand their mortgage business: as rates move up it becomes increasingly difficult for a society to allow

## Wall Street Waits at the Peak

A correspondent cables:

WALL STREET is in a cautiously expectant mood, looking hopefully for signs of the traditional summer rally. Much of the recent buying has been stimulated by the administration's plans to increase spending and President Kennedy's European trip has done nothing to upset the conviction that business is recovering smartly and that a boom with inflationary overtones may be in prospect. But investors have already discounted a substantial upturn and they are no longer willing to make purchases solely on the basis of hope; they want concrete evidence that corporate earnings are improving.

This more sober attitude is partly the result of a spate of warnings about speculation, particularly in new issues and in shares in companies in technological fields. The

old borrowers to extend the period of repayment so as to leave their monthly outgoings, covering both interest and repayment, unchanged. When the mortgage rate goes up to 6½ per cent, the societies will have to consider with care individual cases where, say, the mortgage was first taken out at 4 per cent.

ARGUMENTS about the effect of an increase in rates on old borrowers have been constantly used by those resisting any change. But since the average life of a mortgage is only eight years, the number originally granted at low rates has steadily diminished. At the same time, greater weight has been put behind the counter-argument that obligations to the past should not be put above the need to try to meet the rising demand for new mortgages. This is the essence of the debate between the old and new schools of thought among the building societies. The traditionalists look back to the 1930's when the societies competed hard to lend money and are content with a slow and steady rate of expansion—even with rationing of advances rather than raising rates. The modernists argue that there is no fear of the demand for mortgages drying up and that the task in the 1960's is to attract sufficient new savings to satisfy it.

On this occasion the new school has prevailed, not least because recent history has borne out its arguments. Last year the societies advanced nearly £560 million on mortgage, more than ever before. Of this, about £40 million represented money channelled through the societies by the Government on loans on older properties. But in order to repeat their 1959 achievement of lending nearly £520 million from their own resources the societies had to rely first on repayments (nearly £470 million, higher than ever before) and secondly on a

#### THE MOVEMENT'S BALANCE SHEET

| 1959                   |         |       |                   |        |         |   |  |
|------------------------|---------|-------|-------------------|--------|---------|---|--|
| Liabilities            |         |       |                   | Assets |         |   |  |
|                        | £ mill. | %     |                   |        | £ mill. | % |  |
| Shares.....            | 2,523   | 86.8  | Mortgages.....    | 2,407  | 82.8    |   |  |
| Deposits.....          | 220     | 7.6   | Investments*      | 398    | 13.7    |   |  |
| Other liabilities..... | 33      | 1.1   | Cash.....         | 72     | 2.5     |   |  |
| Reserves.....          | 131     | 4.5   | Other assets..... | 30     | 1.0     |   |  |
| Total.....             | 2,907   | 100.0 | Total.....        | 2,907  | 100.0   |   |  |
| 1960†                  |         |       |                   |        |         |   |  |
| Shares.....            | 2,720   | 86.0  | Mortgages.....    | 2,645  | 83.6    |   |  |
| Deposits.....          | 265     | 8.4   | Investments*      | 415    | 13.1    |   |  |
| Other liabilities..... | 40      | 1.2   | Cash.....         | 70     | 2.2     |   |  |
| Reserves.....          | 140     | 4.4   | Other assets..... | 30     | 1.1     |   |  |
| Total.....             | 3,165   | 100.0 | Total.....        | 3,165  | 100.0   |   |  |

† Approximate figures. \* At book values.

deliberate policy of cutting down their cash and investments. As the table above shows, average liquidity (taking investments at book values) was reduced last year from 16.2 to 15.3 per cent. The fact that last year's investment rates were wrong is easily demonstrated: the inflow of new savings of about £585 million was £15 million less than in 1959, while withdrawals at £470 million were about £50 million more. The societies brought this upon themselves by reluctant and inadequate increases in their own investment rates when the general level of interest rates was actively on the move. Two reductions in Bank rate gave some temporary fillip to the inflow at the turn of the year, but this Spring, especially in May, the societies faced another reduction in new savings and a big increase in withdrawals.

Remedial action had clearly become necessary, but not until

the Provincial announced that it was putting up its rates was resistance overcome. Yorkshire is a key area where such national societies as the Halifax, Leeds, Permanent and the Provincial are based, with a good number of local societies as neighbours. The thrifty Yorkshireman seems to keep a closer eye on competing rates of interest than his southern cousin and the Provincial's action made it clear that the smaller societies in Yorkshire would soon have to follow; this tipped the scale in the council chamber of the association.

In the end sentiment ("We run a public service") had to bow to hard facts ("Where do we get the money?"). This latest increase may suggest some shift in thinking about the future by members of the movement. Rapid changes in building society rates are undesirable for many reasons, not least because of their effect on administrative costs. But for some years friendly critics of the movement (including this newspaper) have noted that when the societies have been slow to adjust their rates to accord with the general level of interest rates, they have suffered sharp reductions in the net inflow of investment money. These critics have urged the societies not to rely so directly on the rationing of advances, but to let the price of money do most of this job for them. The latest increase has come at a time when rates on competing investments—for example, national savings and bank deposits—have not risen, which implies that some societies at least now look with more favour on the argument that a higher rate on shares would bring in more money to satisfy the demand for mortgages and higher rates for borrowers would at the same time dampen the demand (and even have some effect on the more absurd prices that some houses have been fetching). If the societies want to expand, the logic of using interest rates ought to be compelling.

The question is not whether the latest increase is justified, but whether it is enough. Already it is said that the increase to 3½ per cent may check withdrawals, but that it may not lead to any increase in new savings. That would lead on to the argument whether 4 per cent on shares and 7 per cent on mortgages would be more appropriate. Some of the smaller societies will have to pay and charge such rates. Would it have been better to take the jump at once instead of running the risk of having to put rates up to these levels in a year's time? Barring any likelihood of the general level of interest rates falling sharply this year, these lines of thought may attract increasing support.

#### INVESTMENT SERVICES ON LATER PAGES

##### COMPANY AFFAIRS

Comments on pages 1152, 1153, 1154 and 1155 on:

|                    |                                   |                 |
|--------------------|-----------------------------------|-----------------|
| Courtaulds         | Metal Box                         | Firth Cleveland |
| Whitbread          | Watney Mann                       | Mecca           |
| British Oxygen     | Bowater Paper                     | Vickers         |
| Rugby Portland     | Consett                           | Colvilles       |
| De la Rue          | John Thompson                     | J. Lyons        |
| Elliott-Automation | British and Commonwealth Shipping |                 |

##### LONDON AND NEW YORK

Stocks, prices, yields and security indices on pages 1156 and 1157

##### LONDON STOCK EXCHANGE

The week's movements reported on page 1155

##### MONEY AND EXCHANGES

Money market report, exchange rates and public finance on page 1158

## BUSINESS NOTES

### THE EXCHANGES

#### Challenge for Basle

PRESSURE on sterling has intensified this week. On Thursday the rate dropped below \$2.79, a new low point since 1957. Sterling was being sold by all centres and the only buyer was the Bank of England. At the same time as foreign funds are being withdrawn from London, commercial demand for dollars from the tobacco companies and others is coming forward early in the season. The summer strain is on.

The market is alive with rumours. At the "Forex" meeting of foreign exchange dealers in Lucerne last weekend, every kind of story was going the rounds—the exchange margins were about to be widened, the Swiss, the French and the Italians were going to revalue after all, the mark was to be revalued again, the mark was about to be set free to float, America was not going to get to the moon at \$35 an ounce. . . . Rumours in this size and number, possibly, are less menacing than one persistent and more probable story. But the disturbing factor, more than any particular rumour, is still the shock to confidence in the status quo administered by the indecisive 5 per cent revaluations of the mark and guilder in early March. From now until the meeting of the International Monetary Fund in Vienna in mid-September, there will be many operators who will believe nothing and try to provide for everything before each weekend.

If speculation of this magnitude were to persist, one might indeed agree that a modest range of exchange rate fluctuation would lead to less disruption. The trouble is that, especially if wider margins were conceded under pressure, it might be equally difficult to persuade the markets that the particular range chosen was itself the definitive one, and that further pressure would not be met by a further widening of margins. It is this consideration that for many years past has turned the scales against the strong technical argument for

more flexible exchange rates. If the exchange authorities feel that this consideration is still paramount, they are surely in a position to hold their stand. In no speculative crisis of the past have they had the benefit of a Basle Agreement, of an international support fund.

But if this weapon against the speculators is to be effective, it must surely be wielded more openly. If the central bankers know what they intend to do and are prepared to proclaim it, the speculators will quickly recognise the true balance of power—as they did in their ignominious collapse in face of Mr Kennedy's few words of affirmation about defending the dollar soon after he assumed office. If, on the other hand, the central bankers lie low and are seen privately to be shaking their heads, they might encounter the worst of both worlds—putting up a heap of money under the Basle facilities and seeing no result for it. The annual meeting of the Bank for International Settlements this weekend which is being attended by Mr Per Jacobsson of the International Monetary Fund, provides the obvious opportunity to set doubts at rest.

The extent of the actual strain on the London reserves is still successfully being kept from public view. The published gold reserves fell by £16 million in May, compared with £26 million in April and £62 million in March. The figures mean nothing. In May the Exchange Account received part of the foreign exchange proceeds of the IMF loan to Australia, of which £51 million was in currencies other than sterling. This support permitted a "modest repayment" to central banks under the Basle arrangements. Presumably more will be drawn this month.

South Africa, meanwhile, appears to have enjoyed some respite. In the week covering the inauguration of the republic on May 31st its official reserves rose by £2½ million, after falling continuously since March.

### FUEL

#### The Fight Is On

NOW that the Gas Council has at last put in its formal application to the Minister of Power to be allowed to import methane from Algeria, the argument between the council and the Coal Board over new sources of supply for Britain's town gas has reached a decisive stage. Mr Wood has to choose, or patch up a mutually satisfactory compromise, between two nation-

alised industries for which he is the responsible minister—between gas, some of whose leaders would like to shake themselves free of virtually complete dependence on coal, and coal, which equally understandably does not relish the prospect of losing any more of a market which still accounts for an eighth of its total sales.

The scheme submitted by the Gas Coun-

cil—a few days after it signed a provisional agreement with the French producers in the Sahara and with Conch International Methane, which would transport the methane, liquefied, in refrigerated tankers—would displace about 4½ million tons of coal a year from gas manufacture. Two tankers of 11,000 tons capacity would carry about 700,000 tons of liquid methane in a year, or roughly 350 million therms, equivalent to 10-15 per cent of this country's total requirements of town gas. After re-forming into town gas on arrival here, the council says, it would be piped to seven of the twelve area gas boards. The cif price of the methane, it is believed, would be about 6½d. a therm. This would put the cost of town gas derived from it, after re-forming, at perhaps 8½d. a therm—as against a shilling or more from the best of the new coal carbonisation plants.

But the argument between the two industries ranges more widely than a straightforward price comparison. Most of the issues were discussed in two Business Notes in *The Economist* of May 27, 1961 (which inadvertently described the Filson committee on coal derivatives as the Robson committee). Last week the chairman of the Coal Board again repeated his belief that enrichment of lean gas made from large-scale Lurgi plants would produce town gas cheaper than town gas from reformed methane, the difference would probably be less than a penny a therm. Detailed design and cost studies of Lurgi plants of a specified size and on specified sites should be ready in a few months. Much as the Gas Council would like an early decision on its application, it hardly seems likely that the Minister of Power will want to make up his mind before the results of these studies become available.

#### Coal Still in Transition

PRESUMABLY one of the considerations that will bear with Mr Wood, the Minister of Power, in deciding upon the Gas Council's application to import methane is the present state of the coal industry. It is still pulling out from the collapse of coal sales two years ago and it is still only part way through its accelerated programme of mechanisation. Measured by the Coal Board's own objectives, which are re-stated as an introduction to its report for 1960, its performance last year could perhaps be accepted as successful. The board's aim was to bring coal output below sales to reduce the large amount of coal held in stock without causing any "substantial measure of hardship" to miners and without vitiating its hopes for higher efficiency. This it can reasonably claim to have done. Whereas total sales rose from 194 million tons to 202½ million tons, output was cut



from 206 million tons to 193½ million tons. Stocks accordingly fell by 6½ million tons to 29 million tons. Forty-four pits were closed or were merged but only 250 of the miners in them remained out of work at the year's end—though 93,000 miners retired or left of their own accord during the year and the board took on (or could get) only 42,000 to replace them. The gain in efficiency since the breakaway from the persistently static level of 24-25 cwt a man shift prior to 1958 was, meanwhile, fully sustained. Output per man shift for face workers rose by a full hundredweight in 1960 to 27.9 cwt a shift.

But this is not the shortest path for returning to profitability. Output was pruned in the board's unprofitable and profitable divisions alike—only three divisions, the north-east, the east and the west midlands, stayed in the black last year, before interest charges. Indeed, before coal prices were raised last September, the board had piled up a total loss of £26 million. With higher prices and some accounting transfers in the last three months, the total loss for the year was cut down to £21 million, nearly £3 million less than in 1959. (About £12½ million of that loss represented the cost of carrying unsold stocks which had cost £27 million in 1959.) With another year of holding output below sales, perhaps 190 million tons against 200 million tons, thus clearing out another 10 million tons from stock, and a full year of the increased prices, the board hopes this year to cut its loss in half—to about £10 million—and to break about even in 1962. It hopes, too, to raise productivity among face workers to 29 cwt a shift this year, and still further next.

Until coal has emerged from its latest financial morass, and as long as it is expected to run economic and social objectives in tandem, the industry might reasonably expect its protection to remain unviolated either by imports of methane or by imports of American coal. But mounting pressure for these cheaper sources of fuel may not be irresistible.

#### INDIA AND PAKISTAN

### First Needs Met

INDIA'S National Development Council last week settled the final details of the third five-year plan. Spending on the plan will be the equivalent of \$25 billion and the Indian planners, as expected, leave a gap of \$5½ billion to be filled from abroad. A few years ago the idea that India's friends should put up over \$1 billion a year would have been greeted with universal scepticism. Yet last week, under a procedure that now tends to be taken for granted, the "Aid to India" consortium of Britain, Canada, France, Japan, West Germany, the United States and the World Bank matched India's request with an offer of \$2½ billion to cover deficits in the first two years of the plan. This week the same club members offered

Pakistan \$550 million for the first two years of its second five-year plan which began last July—\$230 million in the first year (which ends next month) and \$320 million in the second. Pakistan's needs for external aid are proving much higher than expected, following the census of last January; and

| Aid for India (\$ million) |       |            |             |
|----------------------------|-------|------------|-------------|
|                            | Total | First year | Second year |
| United States .....        | 1,045 | 545        | 500         |
| West Germany .....         | 364*  | 225        | 139         |
| United Kingdom .....       | 250   | 182        | 68          |
| Japan .....                | 80    | 28         | 28          |
| Canada .....               | 56    | 50         | 30          |
| France .....               | 30    | 15         | 15          |
| Total less US .....        | 780   | 500        | 280         |
| World Bank .....           | 400   | 250        | 150         |
| Total .....                | 2,225 | 1,295      | 930         |

\* Includes \$75 million to finance expiring short-term credits.

the original estimate of \$1,000 million for the five years is expected to be increased substantially. The amount of aid now offered seems to confirm this.

#### RUSSIAN TRADE

EXHIBITORS who spent £2 million showing their wares at the Moscow trade fair expect to treat the cost as a long-term investment. Though several million pounds worth of goods were sold, and orders for another £10 million worth were placed—with more still under negotiation—the main, but less tangible, value of the fair was the increased awareness of and interest in British goods in Russia. A survey by *Metaworking Production* of firms exhibiting plant and machinery showed that 80 per cent did not expect to get orders immediately. Once the Russians have returned to their factories, the hope is that they will start pressing to buy British goods. And if Russian policy happens to coincide—and this will largely depend on the trade negotiations now in progress—the investment in the exhibition will eventually return, with interest.

Large single orders for complete factories, such as the nylon plant ordered from Vickers and the worsted spinning mills ordered from Platt Brothers, the contracts for synthetic rubber and polypropylene fibre plants that Vickers is now negotiating, are still the backbone of Anglo-Russian trade. Even this kind of business should benefit from the general goodwill towards British products the fair seems to have created. The Russian desire to get all it can buy from the west in those branches of technology in which it is behind shows no sign of abating. This feature of Russian demand for equipment does mean, however, that there are few repeat orders for similar types of plant. The same holds true for such expensive items as computers: some firms which exhibited prototype machines are carefully bringing them home, having refused to sell them.

Agreement on the Indian commitment came after a month's adjournment. The United States offer of \$1,000 million, made at the beginning of May, was contingent on the same amount being provided by other creditors—whose opening offers fell short of this by \$350 million. During the adjournment France became a full member of the consortium, offering \$30 million in aid, and when the meeting reassembled at the end of May, Britain offered an extra \$46 million, Germany an extra \$33 million, and Canada an extra \$20 million. This virtually matched the United States contribution for the first year, but leaves a shortfall of \$220 million for the second. The United States has made it clear that it expects this deficiency to be made up before the club meets again in the autumn. It is to be hoped that by the autumn the other European countries that are running payments surpluses will join in offering India development aid, and that Germany will offer more in the form of aid and long-term loans rather than short-term export credits.

## After the Fair

There may well be a limit on the number of complete plants that Britain can expect to sell to Russia, even though the limit should still be some way off. There are plenty of chemical and fibre processes that the Russians may still want to acquire. Russia's purchases of individual pieces of machinery, also intended to fill gaps in its own production programmes, or to meet needs not large enough to justify Russian production, seem more likely to provide a steady and mutually beneficial trade than the more spectacular orders for whole plants.

### Where West is Best

IN the expansive atmosphere of the fair, Mr Maudling suggested that Britain and Russia have a shot at doubling import quotas for consumer goods in 1962. Existing quotas for the year to June 30th are to be extended to the end of the current year by "increasing" (as the joint communiqué made out) individual quotas by 50 per cent. Mr Maudling's challenge is short of daring. An annual target of £4 million each way has stood for more than a year. Quotas arranged last October fell short of the target by a long chalk: Britain agreed to import twenty categories of Russian consumer goods worth £3.1 million cif, and Russia elected to take a scarcely greater range of Britain's more diverse and attractive exports to the same value. An extension of this trade was to have been discussed before the end of June.

In actual performance, both countries seem to have been even more wide of the mark. Though Russia has scored a resounding success with exports of canned crab-

meat, which after canned salmon is its best seller, and has been permitted to exceed its quota, it has not been possible to persuade British consumers to take up the quantities of other goods specified by the agreement—even vodka does not enjoy the following that it commands in America. In general, Russian consumer goods are practical—often even severely utilitarian. No one suggests that the state factories should give Russian consumer goods all the unnecessary frills for the sake of a few exports, but the incorporation of some relatively inexpensive western styling would help. Unfortunately, Russia does not study the packaging of western toys and perfumery with the same zeal that it tackles the working parts of machinery.

The Board of Trade announced in December that it would issue licences for the import of £2½ million of Russian machinery and equipment, and Russia agreed to take an extra £2 million of industrial materials from Britain. Normally, Russia buys all the capital goods it can afford here—direct exports to Russia reached £37 million last year—and pays with sterling earned from exports of many primary products that are not restricted. Imports from Russia soared to £75 million in 1960, but Russia maintains that the balance is spent on sterling area products. Russia appears to be seeking to expand its traditional trade and wants long-term contracts for commodities whose production could be expanded for the British market. Its exports of consumer goods are sickly, and the offer of Soviet petroleum products—rebuffed by Mr Maudling, but persisted with—is not exactly pouring oil on troubled waters. Mr Maudling has officially taken note of this offer, said to amount to 2 million tons of oil; it is also said that one distributor is prepared to take it.

Negotiations for a full trade treaty with Russia are apparently to be jogged along. Commercial treaties prescribing access to courts, unfair practices and general standards of treatment have been negotiated between Britain and most foreign countries, the earliest being with Sweden in 1654. But not all British exporters wish to exchange the present system of catch-as-catch-can for "most favoured nation," "national" (same rights as Russians) or "absolute" status, under which any arrangements would apply solely to them.

#### HIRE PURCHASE

### Car Sales Boom

TOTAL hire purchase and other instalment debt outstanding rose for the second month in April, following the short decline from July, 1960, to last February. The April rise was of £5 million, to £939 million. As in March, the rise in outstandings owed directly to finance houses was strong enough to offset a continuing fall in debt owed to household goods shops. These shops were expanding their current instalment sales, but evidently repayments have

been still larger.

The finance houses, whose main direct business is in vehicles, showed a fall in new credit extended in April, on account of the early Easter and good March weather. In May, however, car contracts registered with Hire Purchase Information shot up to 99,000, within hailing distance of the level reached in April, 1960, when hire purchase restrictions were reimposed. Now that the press is beginning to talk freely about the likelihood of the Chancellor imposing his 10 per cent surcharge, one wonders how many car dealers are pushing along their customers with helpful reminders that if they wait till next month it may add £15 to the price of a Mini-minor and £36 for a Humber Hawk.

#### MOTORS

### End of a Monopoly

THE Birfield group's long standing monopoly of the manufacture of universal joints and propeller shafts for cars and commercial vehicles in Britain has been broken with seeming ease by Guest Keen and Nettlefolds. GKN's subsidiary, Blade Research and Development, decided to go into production only eighteen months ago. It now claims to supply half the propeller shafts and universal joints used by the British motor industry. Ford is its largest customer; but it also supplies the Rootes group, Standard-Triumph International, Vauxhall and Leyland—all the big firms except British Motor Corporation. Birfield still supplies the special constant-velocity universal joints for the front-wheel drive of the BMC babies. BR and D also makes a constant-velocity joint suitable for front-wheel drive cars. It was designed by the Fighting Vehicle Research and Development Establishment, but it is at present used only in military vehicles.

The speed with which BR and D has been able to seize half the market for propeller shafts suggests that the motor manufacturers readily welcomed the appearance of a competitor for Birfield. None of them likes to be dependent on a single supplier; labour troubles at the Birfield subsidiary, Hardy Spicer, stopped production at several car factories last year. Hardy Spicer also found difficulty in meeting the demands of the industry when production was at the peak. For Guest Keen, the quick success of this new venture must be gratifying: for Birfield it has meant surplus capacity rather than a shortage—and perhaps lower prices as well.

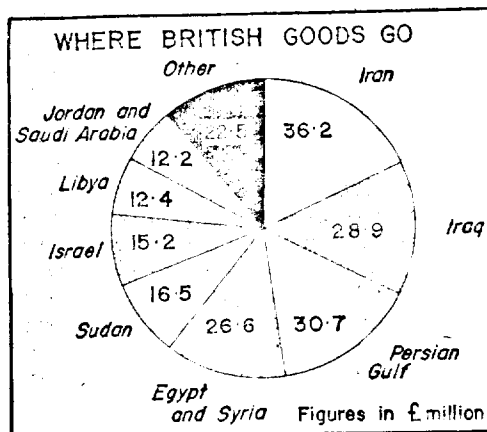
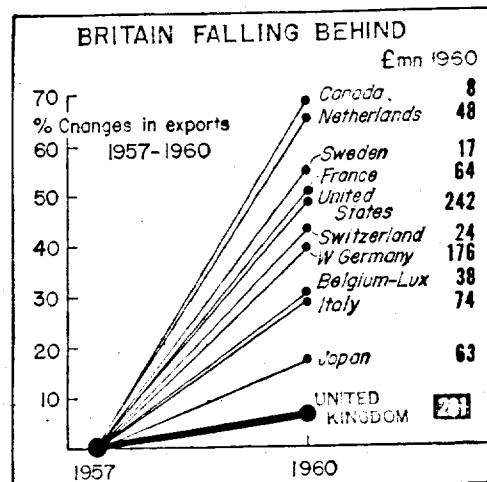
#### OVERSEAS TRADE

### Another Black Spot?

A BOARD OF TRADE survey that sets out to spotlight the undoubted potential of trade with the Middle East has necessarily picked out in much stronger light Britain's indifferent export record in that area. Oil

revenues in these countries are now running at about £500 million a year; in 1960, imports from eleven leading manufacturing countries were not far short of £1,000 million. Between 1958 and 1960, imports from these eleven countries rose by £162 million. Britain, in 1958 still the largest exporter to the area, increased its sales by only £6½ million. It was therefore hustled out of first place by the United States, and run close by the next largest exporter, west Germany.

Demand in the Middle East is naturally concentrated on capital goods essential to the cherished development projects of the various governments. The consumer goods market is—as the Board of Trade admits in studied understatement—"rather price conscious." But the excellent showing of the United States seems to explode one



myth that served to explain Britain's relative failure. German and Japanese exporters were alleged to have learned the secret of not fixing western-style sales itineraries and therefore careering around hoping to snap up business. They were apparently quite happy to drink coffee until business eventually matured.

This trade certainly has its idiosyncrasies, but Britain's poor performance seems part of its general failure to make progress in competitive foreign markets. However, a group of about 50 British firms has formed the Middle East Association which can provide the special conditions conducive to successful trading with these states. The

Association will provide visitors from the Middle East with an information centre divorced from government agencies. It will also be able to look after them privately while they are here, in the collective interest of British exporters.

## VANS

### For Business and Pleasure

THE new Anglia van should improve Ford's competitive position in the market for car-like vans, the fastest-growing section of the commercial vehicle industry. The number of light vans registered for commercial use rose from 14,000 in the first quarter of 1960 to 20,000 in the first quarter of this year—more than the rise in sales of all commercial vehicles. Production of these light vans rose by even more, for a growing number are being registered as cars—by people keener on avoiding purchase tax than the appearance of the vehicles they drive about in, or the speed limits they are expected to observe. British Motor Corporation has recently been outrunning Ford in the light van market. Its output rose from 78,000 in the first 41 weeks of the corporation's 1959-60 financial year, beginning in August, 1959, to nearly 110,000 in the same period of the present accounting year. The new Austin Seven and Mini-minor vans accounted for over 20,000 of this increase. They appear to be especially popular with the van-driving motorist. But many firms using vans for local delivery also buy them—to use as cars at the weekend. All the vans in the BMC range—which share the A-series overhead-valve engine—had the advantage of the old Ford vans, which had the 100 E side-valve engine and rather more utilitarian bodywork.

Ford is clearly aiming its new vans at this competition from BMC. The price of the 5 cwt model—£369 in primer or £379 painted—is fractionally above that of the slightly smaller Austin Seven or Morris Mini-van, which cost £360 painted. That Ford has had to cut its margins pretty drastically so as to compete with BMC is suggested by the fact that the price of its vans is £36 less than that of the equivalent car model, whereas the Mini-van is £10 dearer than the Mini-minor. Ford is clearly not intending to let BMC stay top in a market that it had become accustomed to dominate.

## RIGHTS ISSUES

### Calls for Cash

THERE is no sign of any slackening in the number of companies anxious to raise money in the stock market. This is one reason why the institutions have been disinclined to enter the market recently, as they know that substantial calls will be made on their funds in the next few months. By far

## BUSINESS NOTES

the largest of the recent rights issues comes from Distillers, which is asking for £32 million. This is more than had been expected and the issue on a one for ten basis at 32s. 6d. a share makes the rights worth only about 6d. at the current price of 37s. 3d. As in the big ICI issue, payments will be spread, with the first call of 10s. in July and the second of 22s. 6d. in September. The directors have indicated that profits in the year to March 31st before tax but after minority interests have risen by only 5½ per cent to £33.8 million; this compares with a 21 per cent increase in 1959-60. An earlier statement referred to keener competition and lower profit margins and the directors now say that net profits are unlikely to be more than £500,000 above the 1959-60 figure of £16.9 million, but the forecast final dividend of 8½ per cent will raise the total payment from the equivalent of 12½ to 13½ per cent. At an estimated ex rights price of 37s. the 10s. shares would yield 3.6 per cent.

The proposed rights issue by Hudsons Bay is something of a surprise since the annual meeting of the proprietors less than a month ago revealed nothing about the need for fresh capital. This issue is also on a one for ten basis; the issue price is 130s. so that with the shares at £10½ the rights are worth about 7s. A scrip issue will follow the cash issue. This will also be on a one for ten basis and the price of the shares after both issues should be about £9½; this is still a heavy price and there is no indication that the suggestion made at the meeting that the shares should be split will be implemented. Presumably the current trading dividend of 24 per cent and a tax free payment of 5 per cent from land sales will be maintained on the increased capital. If so, the yield would go up from 3½ to 3½ per cent.

## AIR FREIGHT

### Those Special Cargoes

A REASON why the international airlines took so long to agree on a new scale of freight rates was a basic disagreement on the best way to attract traffic. One group, headed by Pan-American, wanted a simple standard tariff where goods were charged by weight only on a sharply sliding scale designed to encourage big consignments. Others, among them BOAC, believed that the present system of giving preferential tariffs to certain types of commodities would have to be retained otherwise the airlines might lose some of the traffic they had built up so laboriously over the years. BOAC pointed out that under the new general freight charges proposed, some of these specially favoured cargoes would pay more than they do at present, which hardly seemed to make sense.

Most airlines would agree that the system of special rates for special goods has got out of hand—there are more than 70 of them, and by September, they will have been reduced to 26. All that this means, how-

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ever, is that the airlines are dropping rates that had failed to attract traffic and retaining those that did. Spare parts for cars, for example, can in future be shipped in relatively small half-ton loads for as little as 4s. 9d. a kilo, where the cheapest rates for big consignments of general cargo is 5s. 2d. For some reason, the most pampered commodity is motor cycles, which can be flown across the Atlantic from next autumn for as little as 4s. 4d. a kilo. Not all commodities come off so well; in some cases it will be cheaper to consolidate shipments into one big general consignment flying at 5s. 2d. a kilo than to send smaller lots at the special commodity rates. But it is not always easy to consolidate mixed shipments—for example, putting food or flowers together with general cargoes—and some airlines think that 40 per cent of air cargo will continue to fly under special commodity rates as against 65 per cent at present. Other airlines, however, take the opposite view, and see the new tariffs as the death knell of the commodity system.

## NYLON 6

### Partners Compete

THE plans that Courtaulds and Imperial Chemical Industries have announced this week to make caprolactam, the raw material for the nylon 6 polymer, will bring the two partners in British Nylon Spinners into direct competition. The type 6 polymer is more suited than type 66—already made in Britain—to make both moulding powder and staple fibres. As a moulding material, it can stand higher temperatures than most plastics and is stronger. It can thus be used to make hot-water pipes and oil-less bearings. As a fibre, it has many industrial uses, for instance ropes and conveyor belting, as well as being suitable for blending with wool in clothes. ICI plans to make nylon 6 polymer from part of the 15,000 tons a year of caprolactam that its new plant at Severnside will be making by 1963. It will sell this polymer to plastics moulders or fibre spinners, just as it now sells nylon 66 polymer to BNS and other firms. Courtaulds, however, has no plans yet to make polymer, though one might expect a textile company to be keen on going right through to production of the fibre. For the moment it says that it will limit itself to making caprolactam, at the rate of 10,000 tons a year, at an unstated time and place. Both companies have bought from European companies the processes they will use to make caprolactam. Courtaulds from Snia Viscosa, its Italian associate; ICI from the Swiss firms Emse Werke A.G. and Inventa A.G.

One clue to the use that Courtaulds may have in mind for its caprolactam is the plan of British Enka to build a plant to make nylon 6 polymer and fibre; it will have to buy in the caprolactam raw material. The amount that it is likely to take is not yet known; the capacity of the plant for fibres has not been announced. But it could be



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a big customer for either Courtaulds or ICI. The situation might prove more complicated for Courtaulds, however, if ICI were able to offer the nylon 6 polymer at a low enough price to make dubious the economics of building a relatively small polymer plant—such as British Enka plans. It might well decide in this case to buy polymer from ICI and cut out the polymer plant from its plans, leaving Courtaulds without a buyer for its caprolactam—until someone else, or itself, decided to build a nylon 6 plant.

#### SOUTH AFRICA

### Mr Oppenheimer Speaks Out

DISASTER is the word used by Mr Harry Oppenheimer in his speech to the shareholders of Anglo American Corporation to describe South Africa's withdrawal from the Commonwealth. It is the word

#### BUSINESS NOTES

that one expects from a man who is a South African first and the chairman of the biggest finance house in Southern Africa second, and it colours the whole of a statement in which, more forthrightly than ever before, Mr Oppenheimer takes the policies of the South African government to task. The truth is, he says, that "the fundamental principle upon which South African policy is based is morally unacceptable to practically all the nations of the world, European and non-European." He deplores extreme demands from either side, but he adds that, while racial peace needs time, South Africa will not have that time if it persists in a policy that stands condemned on moral grounds. At the moment, the South African government is capable of controlling the situation by force but, Mr Oppenheimer adds:

Perhaps it can be held in this way for a long time, but only at the cost of a perpetuation of racial conflict, which must become progressively more embittered.

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And while this conflict lasts, it will be impossible to restore confidence in the future of the country, and the economy will be threatened with stagnation.

The flight of foreign capital has already slowed down new development, forcing Anglo American and other finance houses to rely almost exclusively on their accumulated resources and loan capital and increasing their difficulties in adequately reimbursing risk capital. It must in the end threaten living standards in a country which is less able than almost any other to afford a slowing-down in the rate of economic growth. Without growth based on foreign capital the development of a multi-racial community is impossible and the "Bantustan" policies of the government are economic nonsense. Confidence will not be restored by economic controls; but these may provide time, Mr Oppenheimer hopes, to tackle the real causes of the difficulties—the social, human and political problems of South Africa. The solution, Mr Oppenheimer insists, depends

first upon the establishment on the personal level of attitudes of respect and affection for people of other races; secondly on the extension of these attitudes on to the level of industrial and other organisations; and, only thirdly, on political policy.

As far as Anglo American is concerned this means the vigorous pursuit of policies to give "adequate increased recognition to higher skills and improving efficiencies amongst its African employees" and to "the abilities, personal needs, inclinations and aspirations of individual Africans."

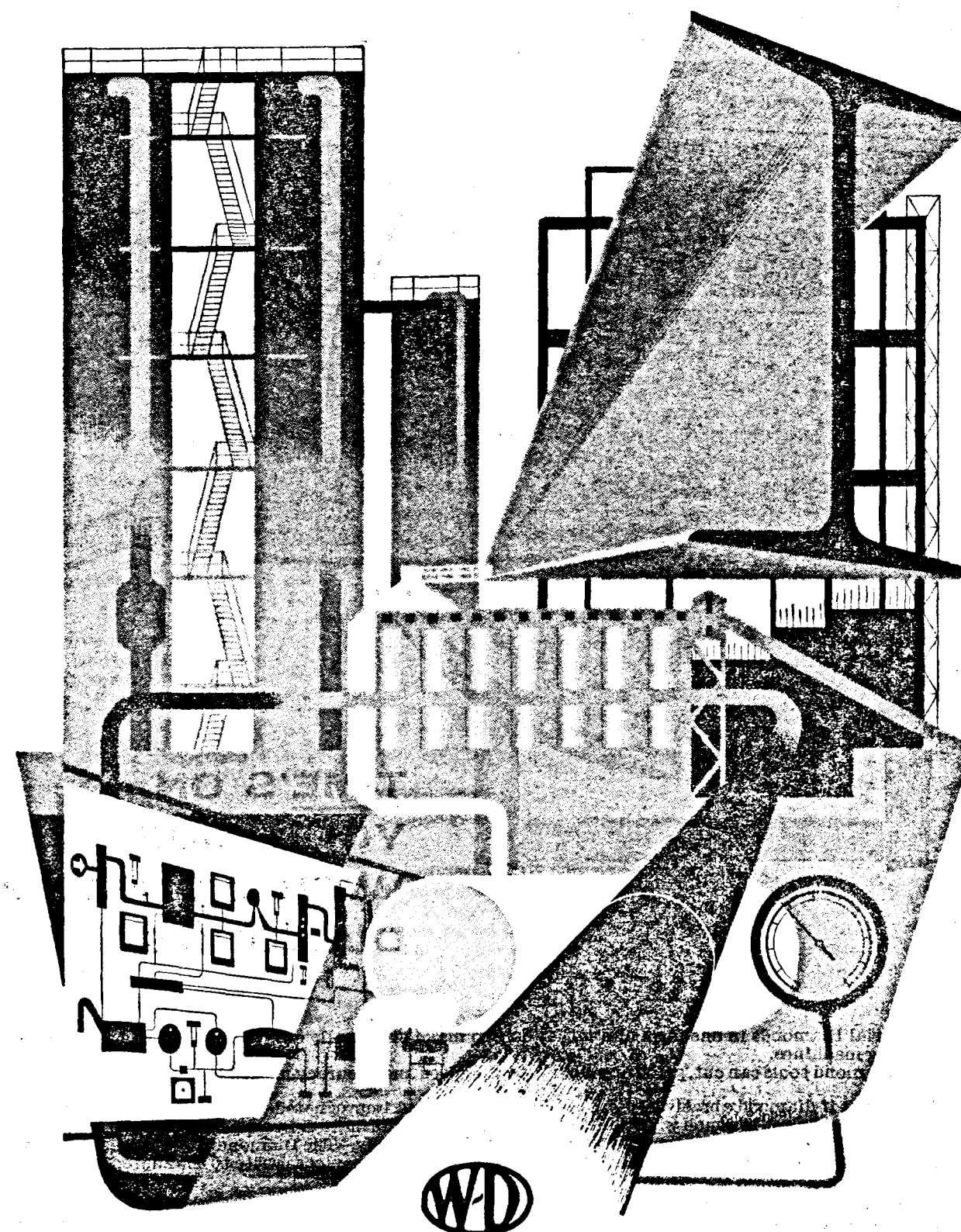
#### ATOMIC SHIPPING

### A Case for Co-operation?

THIS week the head of OEEC's Nuclear Energy Agency paid a courtesy visit to the head of the Atomic Energy Authority and inevitably the talk came round to atomic shipping. The AEA has given much thought to this and concluded that no good purpose would be served by building a nuclear ship until there were some chance of its being competitive—which, in the Authority's view, could not happen until a new type of reactor had been developed that is efficient in small sizes. Meanwhile, the Minister of Transport invited tenders from industry to build a nuclear tanker and a government decision on whether to go ahead is expected within the next three or four weeks.

OEEC has also made a detailed study of nuclear ships and concluded, like the authority, that there was no early prospect of their being competitive and that the starting point must be improved reactor designs. But unlike the authority, OEEC still thinks that an experimental atomic ship would be worth building. This is not a question of keeping up with the nuclear Joneses. Its experts believe that some data vital to the design of nuclear powered ships

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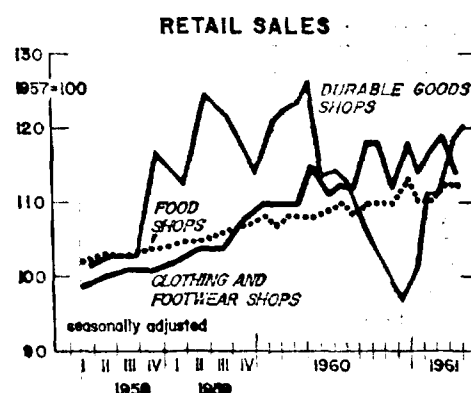
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## Money Flowing In

PEOPLE are spending more in the shops, though not quite as much in April as the provisional estimates had suggested. But the final index, after seasonal adjustment, of 115 (1957=100), shows that turnover was as high as it had been in March, about 3 per cent above the average for the previous five months.

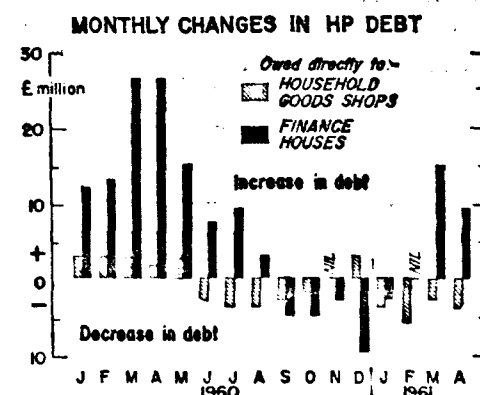


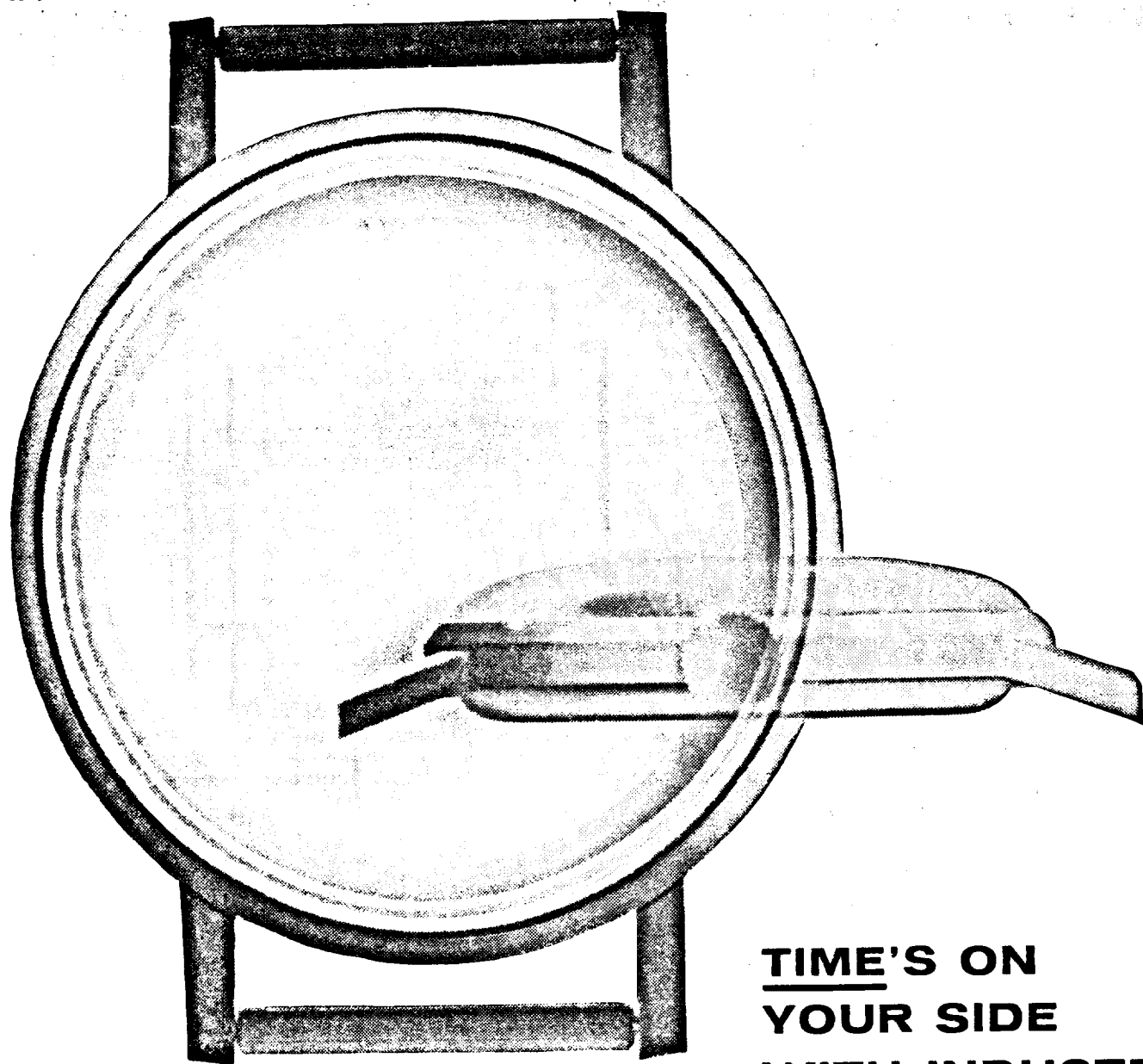
For the first time the Board of Trade has provided seasonally adjusted figures for different trades, making it possible to get a better idea of where the extra money has gone. Sales by durable goods shops started to recover last December; by April they were nearly one-quarter above their low point of last November and only 6 per cent below the peak in April last year. On the other hand, clothing and footwear shops, which had benefited not only from reduced spending on durables but also from fine weather in the early spring, felt the draught a little in April, when their rate of turnover fell about 4 per cent.

Some of the month-to-month variations in these new indicators may reflect no more than the hazards of seasonal adjustment. Nevertheless the volatile nature of spending on durables and clothing is well estab-

lished. About half the total decline in durable sales last year occurred in the first month after the re-imposition of credit restrictions; and in that month clothing shops benefited to the extent of an extra 5 per cent or so in their sales. But it is the weather as much as anything that seems to determine how well or badly clothes sell in any particular month: the wet weather last November, for instance, took away a lot of custom. And it will probably be the weather this summer that will decide whether the setback in clothing sales in April was more than temporary.

Shops selling durable goods and clothing account for only about a quarter of all retail turnover. What has happened to buying elsewhere? Food shops, taking nearly half the total, have edged up their sales a little. But it is the business of the rest of the shopkeepers, including department stores, which has grown most steadily and their turnover in April was about 6 per cent more than last year. However, prices of most things have risen too. People may be spending about 4 per cent more money in the shops than a year ago; they are getting only about 2 per cent more goods.





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can only be learned by accumulating practical operating experience of at least one nuclear powered vessel under normal commercial conditions. Questions such as fuel handling at sea and in port, size and composition of crew, the difficulty of squeezing round the reactor to maintain the conventional parts of the ship's machinery, stresses put on the reactor in different weather, all need answering before anyone can talk with authority about the practical design and operation of a commercial, nuclear-powered merchantman. Not all the questions are even technical; prospective owners are particularly anxious to know how public opinion would react to the arrival of an atomic powered ship in a densely populated port and, indeed, how many port authorities would allow it to tie up. The only way, OEEC says, is to send a ship and see.

The Ministry of Transport could argue that this is precisely why it originally invited tenders for a 45,000 ton tanker (which OEEC does not think the type of ship most likely to provide the answers). The difference between the two proposals is that one makes sense because its cost can be shared between several countries and the other is a questionable luxury because the whole burden falls on Britain's economy. If OEEC's plan makes headway—and it is still only in the discussion stage with detailed proposals expected in the autumn—would Mr Marples be justified in going it alone? The tender prices he has received, of about £12 million, may be more realistic than the £6 million for which OEEC guesses its ship might be built; and it is difficult to justify any duplication of effort when sums of this size are at stake. Mr Marples would perhaps be accused of breaking faith with industry if he were to back out of the nuclear tanker project at this late stage, but honour would be served by compensating those who have tendered for their costs.

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### CIGARETTES

## A Penny More

THE wave of cigarette and tobacco price increases this week shows that Imperial Tobacco Company is still unchallenged as the tobacco industry's price leader. But none of the cards it has been pulling out of its king-size pack—new brands, new packets, new style advertising—has yet halted, or even, it seems, slowed down, the steady erosion of its dominance over the cigarette market. Six years ago, before supplies of leaf were freed of restriction, the group made nearly four out of every five cigarettes sold in Britain. Today Imps make only just over three of every five. Neither "Strand," with its expensive promotion of smokers' loneliness, nor "Admiral," the king-size cigarette in a black pack—the two new brands the group launched early last year in the cheap and the dear ends respectively of the fast growing filter market—have taken hold. Even "Export Woodbine" appears to have lost ground after initial success.

On the other hand nothing that Gallaher does appears to fail. This company now has almost 30 per cent of the total cigarette market. It is still a long way behind the Imperial Group, but it is way ahead of the rest of the field. "Senior Service" has come right up in the last ten years to the point where it is now locked in a battle royal with "Player's" for the coveted top place among all brands (if "Woodbine," the past leader, has dropped back as much as is reported): at present each has about 21 per cent of the market. In the filter market, which now accounts for 17 per cent of all cigarettes sold, Gallaher bided its time. But "Nelson," its entry in the medium-price section (now 3s. 7d. for twenty) where two-thirds of all filter sales are made, has climbed in not much more than twelve months to third place in that price group, behind "Bachelor" (Imperial) and "Kensitas" (Wix), but ahead of "Bristol" (Imperial). Every eighth filter cigarette now smoked is a "Nelson."

Shifts in smoking habits also have hit Imperial. Novelties like menthol and king-size cigarettes are still marginal sellers, though growing apace—menthol brands were one of the main drives behind the growth of filters in the United States to their present half-share of that market. The move away from the cheaper plain brands, such as "Woodbine" and "Weights," two of Imperial's best sellers, to the equivalent or medium-price filter brands has been substantial. Significantly, Imperial has not raised the prices of these cheaper brands—nor those of "Strand" and "Export Woodbine," which will still sell at 3s. 2d. and 4s. 2d. respectively,



though "Export Woodbine" is to be slightly reduced in thickness.

THE effect of the extra penny on the price of a packet of twenty of most other brands is perhaps less unpredictable. Tobacco manufacturers always talk about diminishing returns when the Chancellor raises the duty, but this point has not been reached yet. Sales increased three per cent by weight during last year as a whole, though the twopence increase in duty in the 1960 Budget has had the customary—and so far always temporary—effect of subsequently damping down the rate of growth. Doubtless smokers will in time take the latest penny increase in their stride as well. For the manufacturers the increase had become essential. Costs have gone up all round, with higher wages, increased mechanisation and greatly increased advertising. But the largest increase has been in leaf costs. In 1956 the average price of American flue-cured tobacco was 51½ cents a lb; in 1960, after four years of steadily advancing prices, it was 9 cents a lb dearer. And British leaf buyers, like buyers in other industries, indulged in a bout of restocking last year. Imports of unmanufactured tobacco rose by 61 million lb to 362 million lb. With imports of American tobacco now no longer subject to any kind of control, British manufacturers stepped up their purchases of Virginian leaf by 37 million to 177 million lb. But America's share of the British market was still held below 50 per cent last year, despite the increased buying.

### AVERAGE TOBACCO PRICES\* (per lb.)

|                                  | 1958 | 1959 | 1960 |
|----------------------------------|------|------|------|
| United States (cents).....       | 58.2 | 58.3 | 60.4 |
| Canada (cents).....              | 46.5 | 56.2 | 55.1 |
| South-Western Rhodesia (d.)..... | 36.5 | 34.4 | 34.2 |

### UK IMPORTS† (million lb.)

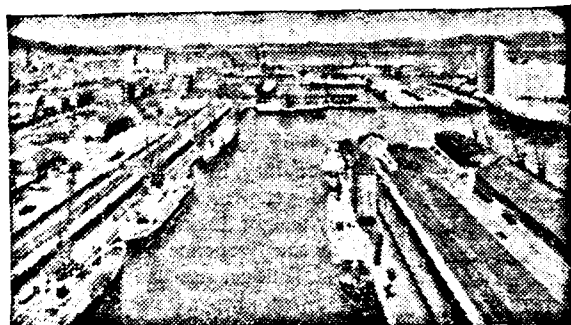
| From:                 | 1958  | 1959  | 1960  |
|-----------------------|-------|-------|-------|
| United States.....    | 163.9 | 140.4 | 177.3 |
| Rhodesia-Nyasaland... | 74.6  | 86.9  | 103.4 |
| India.....            | 44.7  | 37.4  | 42.5  |
| Canada.....           | 23.4  | 29.7  | 30.2  |

Total..... 316.0 300.7 361.7

\* Flue-cured. † Unmanufactured tobacco.  
Source:—Commonwealth Economic Committee.



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## PROFITS TAKE A BOW

Bowing is so deep-rooted a form of greeting in Japan that a businessman may find himself bowing during a telephone conversation.

An increasing stream of buyers is being greeted at Mitsubishi Shoji these days. This is because word is getting around of the high profits in trade with Japan. The quality products of this country's industry are finding wider and wider markets.

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### JUTE

#### Down from the Peak

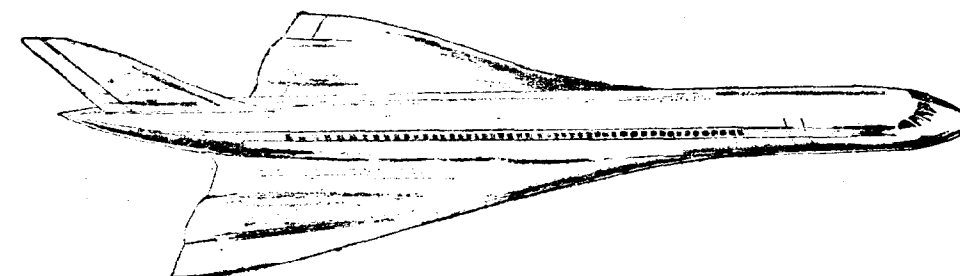
FREE markets can be cruel: famine prices of up to £180 a ton still face manufacturers who must have jute now; for the "haves" who can wait for October shipment when supplies of raw jute will be flowing from the new crop, the price is £50 a ton cheaper. So there are few buyers of raw jute for prompt delivery, and current prices are beginning to cave in as sorely pressed consumers stiffen their resolution now that they know a measure of relief lies only weeks ahead. Pakistan

hopes to get a limited amount of new jute on the market this month. There is obviously no reason why producers should hold back supplies this season. Upcountry growers in Pakistan are said to have much better market information since their villages acquired radio sets and better communications. Chicanery was alleged as prices soared to almost unprecedented levels after last year's partial crop failure. If growers withheld jute then, the price incentive is now pulling powerfully in the other direction. Apart from some cyclone damage that broke some tops when they already stood six feet high and will therefore produce a shorter fibre from affected

plants, this season in Pakistan is highly favourable. The greater acreage under jute should yield 7.4 million bales this year, compared with 5.6 million last season.

Prices of jute goods have never reflected the peak prices of raw jute—the market has never been strong enough for that. They are now falling ahead of the slide in the price of raw jute. Last weekend yarns and cloth were reduced by up to £20 a ton in Dundee; manufacturers hope that the cuts will get business moving again. Jute goods must be cheap and readily available and two crop failures have severely prejudiced them. It may take two good crops to put matters right.

## French Machmanship



THE US Air Force proudly sent its 1,500 mile an hour Hustler bomber to Paris last week; breaking up in mid-air at the climax of an international flying display of more than 100 aircraft, the Hustler demonstrated that even America's huge aircraft industry can stumble. What place can there be, in this supersonic age, for the relatively small aircraft industries of Western Europe and of Britain?

The sad fact is that the kind of commercial success that would have constituted a triumph ten years ago is not enough today to sustain the pace of development required to remain in the front rank. This point is illustrated by the plight of the French aircraft industry. This employs 82,000 people, about a third of those employed in British aircraft plants. It is currently enjoying unprecedented sales; 116 Caravelle airliners have been ordered, far more than the orders for the Comet or Convair medium-range jets. Alouette helicopters have swept the market in 24 countries, and even the British army has bought some "for trial." Small guided French rockets are used by 11 armies, including the American. French jet trainers are standard equipment for Nato. All these contracts have been won in the teeth of British and American competition, with all the more difficulty because these two countries were already well established in world markets.

Yet the French aircraft industry is frankly apprehensive, looking into a future that seems to hold nothing but empty factories. It has only one major new aircraft under development, the Mirage IV

atom bomber designed, like the Hustler, for more than twice the speed of sound. With prototypes now flying, this small bomber could be in service some years before the only British project with a comparable performance, the TRS 2.

But there is nothing to succeed the Caravelle, which will not sell for ever, and will not show a profit until 200 are sold. Various ideas for developing the Caravelle, adapting it for longer or shorter ranges, making it faster, giving it greater capacity or smaller, have been looked at but not found worth the heavy development cost. The French aircraft industry, it seems, must either retire altogether from the international market when the last Caravelle has been built, or move on to the next generation of supersonic aircraft.

THIS is not an easy choice. France has never built what could be called a "North Atlantic aircraft" and has not the capacity to do so, yet it is this route that is most directly involved in supersonic speed. French designers have had to keep their sights low, and the supersonic airliner that they have studied—and have, indeed, got to the point where it is ready to start fabrication—is a supersonic replacement for the Caravelle designed for ranges of less than 2,000 miles. Whether airlines want an airliner of this standard is open to question. Advantages are claimed for it over quite short ranges and those who might be tempted to ridicule it might remember their mistakes about the Caravelle at the start of its career.

Because the Super-Caravelle is small, weighing a bare 70 tons against the 170-ton aircraft proposed for supersonic flying over the North Atlantic, it creates less noise and is far easier to build. Whether the French government will provide funds for its construction is another matter: a decision whether the industry (which is largely nationalised) may go ahead with a prototype is promised for August or September.

If the government rejects the Super-Caravelle, the French industry will have no choice but to fall back on the only market that requires no prohibitive entrance fee, offering those unglamorous workhorses of the air-feeder-line transports, short-range military freighters, "executive" aircraft and tiny machines built for clubs and private owners. The number of types on offer and under development has risen sharply as more and more companies have found that they can no longer compete in the big league. French and German manufacturers are already co-operating on the development of aircraft of this type: the machines are not necessarily small, and they gain considerably from the attention of first-class designers backed by adequate research facilities. But they are all characterised by relatively conservative construction methods and modest development costs.

This tendency is not confined to France; it is being copied more and more in Britain, most recently in the growing number of executive aircraft on offer—the market is not all that rosy but there still seems room in it for more than one manufacturer. This is no longer true of the market for international airliners, and less and less true of military aircraft.

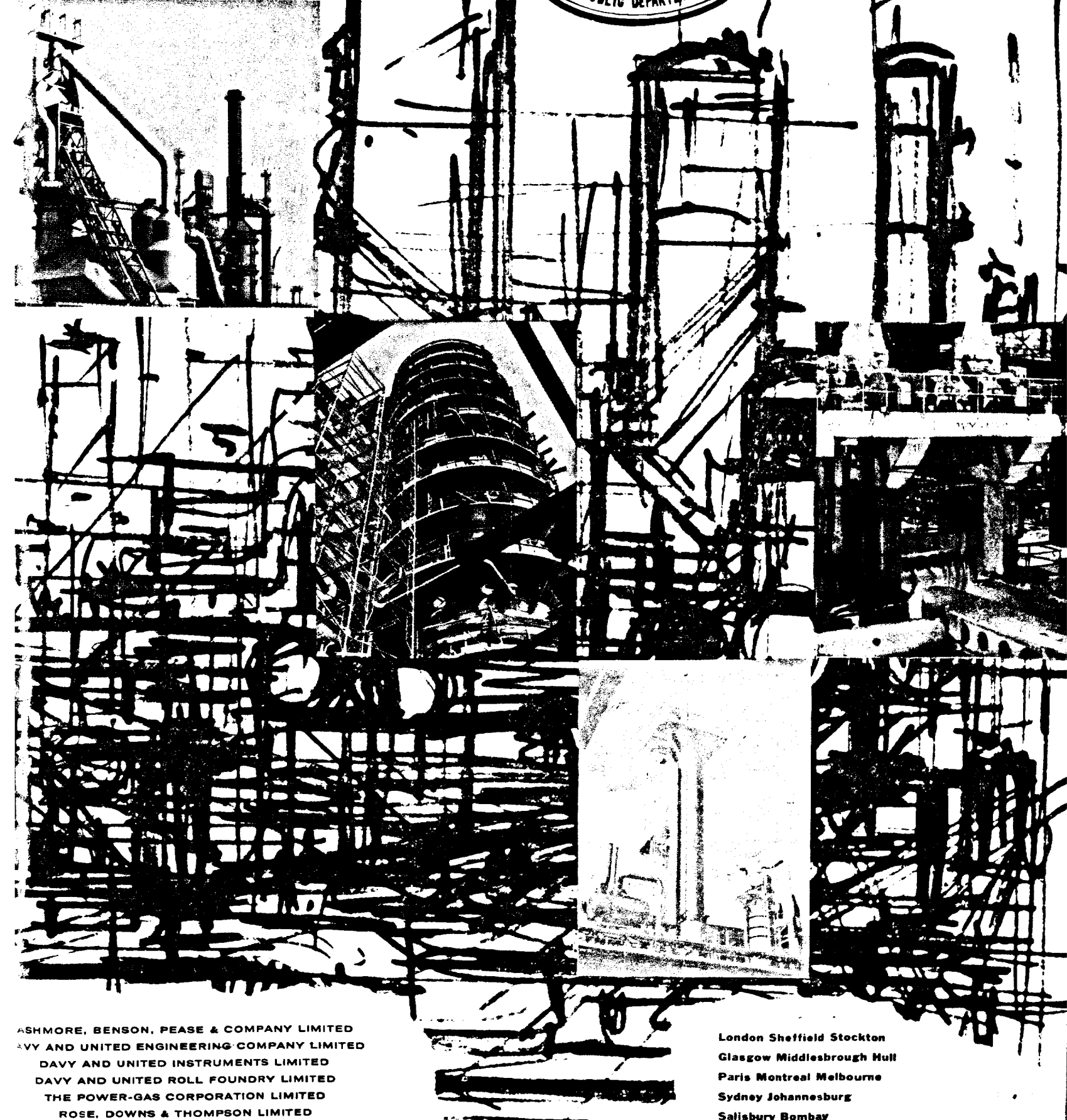
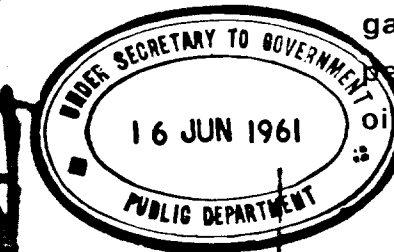
The British aircraft industry has diversified much more than the French; many of the 300,000 workers who the Ministry of Labour lists as employed on building aircraft are in fact making something very different. But what happens to the men who are genuinely building aircraft when present contracts expire? The tendency towards the concentration of production into fewer hands, and those mainly American, cannot be ignored.

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### SHORTER NOTES

Last winter the airlines had outstanding success with a special 17-day excursion ticket of £125 return to New York on jets and £114 on propeller aircraft—the first time that air fares had undercut sea fares. The shipping companies now propose winter excursion return fares of their own, from £98 to £105.

The Department of Scientific and Industrial Research is to contribute £77,000 towards a new laboratory for plastics, on the understanding that the industry itself will raise £120,000 a year for the next three years. The rubber industry, which has been spending between £140,000 and £150,000 a year on research, with £37,000 contributed by DSIR, is joining forces with the plastics industry to run the new laboratories.

Mr Butlin's shareholders should now be as happy as his campers: pre-tax profits of Butlin's in 1960 jumped from £1,156,000 to £1,759,000 and the ordinary dividend has been raised from 50 to 80 per cent. There is also to be a one-for-one scrip issue.

Faced with opposition from BEA and BOAC, Cunard-Eagle and British United Airways have mutually agreed on the routes for which each will seek permission from the Air Transport Licensing Board to fly. Mr J. J. Taylor appointed as deputy chairman of the board, has run the Workers' Travel Association for many years and served on the old Air Transport Advisory Council, the precursor of the Licensing Board.

The Independent Television Authority has now completed its network with the appointment of a television company for Wales, the fifteenth to be given a licence by the ITA. Programmes are expected to start at the end of 1962. The ITA's charter expires in 1964.

Horlicks has improved on its earlier bid for Burt Boulton which was resisted by the directors. The new offer of 1½ Horlicks plus 22s. 6d. values the Burt shares at 79s. 6d. against the previous offer of 1¼ shares plus 20s., worth 71s. If the revised bid is successful Horlicks' ordinary capital would be increased by 34 per cent.

Spot tin rose to £880 a ton in London this week. The International Tin Council's buffer stock manager is instructed to sell at this price. The chairman of the ITC has denied that a change in this "ceiling" was discussed at the recent meeting in London.

City Centre Properties and Imperial Tobacco pension fund have formed a new company for the purpose of "co-operating on property development." London Assurance has acquired a substantial interest in the Peachey Group as a result of its purchase together with Mr Eric Miller, the deputy managing director of Peachey, of the 3 million 2s. shares formerly held by the late Mr C. W. Hutley, the former chairman of Peachey.

The volume of leather footwear production in the first quarter of 1961 was 129 (1954=100) compared with 128 in the corresponding three months of 1960. In the December quarter, output was 6 per cent higher than a year ago.

### COMPANY MEETINGS

This week, start on  
Page 1160

dividends and reduces the cover to 1.9 times. The sharp fall in profits, however, more than offset satisfaction with the dividend and the £1 shares fell back on Thursday by 2s. 1½d. to 41s. 3d., to yield 4.8 per cent.

### Metal Box

PRE-PACKAGING of goods before they are displayed on the shelves of the supermarkets and other retail stores has in the past led to a very sharp advance in the sales and trading profits of the Metal Box group. In the last decade the emphasis has been on markets at home but the company has also paid a great deal of attention to building up trade abroad, not so much through exports as through the establishment of local manufacturing facilities. The value of this policy has now been clearly demonstrated, for while domestic sales in 1960 showed their smallest increase for many years, despite the adverse effect of the 1959 printing strike on the previous year's turnover, overseas sales showed by far their biggest increase, rising from £20.7 million to £26.2 million.

The dividend has been maintained at the forecast 12 per cent on the capital as increased by last July's one for ten scrip issue, representing an effective increase of 1.1 per cent; the new shares resulting from the one for six rights issue last December rank for the final of 7 per cent. At the time of this issue, shareholders were warned not to

## COMPANY AFFAIRS

### Courtaulds Profits Slide

WHEN Courtaulds half-yearly figures were announced in November the directors said that profits for the full year might not reach the 1959-60 total of £21 million. In fact, despite higher sales in the year to March 31st, they fell by 11 per cent to £18.7 million; this understates the full setback in profits for as the table shows the previous year's figures did not include any profits from Pinchin Johnson. But its first year in the Courtaulds group has not been a happy one for Pinchin Johnson and its profits were substantially lower following a fall in demand for paint from two of its main customers, the domestic appliance and the motor car industries which were both hit by credit restrictions.

Sales of viscose staple also fell away late in 1960, reflecting presumably a lower demand for tyre cord as a result of the recession in the motor industry. Nor do results from overseas operations give much cause for satisfaction: rising costs and lower prices in export markets have cut margins while

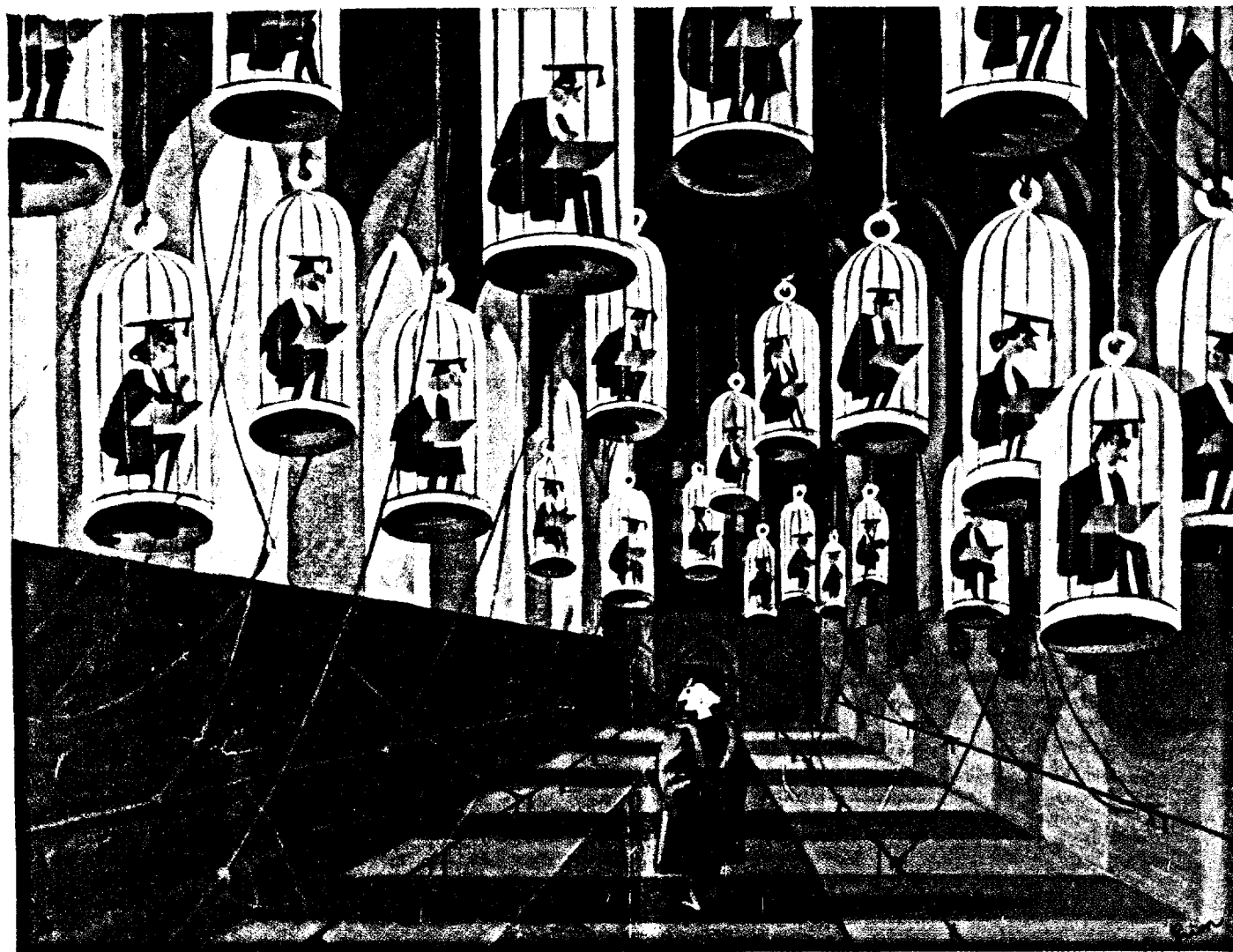
there is as yet no sign of any improvement in trading conditions in North America, where intense competition was cited as the main reason for the disappointing interim results in November.

| Six months ending | Sept. 30, 1959* | Sept. 30, 1960* | Sept. 30, 1960 | Sept. 30, 1961 |
|-------------------|-----------------|-----------------|----------------|----------------|
| Gross profit..... | £'000s 9,154    | £'000s 11,890   | £'000s 9,569   | £'000s 9,128   |
| Tax .....         | 4,036           | 5,141           | 4,199          | 4,036          |
| Net profit .....  | 4,803           | 6,415           | 5,024          | 4,798          |

\*Pinchin Johnson's profits not included

Despite this somewhat sombre picture, relieved only by the news that fibres such as Courtele and Tricel have made further headway, and the not very reassuring statement that the pattern of trading in the current year shows no marked change, the directors have fulfilled the stock market's expectations by rounding up the ordinary dividend from the equivalent of 9½ to 10 per cent. This seemingly small adjustment absorbs however another £711,000 net in





## The University of Schweppshire

EXAMINATION PAPER IX · CRITICISM OF CLASSICS

Comment on the comments on the following (Queen Vera XII pt. 16. Act IV sc.ii):

Another part of the ante-room. Re-enter<sup>1</sup> Purley & Staines.

SURB: How fare's Your Grace?

VER: I owe but meagre<sup>2</sup> fortune of my breath.

My Lord of Surbiton—

SURB: Most royal Queen

If I may be but cushion to your woes.<sup>3</sup>

Then were my woe less woeful by this hap.

VER: The half of Plumstead be thy dower.

<sup>1</sup> Re-enter] Jones and Lipmann suggest *exeunt*.

<sup>2</sup> meagre] meagre'd Pope meagred Pooper meagrest Popft.

<sup>3</sup> breath] death Q9 broth Ff bath Zimmerly.

237. *How fares*] This surely suggests something more than the conventional greeting of the courtier to his monarch. There is something of genuine anxiety here—of urgency, even—in the brevity of the half line.

240. *Cushion*] The local belief in the efficacy as a health charm of Pigeon's Pincushion (*Plata malodorata*) colours this metaphor. See Emily Rice, *Plant Galls and Willow Pests*, p. 514.

241. *Woe less woeful*] An expression of hypothetical relief depending on wishes fulfilled. Cf. Messingham *Miseries of a Surreptitious Marriage* V ii "Peace as peaceful". Chipman *Tis Lucky She's from Ticester* IV iii "Woe". Cf. cp.

242. *Dower*] An anachronism. Feudal half-dowers in *donando* were instituted in 1174. Notice the characteristic carefulness, mixed with generosity, of the Queen's insistence on "half".

Written by Stephen Potter; designed by George Hint

SCHWEPPERESCE LASTS THE WHOLE DRINK THROUGH

## THE ECONOMIST JUNE 10, 1961

expect an increase in profits similar to that scored in the first half of the financial year.

| Six months to        | Sept. 1959 | Mar. 1960 | Sept. 1960 | Mar. 1961 |
|----------------------|------------|-----------|------------|-----------|
|                      | £'000      | £'000     | £'000      | £'000     |
| Sales:—              |            |           |            |           |
| Home .....           | 29,895     | 31,992    | 33,019     | 32,710    |
| Overseas .....       | 9,126      | 11,392    | 11,625     | 14,564    |
| Total .....          | 39,021     | 43,384    | 44,644     | 47,274    |
| Gross profit:—       |            |           |            |           |
| Home .....           | 2,830      | 3,188     | 3,300      | 2,664     |
| Overseas .....       | 1,005      | 1,294     | 1,357      | 1,590     |
| Total .....          | 3,835      | 4,482     | 4,657      | 4,254     |
| Tax .....            | 1,574      | 1,796     | 1,995      | 1,585     |
| Net profit .....     | 1,837      | 2,165     | 2,158      | 2,110     |
| Gross profit/sales % | 9.8        | 10.3      | 10.4       | 9.6       |
| Net profit/sales %   | 4.7        | 5.0       | 4.8        | 4.5       |

In fact the preliminary statement now shows that profits were lower in the six months to March 31st than in the previous six months and in the case of the home group they were smaller than those earned in the corresponding period of 1959-60. Lower profit margins at home are cited as the reason for this fall. Presumably current profits lie under the same shadow, though eventually the large sums being spent on capital account should lead to some improvement. In the short run the prospects for further expansion would seem to lie much more with the overseas group than in the past but as the table shows, its gross profits have risen by 50 per cent in the last eighteen months and it must at least be questioned whether this rate of expansion can be maintained for long. The shares have risen by 2s. this week. At 89s. 6d. they are still some way below their earlier peak of over 100s. but even so they yield only 2.7 per cent, 2½ times covered.

## Firth Cleveland

Two giants among industrial holding companies, Sears Holdings and Thomas Tilling, have recently presented reports which set out in plenty of detail their activities and a breakdown of profits. This week's report from Firth Cleveland, which has expanded rapidly in the last few years and which cannot be ranked far behind the two giants in the industrial holding world, falls short of these standards. It gives a full list of the companies engaged in such diverse activities as engineering, electronics, steel, lead and the retailing of radios, television sets, other electric appliances and furniture. But it does not break profits down, nor does it show how much the 300 odd shops in the Broadmead electrical retail group, the Solartron Electronic group (in which a 53.3 per cent. interest was acquired) and the Rotherham steel makers, J. J. Habershon, contributed. Their results were consolidated into the accounts for the first time last year and must have made an important contribution to the rise in trading profits from £2.4 million to £3.8 million and in net profits from £1.3 million to £1.7 million. All that the directors indicate is that the contribution from Solartron was negligible though apparently it made some contribution to the rise in turnover from £21½ million to £36 million. It would be interesting to

## COMPANY AFFAIRS

know exactly how far the acquisition of Solartron has been responsible for the fall in the group's profit margin on all sales from 10 to 8½ per cent.

The balance sheet, too, is not without its mysteries. At the beginning of 1960, deferred profits on hire purchase sales according to the chairman, Mr Charles Hayward, amounted to £3½ million. He now says that the debts outstanding on HP contracts are less than they were; the balance sheet shows an increase in this item of £800,000 to £1,900,000, but the figures for 1959 did not include the accounts of Broadmead. Amounts receivable under credit sales, virtually a new item in the accounts, amounted to £700,000 at the end of last year, and these sales together with a rise in the rental business partially offset a fall in HP sales.

In his speech a year ago Mr Hayward spoke of a "redeployment of assets" to finance the £3.9 million in cash needed to meet part of the payments for Broadmead and Solartron, but it is not clear from the latest accounts how far the redeployment has gone. Fixed assets have more than doubled to £6.4 million. Bank overdrafts stood at £1.8 million at the end of the year; capital commitments amounted to £713,000; and, in addition, a loan of £300,000 in respect of J. J. Habershon has to be repaid to ISHRA before the end of September. Not surprisingly the directors are now planning to raise fresh capital. Apparently it will be in the form of preference rather than ordinary shares. Presumably, a rights issue of ordinary shares is ruled out because £2.1 million of Founders' shares will rank for the ordinary dividend from this year and because the ordinary capital may be increased still further as a result of Firth Cleveland's undertaking to offer shares or cash for the big minority holding in Solartron. In the past two years only 39 per cent of the issued capital has ranked for dividend. The ordinary dividend has been raised from 27½

to 32 per cent. This payment would be covered only 1.8 times on the full capital and with an issue of preference shares also in prospect, shareholders must wonder how big the dividend will be on shares which though they are 6s. below their peak at the present price of 32s. yield just over 4 per cent.

## Whitbread

WHILE other brewers have built up their empires by mergers and take-overs Whitbread has remained the odd man out, content to secure outlets by taking a minority interest in smaller breweries. It seems likely to remain so for some time to come, as the chairman, Colonel Whitbread, says that the existing family control of the business will continue for at least another generation. So far the group has stood up well to the challenge of the merging giants. Last year, Whitbread's sales were buoyant: Whitbread Pale Ale sold well in the face of more competition from lager; sales of Mackeson stout, having suffered a setback in 1959, again expanded rapidly; and Colonel Whitbread says that he and his fellow directors have been astounded by the popularity of "Tankard," a draught beer served under pressure.

| Years to December 31         | 1959   | 1960   |
|------------------------------|--------|--------|
|                              | £'000s | £'000s |
| Trading profit .....         | 3,091  | 3,662  |
| Investment income .....      | 453    | 136    |
| Depreciation .....           | 559    | 636    |
| Gross profit .....           | 2,595  | 2,861  |
| Taxation .....               | 1,218  | 1,365  |
| Net profit .....             | 1,377  | 1,496  |
| Ordinary dividend .....      | 706    | 762    |
| Ordinary dividend (per cent) | 25     | 27     |

The balance sheet reflects the result of Whitbread's sale of shares in associate companies to the Whitbread Investment Company. This brought in over £2½ million and holdings of government securities rose from £1.7 to £3.1 million. Having bought substantial minority holdings in other breweries which give it a say in the management, an outlet for its own beers and blocked

## Shareholders' Mecca

THE awnings were up and the red carpet down at the Locarno Dance Hall in Streatham to greet the shareholders, voting and non-voting alike, of Mecca Limited on Tuesday. More than 500 of them turned up, attracted more perhaps by the promise of a lunch than by the formalities of an annual general meeting. The formalities were duly observed, but the embellishments of a modern dance hall gave the meeting a cheerful and informal air. A number of the directors explained to shareholders the precise part they played in the organisation—whether it was to do with banquets, ballrooms, beauty competitions, bingo or the more sedate business of building. The statistics came thick and fast: 60 million people through Mecca's doors each year; 300,000 dancers and 50,000 bingo players each week; and 3,500 private functions

last year. From them and a film of Mecca's activities, shareholders could build up a picture of a thriving and expanding group.

To some tastes, the proceedings may appear to have been a touch extrovert. But it is upon bustle that the organisation depends and shareholders have no reason to complain about the growth in profits from under £500,000 in 1956 to nearly £820,000 in 1960. They should grow again this year; so far they have shown a "consistently favourable increase" and looking further ahead the conversion, costing £1 million, of the old Empire in Leicester Square into a dance hall and cinema will soon be under way. On the dividend of 20 per cent the 5s. shares yield only 2½ per cent and the earnings yield is only 2½ per cent. Clearly investors believe that showmanship will pay bigger dividends.

take-overs—Whitbread sold many of these interests to the investment company and now Colonel Whitbread says that further sales will be made. He does not say whether Whitbread will make any further purchases, though clearly it has sufficient funds to do so. The £1 Ordinary "A" shares at 129s. yield 4.2 per cent, covered 1.8 times; this reflects some of Colonel Whitbread's confidence that the group's sales will continue to rise so long as incomes remain buoyant.

### Watney Mann

BREWERY shares in the last few months have been pushed up to high levels in, to quote Colonel Whitbread, a "fever of short term speculation" but the half yearly results from Watney Mann this week were well above expectations. Adjusted to include for both periods profits of recent acquisitions, including Phipps, Usher and Wilson and Walker, Watney's trading profit for the six months to the end of March rose by 28 per cent over the comparable period in 1959-60 to £3.4 million. Since then sales, particularly of "Red Barrel," have remained high so that the directors confidently forecast increased profits for the full year despite a rise in costs; the extent of the increase, they add, will largely depend on the weather in the summer. If, however, a net profit of £1.7 million is again earned in the second half of the financial year ordinary earnings will work out at about 34 per cent so that while the interim dividend has been left unchanged at 6 per cent a total payment of 20 per cent, against 18 per cent, seems quite possible. On this assumption the yield on the £1 ordinary shares would be 4½ per cent.

### Pressure on Margins

WARNINGS about profit margins are now coming thick and fast from practically every side of British industry. A few weeks ago the stock market shrugged similar warnings off. Now it pays them the closest of attention. One which caused a big stir in the market last week came from Sir Eric Bowater in his speech to the shareholders of Bowater Paper.

Having described 1960 as "an exhilarating year" for the group with new records being established in production, sales and earnings, he went on to say that profit margins in the newsprint and packaging industries had been brought down by competition and that rising costs are now adding to the pressure on margins. As a result though Bowater Paper's sales have risen, so far this year profits have not matched those in the corresponding period of 1959. Sir Eric said that he believed the leeway would be made good and that trading profits in the full year would match those earned in 1960. This is comforting but it is not "growth" as more optimistic investors have defined the word.

Another leading company where no appre-

### British Oxygen

Five months ago Mr J. S. Hutchinson warned of lower margins on home sales and the interim report from British Oxygen fully bears out this forecast for although sales rose from £29.5 million to £30.7 million in the six months to March 31st, trading profits after depreciation fell from £4,951,000 to £4,651,000. What is surprising is the small increase in sales, for the chairman painted a cheerful picture in January of expanding demand both at home and overseas. The group's spending on capital account is reflected in the sharply lower tax charge of £2,015,000, against £2,400,000, which has left net profits £89,000 higher at £2,308,000. The interim dividend has been effectively maintained at 4 per cent after a two for five scrip issue and shareholders would be unwise to look for anything more than the rounding up of the final payment from the equivalent of 6½ per cent to 7 per cent. On that basis the 5s. shares at 21s. 7½d. yield 2½ per cent.

### Steel Results

FOLLOWING a warning about profit margins last week by the chairman of Stewarts and Lloyds, steel shares fell to their lowest point this year. They have rallied a little this week partly in response to statements issued by Colvilles and Consett Iron. Unlike the other steel companies Consett Iron ends its financial year on March 31st and in the latest year its trading profits rose by 28 per cent, from £3.9 million to £5 million; an increase of nearly £100,000 to £1.6 million in depreciation and an interest charge more than doubled to £951,000 left its profit before tax 24 per

cent higher at £2.5 million. The ordinary dividend has been raised from 8½ to 9½ per cent but as further large investment allowances kept the tax charge down, its cover is unchanged at 3½ times. The big cover reflects the heavy demands made on Consett's resources by its capital expansion programme while the satisfactory results reflect Consett's efforts to widen the range of its products so as to reduce its dependence on the custom of the shipbuilding industry.

Another chairman to expect not much more than trading results comparable with those of earlier years was Sir Halford Reddish of Rugby Portland Cement. The mild weather early this year was reflected in an increase in the demand for cement and Sir Halford thought that consumption of cement at home would be higher this year than it was in 1960; but he said shareholders should not hope for any "glittering or dramatic increase in profits, for costs are still rising." This statement can easily be applied to many more sectors of British industry than cement.

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#### STEEL DIVIDENDS

|                   | In-<br>term | Final | In-<br>term | Price | Yield |
|-------------------|-------------|-------|-------------|-------|-------|
| Colvilles .....   | 6           | 10    | 6           | 75/-  | 4.3   |
| Lancashire Steel  | 3½          | 7½    | 3½          | 43/3  | 5.0   |
| Stewarts & Lloyds | 3           | 12    | 5*          | 49/9  | 6.0   |
| John Summers ..   | 6           | 9     | 6           | 56/9  | 5.3   |

|                  | In-<br>term | Final | In-<br>term | Price | Yield |
|------------------|-------------|-------|-------------|-------|-------|
| Consett Iron.... | 5½          | 3     | 6½          | 29/6  | 6.0   |

\* Increased to reduce the disparity between the interim and final payments.

The warning by the chairman of Colvilles, Sir Andrew McCance, in January that increases in the cost of coal and in wages were not reflected in Colville's results for the year to September 30th have to be borne in mind by investors when they compare the small rise in trading profits from £7.9 million to £8.2 million in the six months to March 31st with the rise of 11½ per cent in steel output to 1,150,000 tons. A sharp fall in the tax charge of over £600,000 to £2,000,000 has left the net profit 20 per cent higher at £4,900,000. On this basis earnings are now at annual rate of about 110 per cent, covering a dividend of 16 per cent seven times. The directors say that while there is a good prospect that "a reasonable level of operation" will be maintained the pressure of demand has slackened and output has had to be cut. In view of the group's commitments in building the Ravenscraig strip mill shareholders should not expect much in the way of an increase in dividend in the near future.

### De La Rue

THE full results from the De La Rue Group bear out fully the forecasts made by the directors in an interim statement in November. Then they reported that the demand for Formica, the group's main product, had fallen largely because the furniture trade had been badly hit by hire purchase restrictions. But they added the effect of this cutback in production was being offset by increased profits from Thomas de la Rue in printing and Thomas Potterton in the manufacture of gas and oil heaters. Formica companies abroad were also doing well while good progress was being made by the new French associate, Machines Bull. This is clearly shown in the breakdown of sales for the full year to April 1st. This reveals a slight fall in home sales but sharp advances both in exports and in sales by overseas companies which were sufficient to raise total sales from £17 million to £18½ million. But as forecast, these have been made at lower profit margins. Thus trading profits fell slightly from £2,148,000 to £2,130,000 but a sharp

increase in overseas tax from £291,000 to £398,000 has been more than offset by a lower tax charge in this country and a reduction in payments to minority shareholders—American Cyanamid has a 40 per cent interest in Formica. This has left net profits little changed at £761,000, against £731,000. Yet again as forecast, the directors have maintained the dividend at 22½ per cent on the capital as increased by a one for four scrip issue. At 6s. 6d. the 10s. shares yield 3.7 per cent.

### British and Commonwealth Shipping

FOR three years the profits of British and Commonwealth Shipping fell, touching their lowest point in 1959. Last year they began to sail out of the doldrums, rising before depreciation from £6,656,000 to £8,317,000. The main reason for this improvement was a rise in the volume of traffic. The actual increase was small but it was sufficient to make an appreciable difference to margins and to offset the effect of the dock strikes. Freight rates did not improve but the higher passenger fares in operation throughout the year probably added to revenue. The company's new liners also made their contribution with the *Pendennis Castle* operating for the whole of 1960 and the *Windsor Castle* for the last five months. But expensive new liners mean higher depreciation charges and the provision for depreciation against ships rose last year. The group's aviation interests, however, now rank as trade investments following the formation of British United Airways and this means that big depreciation provisions for aircraft are no longer included in the accounts. As a result the total depreciation charge last year fell from £4,493,000 to £4,256,000 and gross profits after this charge rose from £2,163,000 to £4,061,000. The ordinary dividend has again been left unchanged at 20 per cent but the stock market was pleased and pleasantly surprised by the rise in profits and the 10s. shares rose to 38s. to yield 5.3 per cent.

### J. Lyons

PROFIT margins earned in the food and catering business are narrow: though J. Lyons' sales rose again, increased wages and raw material costs led to a fall of 25 per cent in its gross profits, from £3,456,000 to £2,539,000, in the year to March 31st. The directors admit that the rise in turnover was disappointing and their reference to the poor summer last year suggests that, in particular, ice cream sales did not come up to expectations.

The ordinary dividend has been maintained at 15½ per cent, though the earnings cover on it has fallen from 2 to 1.3 times. This is the second time in three years that Lyons has experienced a sharp setback in profits and it would appear that its business in food is especially vulnerable. In its other traditional field of business, hotels, Lyons has now to compete with some

sturdy newcomers and it is not surprising that it has just carried through an extensive and rapid conversion of the Strand Palace Hotel, designed to bring it more in line with the standards now demanded of modern hotels. The stock market, however, is not completely satisfied at the progress that the group as a whole is making and after the full report was published the "A" shares were marked down to 87s., to yield 3.6 per cent.

### John Thompson

LAST July Sir Edward Thompson, the chairman of John Thompson, said that it would be incorrect to regard the losses on nuclear work as normal trading losses. This may be so, but the shareholders have felt the full impact of these losses. The interim dividend was reduced from 7½ to 5 per cent last September and now the final dividend, which amounted to 12½ per cent in 1959, has been passed. The group's trading profits fell last year from £1,332,000 to £994,000, their lowest figure for over a decade, and a net loss of £1,777,000 has replaced the net profit of £324,000 in 1959. The provision of £1.7 million against exceptional losses incurred on the Berkeley power station contract by the AEI-John Thompson nuclear energy company is the principal cause for the slump in earnings but other provisions have absorbed another £500,000. Presumably, all the nuclear power losses have been absorbed and it is possible that with the order book in a "very healthy state" there will be a sharp recovery in profits this year. But the stock market, having learnt the lesson of the earlier atomic power boom, is not excited by the prospect, and marked the 5s. ordinary shares down by 1s. to 15s.

### Elliott-Automation

AMONG the fashionable electronic shares, Elliott-Automation at 35s. yields only 1.9 per cent on a dividend of 13 per cent, covered just under twice by earnings. The price is high—too high some investors would say. So far the company has done well: last year its sales rose by 25 per cent, from £16 million to £20 million, and its profits, excluding those from new subsidiaries, rose by almost the same proportion, from £1,016,000 to £1,256,000. The acquisition of the Rheostatic Company added another £52,000 to gross profits.

Mr Rudolph de Trafford, the chairman, says that profits will improve again this year, and the group appears to be well poised for further expansion, having concluded agreements with American firms dealing with machine tool control systems, airborne computers and microwave valves. Mr de Trafford says that the group should begin to reap the benefit of its long preparatory work in the near future. This is obviously what investors are discounting. In doing so, however, they may have exaggerated the pace at which industry will adopt automation systems and underestimated the degree of competition within the electronic industry itself.

### London Stock Exchange

|                 |        |         |         |
|-----------------|--------|---------|---------|
| FIRST DEALINGS: | May 8  | May 29  | June 12 |
| LAST DEALINGS:  | May 26 | June 9  | June 23 |
| ACCOUNT DAY:    | June 6 | June 20 | July 4  |

THE stock market continues to reflect the uncertainty voiced by several company chairman recently. Before the week end the falls in equity prices were the sharpest for six months; the warnings from the chairman of Bowater Paper that profit margins were under heavy pressure brought many small sellers into the market and jobbers were reluctant to take more stock on to their books, so that prices were generally marked down. Last Thursday and Friday the *Financial Times* ordinary index lost 9½ points to 342. After the week end the sellers fell and relatively small public investment buying helped to raise prices, though institutional buyers were still holding off. This recovery was almost strong enough to counter the previous heavy falls, and over the week to Wednesday *The Economist* indicator fell by only two points to 410.7, exactly the same point at which it stood at the beginning of April.

Selling of gilt-edged stocks pushed prices down, and though prices steadied momentarily after the week end, on Wednesday and Thursday, reflecting the fall in sterling, prices dropped quite sharply; by the close on Wednesday the *Financial Times* index of government securities was at a new low point of 77.11. Treasury 5½ per cent 1962 fell by ½ to 101½ and Treasury 5½ per cent 2008-12 losing ¼ to a new low of 90½. The irredeemables also touched new low points: 2½ per cent Consols lost ½ to 40½ and 3½ per cent War Loan ½ to 55.

Most sections of the equity market sustained heavy falls before the week end, but some of these were counterbalanced later. Bank shares, for example, showed net gains after early losses: Barclays rose by 6d. to 89s. and Lloyds by 4s. to 75s. 6d. Investment demand brought some increases in insurance share prices, with Legal and General gaining ½ to 361. But the improvement after the week end was not enough to offset the earlier falls in engineering shares, where the statement of the Vickers chairman added to fears of narrowing margins in the industry. Vickers lost 1s. 4½d. to 37s. and Metal Box 4s. 6d. to 89s. 6d. Among store shares Debenhams lost some of its recent gain, falling 1s. 10½d. to 72s., but British Home Stores gained 9d. to 22s. 6d. while Radio Rentals rose by 3s. 7½d. to 30s. 3d.

Newspaper shares were a busy market as rumours of a bid for Associated circulated: Associated Newspapers rose from 27s. to 29s. 3d., having touched 30s., and though Thomson Newspapers denied it was thinking of a bid its shares fell back 6d. to 30s. Among hotel and catering shares, J. Lyons fell after the disappointing results, but Mecca gained 2s. 3d. to 45s. after the annual meeting. Tobacco shares rose after the announcement of retail price increases by Imperial Tobacco, with "Imps" rising to 68s. 3d.



# YORK STOCKS

[illegible]

| The Economist Indicator (1953=100) |           |         |      |  |      |     | THE ACTUARIES' INVESTMENT INDEX<br>(December 31, 1957=100) |                |                         |              |                |              |  |
|------------------------------------|-----------|---------|------|--|------|-----|------------------------------------------------------------|----------------|-------------------------|--------------|----------------|--------------|--|
| 1961                               | Indicator | Yield % | 1961 |  |      |     | Price Index                                                |                | Average Yield per cent. |              |                |              |  |
|                                    |           |         |      |  | High | Low | May 31, 1960                                               | April 25, 1961 | May 30, 1961            | May 31, 1960 | April 25, 1961 | May 30, 1961 |  |
| May                                | 3         | 426.4   | 4.25 |  |      |     |                                                            |                |                         |              |                |              |  |
| "                                  | 10        | 427.2   | 4.28 |  |      |     |                                                            |                |                         |              |                |              |  |
| "                                  | 17        | 426.9   | 4.31 |  |      |     |                                                            |                |                         |              |                |              |  |
| "                                  | 24        | 421.1   | 4.36 |  |      |     |                                                            |                |                         |              |                |              |  |
| "                                  | 31        | 412.7   | 4.47 |  |      |     |                                                            |                |                         |              |                |              |  |
| June                               | 7         | 410.7   | 4.48 |  |      |     |                                                            |                |                         |              |                |              |  |

| Financial Times Indices |              |            |              |                    |                 |        | THE ACTUARIES' INVESTMENT INDEX<br>(December 31, 1957=100) |                |                         |              |                |              |  |
|-------------------------|--------------|------------|--------------|--------------------|-----------------|--------|------------------------------------------------------------|----------------|-------------------------|--------------|----------------|--------------|--|
| 1961                    | Ord. Index † | Ord. Yield | Fixed Int. ‡ | 2 1/2% Conv. Yield | Bargains Marked |        | Price Index                                                |                | Average Yield per cent. |              |                |              |  |
|                         |              |            |              |                    |                 |        | May 31, 1960                                               | April 25, 1961 | May 30, 1961            | May 31, 1960 | April 25, 1961 | May 30, 1961 |  |
| June                    | 1            | 344.1      | 4.53         | 85.83              | 6.13            | 15,614 |                                                            |                |                         |              |                |              |  |
| "                       | 2            | 342.0      | 4.55         | 85.80              | 6.14            | 16,529 |                                                            |                |                         |              |                |              |  |
| "                       | 5            | 345.4      | 4.51         | 85.78              | 6.14            | 17,844 |                                                            |                |                         |              |                |              |  |
| "                       | 6            | 348.3      | 4.47         | 85.71              | 6.16            | 15,746 |                                                            |                |                         |              |                |              |  |
| "                       | 7            | 348.8      | 4.47         | 85.71              | 6.16            | 15,310 |                                                            |                |                         |              |                |              |  |

High, 365.7 (May 15). Low, 305.9 (Jan. 3).  
† July 1, 1935=100      ‡ 1938=100

Yields based on assumed dividends:—A.C.W., 16%; Calico Printers, 20%; Chartered Bank, 15%; City & Centre Props., 25 1/2%; Coats, Patons & B., 12 1/2%; Daily Mirror, 15%;  
Day-Ashmore, 25%; Disasters, 15%; Glaxo, 15%; Guinness, 22%; Hawker Siddeley, 10 1/2%; Ind. Coops. T.A., 12 1/2% on merger terms; Lloyds Bank, 10 1/2%; London Tin, 70%;  
Midland Bank, 15%; Calculated on the ex-a-pri price. Rank Organisation, 22 1/2%; Thomson Pref'd. Ord., 45%; Trench, 70%; United Steel, 15 1/2%.

## Money and Exchanges

## EXCHEQUER RETURNS

For the week ended June 3, 1961, there was an "above-line" deficit (after allowing for sinking funds) of £10,005,000 compared with a deficit of £42,633,000 in the previous week and a deficit of £31,234,000 in the corresponding period of last year. There was a net expenditure "below-line" of £25,484,000 leaving a total cumulative deficit to date of £116,879,000 compared with £135,526,000 in 1960-61.

| £'000                                                        | Estimate 1961-62 | April 1, 1960, to June 4, 1960 | April 1, 1961, to June 3, 1961 | Week ended June 4, 1960 | Week ended June 3, 1961 |
|--------------------------------------------------------------|------------------|--------------------------------|--------------------------------|-------------------------|-------------------------|
| <b>Ordinary Revenue</b>                                      |                  |                                |                                |                         |                         |
| Income Tax.....                                              | 2,728,500        | 220,961                        | 255,331                        | 27,203                  | 37,392                  |
| Surplus.....                                                 | 210,000          | 20,100                         | 23,400                         | 1,700                   | 1,700                   |
| Death Duties.....                                            | 240,000          | 42,900                         | 50,100                         | 5,600                   | 4,300                   |
| Stamps.....                                                  | 94,000           | 16,900                         | 19,000                         | 1,900                   | 1,700                   |
| Profits tax, EPT and EPL.....                                | 325,500          | 34,600                         | 39,600                         | 4,500                   | 5,600                   |
| Other Inland Rev. Duties.....                                | ...              | ...                            | ...                            | ...                     | ...                     |
| <b>Total Inland Rev.</b>                                     | <b>3,598,000</b> | <b>335,461</b>                 | <b>387,431</b>                 | <b>40,903</b>           | <b>50,692</b>           |
| Customs.....                                                 | 1,550,000        | 264,543                        | 277,296                        | 25,949                  | 29,755                  |
| Excise.....                                                  | 960,000          | 195,100                        | 186,885                        | 15,320                  | 15,990                  |
| <b>Total Customs and Excise.....</b>                         | <b>2,510,000</b> | <b>459,643</b>                 | <b>464,181</b>                 | <b>41,269</b>           | <b>45,745</b>           |
| Motor Duties.....                                            | 155,000          | 13,840                         | 9,853                          | 1,330                   | 1,979                   |
| PO (Net Receipts).....                                       | 6,900            | ...                            | ...                            | 2,500                   | ...                     |
| Broadcast Lic. Sundry Loans.....                             | 40,000           | 4,600                          | 5,000                          | ...                     | ...                     |
| Miscellaneous.....                                           | 205,000          | 10,999                         | 8,964                          | 7,391                   | 3,553                   |
| <b>Total.....</b>                                            | <b>6,508,000</b> | <b>855,902</b>                 | <b>950,848</b>                 | <b>97,357</b>           | <b>101,949</b>          |
| <b>Ordinary Expenditure</b>                                  |                  |                                |                                |                         |                         |
| Debt Interest.....                                           | 660,000          | 127,145                        | 136,916                        | 33,924                  | 32,467                  |
| Payments to N. Ireland Exch. PO Fund—Initial settlement..... | 92,000           | 16,880                         | 13,162                         | 5,142                   | ...                     |
| Other Consol. Other Funds.....                               | 15,000           | ...                            | ...                            | ...                     | ...                     |
| Supply Services.....                                         | 8,000            | 1,109                          | 1,092                          | 25                      | 25                      |
| <b>Total.....</b>                                            | <b>5,186,902</b> | <b>787,946</b>                 | <b>852,286</b>                 | <b>88,120</b>           | <b>78,702</b>           |
| <b>Total.....</b>                                            | <b>5,961,902</b> | <b>933,080</b>                 | <b>1,003,456</b>               | <b>127,111</b>          | <b>111,194</b>          |
| <b>Sinking Funds.....</b>                                    | <b>40,000</b>    | <b>5,321</b>                   | <b>4,650</b>                   | <b>1,380</b>            | <b>780</b>              |
| <b>"Above-line" Surplus or Deficit.....</b>                  | <b>...</b>       | <b>82,499</b>                  | <b>57,258</b>                  | <b>31,234</b>           | <b>10,005</b>           |
| <b>"Below-line" Net Expenditure.....</b>                     | <b>...</b>       | <b>53,027</b>                  | <b>59,621</b>                  | <b>27,524</b>           | <b>25,484</b>           |
| <b>Total Surplus or Deficit.....</b>                         | <b>...</b>       | <b>135,526</b>                 | <b>116,879</b>                 | <b>58,758</b>           | <b>35,489</b>           |
| <b>Net receipts from:</b>                                    |                  |                                |                                |                         |                         |
| Tax Reserve Certificates.....                                | 32,803           | 34,939                         | 13,716                         | 13,281                  | ...                     |
| Savings Certificates.....                                    | 17,200           | 4,400                          | 1,800                          | 400                     | ...                     |
| Defence Bonds.....                                           | 16,266           | 11,235                         | 1,170                          | 861                     | ...                     |
| Premium Savings Bonds.....                                   | 8,530            | 9,000                          | 1,230                          | 1,100                   | ...                     |
| <b>Total.....</b>                                            | <b>74,799</b>    | <b>50,774</b>                  | <b>17,916</b>                  | <b>14,842</b>           | <b>...</b>              |

\* Net receipts of the Civil Contingencies Fund of £4 million in 1961-62 compared with £2 million in 1960-61.

## FLOATING DEBT

(£ million)

|               | Treasury Bills | Ways and Means Advances | Bank of England | Total Floating Debt |
|---------------|----------------|-------------------------|-----------------|---------------------|
|               | Tender         | Tap                     | Public Dept.    |                     |
| <b>1960</b>   |                |                         |                 |                     |
| June 4        | 3,490.0        | 1,871.6                 | 227.0           | 5,588.6             |
| <b>1961</b>   |                |                         |                 |                     |
| Feb. 25       | 3,070.0        | 1,728.1                 | 175.1           | 4,973.2             |
| Mar. 4        | 3,060.0        | 1,696.1                 | 199.5           | 4,955.6             |
| " 11          | 3,060.0        | 1,603.3                 | 312.3           | 4,975.6             |
| " 18          | 3,080.0        | 1,595.9                 | 307.9           | 4,983.7             |
| " 25          | 3,100.0        | 1,606.0                 | 300.5           | 5,010.7             |
| " 31          | 4,648.1        | ...                     | ...             | 4,955.4             |
| <b>Apr. 8</b> | 3,110.0        | 1,599.2                 | 299.4           | 5,008.6             |
| " 15          | 3,130.0        | 1,928.2                 | 269.5           | 5,333.9             |
| " 22          | 3,140.0        | 1,911.3                 | 336.3           | 5,387.6             |
| " 29          | 3,110.0        | 1,993.1                 | 247.9           | 5,351.0             |
| <b>May 6</b>  | 3,130.0        | 1,887.3                 | 293.3           | 5,310.6             |
| " 13          | 3,160.0        | 1,893.0                 | 275.3           | 5,328.2             |
| " 20          | 3,180.0        | 1,839.1                 | 316.3           | 5,335.5             |
| " 27          | 3,210.0        | 1,843.3                 | 249.7           | 5,303.0             |
| <b>June 3</b> | 3,240.0        | 1,825.3                 | 258.5           | 5,323.8             |

## THE MONEY MARKET

THE syndicate of discount houses retained its agreed bid at £98 17s. 10d. for the third week at last Friday's Treasury bill tender, and the average rate of discount was virtually unchanged, rising by only 0.87d. per cent to £4 8s. 9.61d. per cent. With total applications falling quite sharply, by £20 million to £420 million, for the unchanged offer of bills of £270 million, the discount market received 61 per cent of its application, against 50 per cent the previous week.

For the third week running the market has balanced its books without calling on the Bank of England for assistance at the penal rate. After the turn of the month credit was in good supply in Lombard Street and rates for day to day money fell to the clearing banks' minimum of 3½ per cent. After the weekend, however, funds tended to dry up, and on Monday and Wednesday the authorities provided the market with a moderate amount of help by the special purchase of bills. Credit was tighter still on Tuesday and the authorities gave a very large amount of assistance.

In New York last week the three months bill rate rose from 2.438 per cent to 2.516 per cent.

## MONEY RATES

| LONDON                            |       |                    |         |
|-----------------------------------|-------|--------------------|---------|
| Bank rate (from 5½%, 8/12/60) ... | %     | Discount rates :   | %       |
|                                   | 5     | Bulk bills :       |         |
|                                   |       | 60 days .....      | 49½-45½ |
| Deposit rates (maximum) :         |       | 3 months .....     | 49½-45½ |
| Banks .....                       | 3     | 4 months .....     | 49½-45½ |
| Discount houses ...               | 3-3¼  | 6 months .....     | 49½-41½ |
|                                   |       | Fine trade bills : |         |
|                                   |       | 3 months .....     | 5½-6    |
| Money :                           |       | 4 months .....     | 5½-6    |
| Day-to-Day .....                  | 3½-4½ | 6 months .....     | 5½-6½   |
| NEW YORK                          |       |                    |         |
| Official Discount rate :          | %     | Treasury bills :   | %       |
| (from 3½%, 11/8/60)               | 3     | May 29 .....       | 2-438   |
|                                   |       | June 2 .....       | 2-540   |

## LONDON CLOSING EXCHANGE RATES AND GOLD PRICE

| Effective Limits                  | June 7        | June 1        | June 2        | June 3        | June 5        | June 6        | June 7        |
|-----------------------------------|---------------|---------------|---------------|---------------|---------------|---------------|---------------|
| <b>United States \$</b>           | 2.78-2.82     | 2.79-2.81     | 2.79-2.81     | 2.79-2.81     | 2.79-2.81     | 2.79-2.81     | 2.79-2.81     |
| Canadian \$                       | 13.622-14.027 | 13.671-14.076 | 13.671-14.076 | 13.671-14.076 | 13.671-14.076 | 13.671-14.076 | 13.671-14.076 |
| French Fr.                        | 11.94-12.54   | 12.08-12.68   | 12.07-12.67   | 12.07-12.67   | 12.07-12.67   | 12.07-12.67   | 12.07-12.67   |
| Swiss Fr.                         | 137.96        | 139.50        | 139.50        | 139.50        | 139.50        | 139.50        | 139.50        |
| Dutch Gld.                        | 9.99-10.29    | 10.02-10.32   | 10.02-10.32   | 10.02-10.32   | 10.02-10.32   | 10.02-10.32   | 10.02-10.32   |
| W. Ger. D-Mk.                     | 11.04-11.36   | 11.07-11.39   | 11.07-11.39   | 11.07-11.39   | 11.07-11.39   | 11.07-11.39   | 11.07-11.39   |
| Portug. Esc.                      | 79.00-82.00   | 80.15-83.15   | 80.15-83.15   | 80.15-83.15   | 80.15-83.15   | 80.15-83.15   | 80.15-83.15   |
| Italian Lire                      | 1725-1775     | 1731-1781     | 1731-1781     | 1731-1781     | 1731-1781     | 1731-1781     | 1731-1781     |
| Swedish Kr.                       | 14.27-14.70   | 14.40-14.83   | 14.40-14.83   | 14.40-14.83   | 14.40-14.83   | 14.40-14.83   | 14.40-14.83   |
| Danish Kr.                        | 19.06-19.62   | 19.33-19.89   | 19.33-19.89   | 19.33-19.89   | 19.33-19.89   | 19.33-19.89   | 19.33-19.89   |
| Norwegian Kr.                     | 19.71-20.30   | 19.99-20.58   | 19.99-20.58   | 19.99-20.58   | 19.99-20.58   | 19.99-20.58   | 19.99-20.58   |
| <b>One Month Forward Rates</b>    |               |               |               |               |               |               |               |
| United States \$                  | 1½-1½         | 1½-1½         | 1½-1½         | 1½-1½         | 1½-1½         | 1½-1½         | 1½-1½         |
| Canadian \$                       | 1½-1½         | 1½-1½         | 1½-1½         | 1½-1½         | 1½-1½         | 1½-1½         | 1½-1½         |
| French Fr.                        | 1½-1½         | 1½-1½         | 1½-1½         | 1½-1½         | 1½-1½         | 1½-1½         | 1½-1½         |
| Swiss Fr.                         | 1½-1½         | 1½-1½         | 1½-1½         | 1½-1½         | 1½-1½         | 1½-1½         | 1½-1½         |
| Belgian Fr.                       | 1½-1½         | 1½-1½         | 1½-1½         | 1½-1½         | 1½-1½         | 1½-1½         | 1½-1½         |
| Dutch Gld.                        | 1½-1½         | 1½-1½         | 1½-1½         | 1½-1½         | 1½-1½         | 1½-1½         | 1½-1½         |
| W. German D-Mk.                   | 1½-1½         | 1½-1½         | 1½-1½         | 1½-1½         | 1½-1½         | 1½-1½         | 1½-1½         |
| <b>Three Months Forward Rates</b> |               |               |               |               |               |               |               |
| United States \$                  | 1½-1½         | 1½-1½         | 1½-1½         | 1½-1½         | 1½-1½         | 1½-1½         | 1½-1½         |
| Canadian \$                       | 1½-1½         | 1½-1½         | 1½-1½         | 1½-1½         | 1½-1½         | 1½-1½         | 1½-1½         |
| French Fr.                        | 1½-1½         | 1½-1½         | 1½-1½         | 1½-1½         | 1½-1½         | 1½-1½         | 1½-1½         |
| Swiss Fr.                         | 1½-1½         | 1½-1½         | 1½-1½         | 1½-1½         | 1½-1½         | 1½-1½         | 1½-1½         |
| Belgian Fr.                       | 1½-1½         | 1½-1½         | 1½-1½         | 1½-1½         | 1½-1½         | 1½-1½         | 1½-1½         |
| Dutch Gld.                        | 1½-1½         | 1½-1½         | 1½-1½         | 1½-1½         | 1½-1½         | 1½-1½         | 1½-1½         |
| W. German D-Mk.                   | 1½-1½         | 1½-1½         | 1½-1½         | 1½-1½         | 1½-1½         | 1½-1½         | 1½-1½         |
| <b>Gold Price at Fixing</b>       |               |               |               |               |               |               |               |
| Price (\$ d. per fine oz.)        | 251.4         | 251.4         | 251.4         | 251.4         | 251.4         | 251.4         | 251.4         |
| (\$ .. .. .)                      | 35.07         | 35.07         | 35.07         | 35.07         | 35.07         | 35.07         | 35.07         |

## BANK OF ENGLAND RETURNS

| (£ million)                     | June 8, 1960 | May 31, 1961 | June 7, 1961 |
|---------------------------------|--------------|--------------|--------------|
| <b>Issue Department:</b>        |              |              |              |
| Notes in circulation.....       | 2,215.0      | 2,301.1      | 2,303.3      |
| Notes in banking dept.....      | 35.4         | 24.2         | 22.0         |
| Govt. debt and securities.....  | 2,247.2      | 2,323.5      | 2,323.5      |
| Other securities.....           | 0.8          | 0.8          | 0.7          |
| Gold coin and bullion.....      | 0.4          | 0.4          | 0.4          |
| Coin other than gold coin.....  | 2.0          | 0.8          | 0.8          |
| <b>Banking Department:</b>      |              |              |              |
| Deposits:                       |              |              |              |
| Public accounts.....            | 11.3         | 12.3         | 9.9          |
| Special deposits.....           | 54.9         | 152.9        | 153.7        |
| Bankers.....                    | 240.1        | 266.5        | 251.3        |
| Others.....                     | 64.8         | 77.9         | 75.9         |
| Total.....                      | 371.1        | 509.6        | 490.8        |
| Securities:                     |              |              |              |
| Government.....                 | 305.7        | 437.5        | 411.9        |
| Discounts and advances.....     | 28.7         | 47.0         | 56.0         |
| Other.....                      | 18.5         | 17.9         | 18.0         |
| Total.....                      | 353.0        | 502.4        | 485.9        |
| Banking department reserve..... | 36.1         | 25.1         | 22.9         |
| "Proportion".....               | 9.7          | 4.9          | 4.6          |

\* Government debt is £11,015,100, capital £14,553,000. Fiduciary issue increased by £25 million to £2,325 million on April 12th.

## TREASURY BILL TENDERS

| Date of Tender | Amount (£ million) |             | Three Months' Bills       |                       |
|----------------|--------------------|-------------|---------------------------|-----------------------|
|                | Offered            | Applied for | Average Rate of Allotment | Allotted at Max. Rate |
| <b>1960</b>    |                    |             |                           |                       |
| June 3         | 91 day 270.0       | 423.8       | s. d. %                   |                       |
|                |                    |             | 91 1-39                   | 56                    |
| <b>1961</b>    |                    |             |                           |                       |
| Mar. 3         | 240.0              | 356.7       | 88 10-41                  | 54                    |
| " 10           | 250.0              | 395.1       | 89 9-54                   | 63                    |
| " 17           | 260.0              | 395.4       | 89 8-57                   | 47                    |
| " 24           | 250.0              | 393.3       | 89 8-46                   | 45                    |
| " 30           | 260.0              | 418.1       | 89 8-41                   | 40                    |
| <b>Apr. 7</b>  | 260.0              | 473.7       | 88 8-68                   | 42                    |
| " 14           | 280.0              | 414.1       | 89 7-69                   | 42                    |
| " 21           | 260.0              | 411.3       | 89 9-01                   | 38                    |
| " 28           | 220.0              | 379.8       | 88 1-71                   | 67                    |
| <b>May 5</b>   | 240.0              | 416.2       | 87 4-27                   | 49                    |
| " 12           | 250.0              | 445.8       | 86 5-04                   | 50                    |
| " 19           | 260.0              | 432.5       | 88 3-18                   | 33                    |
| " 26           | 270.0              | 440.2       | 88 8-74                   | 50                    |
| <b>June 2</b>  | 270.0              | 419.9       | 88 9-61                   | 61                    |

\* On June 2nd tenders for 91 day bills at £98 17s. 10d. secured 61 per cent, higher tenders being allotted in full. The offer for this week was for £270 million of 91 day bills. \* Allotment cut by £10 million. \* Allotment cut by £30 million.

## Western Europe

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

BRITISH  
Prices and Wages..... May 20th  
Manpower and Output.... May 27th  
External Trade..... June 3rd  
Industrial Profits..... Apr. 29th

OVERSEAS  
Western Europe..... This week  
United States..... May 6th

|                                             | Austria | Belgium | Denmark | France | Germany, FR | Greece | Ireland | Italy | Netherlands | Norway | Sweden | Turkey | United Kingdom |
|---------------------------------------------|---------|---------|---------|--------|-------------|--------|---------|-------|-------------|--------|--------|--------|----------------|
| <b>INDUSTRIAL PRODUCTION (1) (1953=100)</b> |         |         |         |        |             |        |         |       |             |        |        |        |                |
| 1948.....                                   | 54      | 90      | 82      | 76     | 39          | 52     | 70      | 62    | 71          | 73     | 89     | 69     | 83             |
| 1959.....                                   | 156     | 119     | 135     | 156    | 162         | 156    | 115     | 158   | 139         | 134    | 124    | ...    | 120            |
| 1960.....                                   | 169     | 126     | 142     | 173    | 179         | 172    | 122     | 182   | 157         | 143    | 134    | ...    | 128            |
| 1960, October.....                          | 181     | 131     | 150     | 179    | 189         | 186    | ...     | 193   | 159         | 155    | 142    | ...    | 135            |
| " November.....                             | 186     | 133     | 153     | 190    | 202         | 182    | 126     | 188   | 158         | 158    | 149    | ...    | 135            |
| " December.....                             | 173     | 115     | 140     | 187    | 188         | 177    | ...     | 190   | 164         | 138    | 145    | ...    | 126            |
| 1961, January.....                          | 158     | ...     | ...     | 183    | 180         | ...    | ...     | 187   | 161         | 151    | 144    | ...    | 128            |
| " February.....                             | 172     | ...     | ...     | 187    | 183         | ...    | ...     | 185   | 162         | 159    | ...    | ...    | 132            |
| " March.....                                | 182     | ...     | ...     | ...    | 188         | ...    | ...     | ...   | 164         | 151    | ...    | ...    | 134            |

| VALUE OF EXTERNAL TRADE (2)               |                   |               |               |                   |                 |                 |          |                  |                 |               |               |             |          |
|-------------------------------------------|-------------------|---------------|---------------|-------------------|-----------------|-----------------|----------|------------------|-----------------|---------------|---------------|-------------|----------|
| Monthly averages<br>or<br>calendar months | mn.<br>schillings | mn.<br>francs | mn.<br>kroner | mn. New<br>francs | mn.<br>D. marks | mn.<br>drachmas | mn.<br>£ | '000 mn.<br>lire | mn.<br>guilders | mn.<br>kroner | mn.<br>kroner | mn.<br>lira | mn.<br>£ |
| Imports (c.i.f.)                          |                   |               |               |                   |                 |                 |          |                  |                 |               |               |             |          |
| 1948 .....                                | 243               | 7,249         | 285.14        | 561               | 2,641.5         | 152.17          | 11.4     | 70.36            | 414             | 310.4         | 413.14        | 64.2        | 168.0.8  |
| 1959 .....                                | 2,480             | 14,340        | 922           | 2,092             | 2,966           | 1,417           | 17.7     | 174.00           | 1,247           | 787           | 1,041         | 103.3       | 321.1    |
| 1960 .....                                | 3,067             | 16,427        | 1,037         | 2,585             | 3,531           | 1,755           | 18.8     | 246.36           | 1,435           | 870           | 1,241         | 184.5       | 368.1    |
| 1960, November ..                         | 3,266             | 16,925        | 1,060         | 2,619             | 3,647           | 2,446           | 20.9     | 254.62           | 1,480           | 919           | 1,346         | 360.1       | 408.0    |
| .. December ..                            | 3,557             | 16,510        | 1,198         | 3,039             | 4,169           | 1,660           | 19.5     | 256.84           | 1,547           | 940           | 1,477         | 323.5       | 371.2    |
| 1961, January .....                       | 3,050             | 16,436        | 1,128         | 2,393             | 3,440           | 1,852           | 21.0     | 264.35           | 1,676           | 918           | 1,282         | 244.7       | 391.9    |
| .. February .....                         | 3,010             | 18,045        | 1,021         | 2,605             | 3,172           | 1,247           | 22.4     | 257.08           | 1,406           | 964           | 1,152         | ...         | 341.9    |
| .. March .....                            | 3,789             | 18,700        | 1,065         | 3,220             | 3,630           | ...             | 22.7     | 293.00           | 1,747           | 877           | 1,308         | ...         | 383.6.16 |



# THE BOWATER ORGANISATION REPORTS

*Speaking at the Annual General Meeting of The Bowater Paper Corporation Limited*

*held at The Royal Festival Hall, on 1st June, 1961,*

*the Chairman, Sir Eric Vansittart Bowater, made these points:*

**In spite of tougher trading conditions, new records were achieved in 1960 in production (2½ million tons), sales (£142 million) and earnings (£23½ million)—to which overseas operations contributed 70 per cent. In Europe, investment in the Common Market is now £12 million, covering pulp, newsprint, printing papers and packaging manufacture, with further developments in train.**

**In North America, production is being diversified, with hardboards and (next year) printing papers being added to existing large-scale newsprint and pulp manufacture.**

**In the United Kingdom, new or projected operations include new plants for packaging, for building materials and for printing papers—and a new ship**

**In Australia, an integrated tissue mill has been brought successfully into operation by Bowater-Scott, while in New Zealand a new highspeed paper machine is being developed by Bowaters for its associated Tasman Pulp and Paper Company. At the end of 1960, total issued Ordinary capital of over £40 million was owned by nearly 70,000 shareholders—61,000 of whom have personal holdings of £1,000 or less.**

**Authoritative estimates of paper and board consumption up to 1975 in world market areas of major importance to Bowaters, such as North America, Western Europe and Australia, indicate increases in demand of up to or more than double the present figures.**

Welcoming a record number of shareholders to the Annual General Meeting of The Bowater Paper Corporation Limited at The Royal Festival Hall, London, on June 1, 1961 the Chairman, Sir Eric Vansittart Bowater (referring to recent articles in the financial press on the identity of investors) said: "To me and my colleagues you are not 'Faceless Ones'—you are in our eyes members of a very lively partnership, and we like to think we have your confidence and goodwill, as you certainly have ours." Of nearly 70,000 Ordinary shareholders, there are 61,000 with holdings of less than £1,000 of Stock, almost half of whom are women.

Passing on to review the affairs of the Corporation, Sir Eric said:

1960 was another exhilarating year for Bowaters, a year in which we achieved new records in production, sales and earnings: a year in which we established ourselves more firmly in the Common Market area, and during which we continued steadily to develop our businesses in the United Kingdom, North America, Europe, Australia and New Zealand. Our production of paper, pulp, packaging and other products reached 2½ million tons, and exceeded 1959 production by 22 per cent, while sales for the year amounted to £142 million, an increase of £25 million, or 21 per cent over 1959. Whilst newsprint is still our principal product, the output of that product as a percentage of our overall global production during 1960 amounted to 57 per cent.

Consolidated trading surplus was £23½ million, of which our overseas interests contributed approximately 70 per cent. The increase in trading surplus of £3½ million, or 17 per cent over 1959, was lower than the increase of 21 per cent in sales, and this is further illustrative of the pressure on profit margins to which I have referred from time to time. To a limited extent technical improvements and increased efficiency offset higher costs but the improvement in consolidated trading surplus was mainly attributable to increased production and sales, and to the continuing development of your Organisation. The pulp mills of Bowaters Carolina Corporation contributed to earnings for their first full

year of operations, whilst the accounts of Paperies de la Chapelle and La Cellulose de Strasbourg were brought into consolidation for the second half of the year.

## NEW PLANT FOR NEW PROJECTS

During the year capital expenditures on new plant amounted to £11 million, covering such projects as the conversion of one of the United Kingdom newsprint machines to the manufacture of fluting medium; progress payments on the new Gillingham and Flexpipe plants and on the new ship now under construction, and the amounts due upon completion of the hardboard mill and the pulp mill at Catawba in South Carolina.

Bowaters United Kingdom Pulp and Paper Mills were able to operate their plants throughout the year to full normal capacity, at which level they have continued to operate to date. At the Mersey Division site at Ellesmere Port, the first unit of the new pitch fibre pipe plant has come into successful operation. This plant represents an investment of £700,000, and is a further step towards diversification. At the Sittingbourne Division work was started on the conversion of one of the machines to manufacture high grade blade-coated paper, a product in ever-increasing demand by the printing and publishing trades in the United Kingdom and overseas. This project, involving an expenditure of £1½ million, will be completed during this year.

The policy of the United Kingdom Mills company is to continue with the conversion of further of its machines presently engaged in the manufacture of newsprint to the production of other grades of paper, especially those papers used in the ever-growing packaging industry.

The death during the year of four British newspapers was of the utmost importance to our industry, for in the aggregate they were very substantial consumers of newsprint and all of them were customers of Bowaters. Fortunately most of their circulation has been picked up by others who also are our customers, so that the net loss is not as great as at one time feared. As a consequence of the good relations existing

between the parties concerned and ourselves, the recent merger of the Odhams group with the Mirror group should not adversely affect us.

The Bowater Steamship Company, which operates eleven oceangoing ships, with a twelfth nearing completion, enjoyed a satisfactory year.

## DEVELOPMENTS IN PACKAGING

Despite intensive competition, Bowater Packaging Limited enjoyed a relatively satisfactory year. Pressure on profit margins continued throughout the year, and this trend has persisted unabated during the early months of this year. However increased productivity may to some extent offset any adverse effect of these conditions on profitability. The new flexible packaging plant at Gillingham in Kent, extending over some 386,000 square feet and erected at a cost of £3½ million, is now in operation. At Stevenage in Hertfordshire, plans for the new corrugated fibre container plant were finalised during 1960 and the construction of this plant is now well under way and is due for completion, at an estimated cost of £2½ million, in the spring of 1962.

To meet the ever-increasing demand for fibre drums, extensions to our Disley and Brentford factories have become necessary to provide room for further development in this important field of packaging. An extension to our multi-wall sack plant at Mersey was completed early this year.

A new plant for the production of Perga milk and fruit juice cartons was started in South Wales in the spring of 1960. This plant has enabled us to meet the heavily increased demand for these cartons and supplements the existing Bowater Perga plant in Gateshead in County Durham.

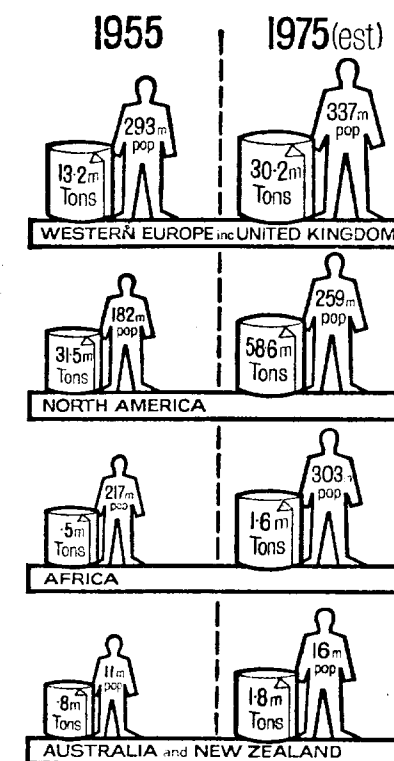
## STAKE IN THE COMMON MARKET

Turning now to the Common Market Area, in June 1960 we acquired a controlling interest

in Papeteries de la Chapelle, one of the three most important integrated pulp and paper mills in France, with a productive capacity of some 200,000 tons annually, of which little more than half is newsprint, the balance being magazine and coated papers. At the same time we acquired La Cellulose de Strasbourg, one of the principal pulp mills in France, having a productive capacity of some 70,000 tons of chemical pulp per annum. Our investment in the Common Market is now of the order of some £12 million.

Another important step taken in Europe is the partnership agreement we entered into with the Philips international electronics organisation for the setting up of a new joint company known as Bowater Philips S.A. in which each partner has a 50 per cent interest. This new company will complete and operate the corrugated fibre container plant at Ghent, construction of which was commenced by Bowaters in 1960. The plant, which covers an area of some 350,000 square feet, will be completed in November of this year at an estimated total cost of £1,500,000.

In Italy, Bowater Italia's corrugated fibre container plant increased production and sales by over 50 per cent during the year whilst at the



Estimated increases in population and consumption of paper and board by 1975—United Nations (F.A.O.)

reorganised plant of Bowater Port S.A., at Rheims in France, modern machinery and equipment have been installed to meet the current requirements for folding boxes and flexible packaging in France. The construction of a corrugated fibre container plant at Rheims is now scheduled to commence early in 1962. All these strategically located European pack-

aging companies are being developed, but it is not to be expected that they will make any substantial contribution towards the Corporation's revenues for the next year or two.

Our associated company, Bowater-Scott Corporation, had a highly successful year within the United Kingdom and overseas, including Europe where, in partnership with leading Belgian and Italian papermaking concerns, it has now commenced production of its well-known branded products. One of the highlights of the year for the Bowater-Scott partnership was the coming into production in Melbourne, Australia, of its new integrated tissue paper and conversion plant, the first of its kind in Australia. As time goes on it is Bowater-Scott's intention to establish a second such plant in Sydney, New South Wales.

The Tasman Pulp and Paper Company of New Zealand, in which we have a substantial investment, achieved a higher level of sales and profits than at any time heretofore. Net profits amounted to over £1 million and production reached more than 84,000 tons, and it is hoped to raise this level to 95,000 tons. The installation of the Tasman company's second paper machine, designed to operate at 3,000 feet per minute, is progressing satisfactorily, and when this is achieved the total productive capacity of this mill will be some 200,000 tons of newsprint per annum.

Our principal overseas subsidiary, The Bowater Corporation of North America Limited, enjoyed a very successful year, the level of production of all its operating subsidiaries in Canada and the United States constituting an all-time record. Consolidated profits amounted to over \$41 million, and the balance of profits attributable to that Corporation was over \$10 million.

North American newsprint consumption and production in 1960 reached new peaks for the second consecutive year, USA consumption reaching its peak in the middle of that year. Consumption largely follows the business cycle which, in the view of many business people and economists, has now passed its low point with recovery expected later this year. I think it is reasonably safe to say that newsprint consumption in the USA in 1961 will be about the same as it was in 1960.

Bowater's Newfoundland Pulp and Paper Mills operated on a normal full-time basis throughout the year and production reached a higher level than at any previous time. Substantial capital sums have been and are being spent on these mills and those of Bowaters Mersey Paper Company, Nova Scotia, the benefit of which should be reflected in future operations.

## DIVERSIFICATION IN NORTH AMERICA

Bowaters Southern Paper Corporation, Tennessee, benefited from the first full year's operation of its four newsprint machines, but its earnings were adversely affected by the starting-up expenses of its new hardboard mill at Catawba, South Carolina, which came into operation in July last. Bowaters Carolina Corporation had a successful first full year of operations of its pulp mill, and its sales continue at a high level, despite difficult market conditions.

Another step towards diversification in North America was the decision to construct alongside the pulp mill in South Carolina a paper mill in

which there is initially to be installed one high-grade printing paper machine. It is anticipated that it will come into operation in the third quarter of 1962.

Returning to the consolidated accounts of The Bowater Paper Corporation, the relatively high increase in depreciation by comparison with the increase in trading surplus reflects the inclusion over varying periods of new plants and new businesses, some of which have not yet achieved the anticipated ultimate level of earnings; indeed some part of our total assets is represented by new plant and investments that have not yet reached the profit-earning or dividend-paying stage, but as time goes on these will make a valuable contribution to consolidated earnings.

It would seem that the tide has again turned in a more favourable direction, but for my part I do not look for any substantial upturn in the economies of the United Kingdom or the United States during this year. Moreover, there is usually a time lag in the affairs of the industries in which we are engaged in relation to the ups and downs of the economy generally. Another factor influencing our fortunes is the excess productive capacity that presently exists in the world, resulting in intensive competition, which in turn is reflected in shrinking profit margins. This situation is further aggravated by constantly rising costs of production, over which we have no control.

So long as we continue to develop, as we intend to do, new developments must be expected to offset, at any rate to some extent, any shortfall in profits that may occur from time to time, but the vast amount of capital employed in your Organisation—some £190 million—is entitled to a fair and proper return, and the time may well now be approaching when further consideration will have to be given to the problem of whether or not we should continue ourselves to absorb increasing costs.

## CONTINUED GROWTH IN BOWATER MARKETS

Despite continued uncertainty, your Directors are of the opinion that the outlook for our Organisation remains favourable and this, together with the substantial increase in trading surplus resulting from our continued development, influenced them in recommending at this time some further modest increase in the rate of Ordinary dividend. Accordingly the final dividend of 1s. 9d. per £1 Stock unit as now recommended makes, together with the interim dividend already paid, a total distribution for the year 1960 of 2s. 9d. per £1 Stock unit, compared with the effective rate paid in respect of 1959 of 2s. 6d. per £1 Stock unit.

An authoritative survey of prospective world demand for paper and board, published under the auspices of the United Nations, indicates substantial world increases in demand over the next fifteen years. In North America, for example, demand is calculated to reach 59 million tons of paper and board in 1975—compared with an estimated total of 36 million tons for 1960. In Western Europe, the estimated demand for 1975 is nearly double the present consumption. In Australia and New Zealand prospective 1975 consumption is rather more than twice the present level. These forecasts of continued growth constitute very solid reasons for regarding the future of Bowaters in international terms.

The report and accounts were adopted.

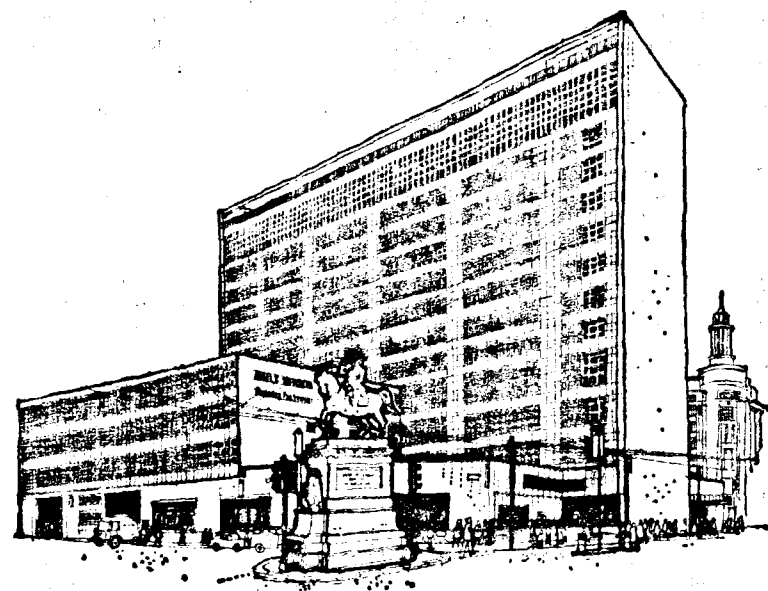
*Stockholders will automatically receive copies of the complete speech by Sir Eric Bowater. Others who are interested may obtain from: The Secretary, The Bowater Paper Corporation Limited, Bowater House, Knightsbridge, London, S.W.1.*



# Bowaters

*An international organisation making paper, packaging and building products for industry and trade throughout the world*

THE BOWATER ORGANISATION - GREAT BRITAIN - CANADA - UNITED STATES OF AMERICA - AUSTRALIA - NEW ZEALAND - SOUTH AFRICA - REPUBLIC OF IRELAND - NORWAY - SWEDEN - FRANCE - BELGIUM - ITALY



# Sunday Pictorial Newspapers Limited

A year of challenge and change  
Developments in periodical publishing

statement by the Chairman, Mr. Cecil H. King, at the Annual General Meeting of Sunday Pictorial Newspapers Limited 6th June.

Before reviewing the year's trading activities it is my pleasant duty to welcome formally to the Board Mr. J. S. Nener, for eight years editor of the Daily Mirror, and Mr. S. T. F. Ryder, joint managing director of the Kelly-Liffe Group. Mr. C. B. de Launay and Mr. F. J. Rogers have resigned from your Board on joining the Daily Mirror Board.

The Sunday Pictorial trading profit is less than last year. As forecast in my previous statement, the cost of producing bigger papers and an enlarged publicity appropriation made inroads into profits and has resulted in lower operating margins. Consequently, in common with other Sunday newspapers, a price rise was forced upon us in January—although too late to affect significantly the year's trading results.

## Investment Income

On the other hand, an increase in investment income has led to a total profit before taxation of £1,693,272, only £112,651 below last year's record level. Whilst £71,395 came from a special second interim paid by A. E. Reed & Co. Ltd., and this sum should perhaps be regarded as in advance of next year's income, I am sure you will agree that the increase in investment income is very satisfactory.

It is of value to record that the aggregate earnings before taxation applicable to your company's interest in the companies that constitute your trade investments, as disclosed in the last published accounts of these companies, were almost twice the £1,114,021 dividends received as shown in the accounts before you. You will realise that this provides a very healthy backing to investment income and that it offers additional cover for the dividend your Board proposes to be paid on the Company's Ordinary stock.

It is with this factor in mind that your Board recommends the payment of a final Ordinary dividend of 17½%, making 27½% for the year, an increase on last year of 2½%.

## Circulation fluctuations

Circulation has fluctuated sharply in the year under review—mainly because of the closure

of two Sunday papers. Although these closures brought a great influx of new readers to the Sunday Pictorial I was saddened by the disappearance of two old and respected competitors. As a result of the price increase we have naturally suffered some loss of sales but most of these are counterbalanced by the very considerable gains in the preceding months.

Amongst a number of staff changes made in the spring of this year Mr. L. A. Lee Howard, who has very ably edited the Sunday Pictorial for two years, became editor of the Daily Mirror. The editorial chair of the Sunday Pictorial has been taken over by Mr. R. T. Payne, a journalist of many years' experience.

## Outstanding events

The Daily Mirror Newspapers Ltd., in whose much-publicized affairs your Company has a substantial and close interest, had a most important and eventful year. Circulation of the Daily Mirror newspaper is high, advertisement revenues are buoyant, and the price increase of the current year will safeguard the level of its trading profit.

Outstanding during the year were the events leading to the acquisition by The Daily Mirror Newspapers Ltd. of the share capital of Odhams Press Ltd. The Daily Mirror Group thus becomes the most powerful publishing house in the world with control of some 220 British and overseas newspapers, magazines and trade and technical journals.

This historic event in publishing has rightly attracted intense public interest. There has been much talk of monopoly. The second Royal Commission in 14 years has been set up to investigate the Press. I welcome the enquiry.

The Daily Mirror Group has always conducted its affairs in the full glare of publicity and has nothing to hide. Let us take a look at the facts.

## Periodical publications

There are 3,800 general and trade and technical magazines in these islands, of which

some 2,000 or so are commercial in the sense that they compete for advertising. The Daily Mirror Group publishes a fraction over 200 British magazines or about 10% of the total. This is not a monopoly.

It is true that in certain specialized sectors of the market it has most of the magazines that matter. It has about three-fifths of the total woman's magazine market. The more important agricultural and motoring journals, to name two groups in the technical field, are run in vigorous opposition by a number of Mirror Group subsidiaries.

## The new grouping

This has led to the charge that the new grouping will result in the wholesale massacre of many periodicals. Nothing could be further from the truth. Most markets need more than one publication and, provided revenues from advertisements and sales are sufficient, all can flourish under the spur of competition.

It is the nature of the magazine business that publications are closed down and new ones launched fairly frequently. As an example, in the last three years 266 general periodicals have ceased publication while 257 new titles have appeared in the Newspaper Press Directory. Over the same period 143 trade and technical journals have died but 273 new titles were born.

In the Daily Mirror company's case there may be some pruning here and there where a market is over-supplied. But no one in his senses would close down any but a tiny proportion of this impressive group of publications.

## Concentration of ownership

It is claimed by some to whom bigness is distasteful and success morally dangerous that there is something sinister in concentration of ownership. They know little of publishing under present day conditions.

Production costs are so high that the spread of administrative charges and the maximum use of printing machinery is essential. It is sometimes forgotten that more

an one publication of distinguished lineage as been saved from extinction by incorporation into a group.

Charges of monopoly are nothing new in Fleet Street. While the Daily Mirror Group robustly surpasses any previous periodical publishing company in size, the concentration of newspaper ownership is slight compared with the Press empires of the nineteenth century.

In 1923 my uncle, the first Lord Rothermere, owned 14 newspapers with a substantial interest in 3 more out of a total of 158. By 1929 the Berry Group controlled an even larger number of 26 daily and Sunday papers out of 49. In contrast the Daily Mirror with the Sunday Pictorial publishes eight daily and Sunday newspapers in the United Kingdom out of a total of 139.

## Immense influence

Viewing the scene from the point of view of circulation, however, the two dailies, the Daily Mirror and Daily Herald, account for 8% of the total sales of the national dailies, while the national Sundays, the Sunday Pictorial and The People, have between them over 40% of the national Sunday circulation. These are large figures, and carry with them immense influence, but they are by no means without precedent. The Times, for example, occupied a much more dominating position amongst the newspaper reading public of a century or so ago when its circulation was at times greater than that of all the other London papers added together.

Although there have been greater concentrations of newspapers before I would not wish to imply that all is perfect in the industry. Nobody who has spent his life, as I have, keeping newspapers alive, can regard the closure of five daily and Sunday newspapers in one year with anything but dismay. Some of the factors leading up to these closures, such as low productivity and the tendency of advertisers to favour the big titans, will benefit from the public airing Royal Commission will provide.

I would like to see also, at some future date, an examination of the unpredictable operation of the law of libel which tends to be weighted against the Press so that it operates to the restriction of public information.

## Associated companies

I will turn now to the affairs of some of our associated companies, where we operate in partnership with the Daily Mirror.

Reveille Newspapers Ltd. shows a further increase in profit and its lively newspaper has maintained without difficulty its pre-eminent position in its market. Your company has received a further dividend from this source during the year.

Of our Scottish newspapers, the Daily Record again confirmed its popularity as Scotland's fastest-growing newspaper with an average circulation increase of over 30,000 copies daily. The current sale is over 500,000 and local advertisers are shrewdly taking advantage of this upward trend. The Sunday Mail, in an ever-keener competitive market, more than maintained its circulation of 600,000 copies a week.

## Overseas newspapers

Further afield, in the newly-emergent countries of West Africa, our newspapers have had a further successful year with a 15% increase in profit. The name of the parent company was changed during the year to Overseas Newspapers Ltd. to embrace the widening range of that group's interests. An important development was the entry into new markets in British Guiana with the purchase of the two leading newspapers there—the Guiana Graphic and the Sunday Graphic. Both these papers have considerable profit potential and in due course will provide a sound foothold in the Caribbean area.

## Pulp and paper industry

In the field of pulp and paper manufacture the interest we had in Anglo-Canadian Pulp & Paper Mills Ltd. was exchanged for shares of Albert E. Reed & Co. Ltd. (the Reed Paper

Group). As a result your company in association with the Daily Mirror has substantially increased its shareholding in one of the foremost groups in this important industry. Reed is well established to meet the growing opportunities in the international paper and packaging markets. Indeed, the Reed Paper Group has emerged as a world-wide partnership producing pulp, paper, board and packaging in the four main trading areas of the world.

## Television interests

A further part of our investment income is derived from the important stake we have in Associated Television Ltd. ATV's revenues from advertising have increased during the year and the company is expanding both at home and overseas. Expenditure on television advertising in Britain reached a new peak in 1960 of £77 million, an advance of nearly one-third on the £58 million spent on this medium in 1959. In his budget of April this year the Chancellor of the Exchequer saw fit to impose a tax of 10% on television advertisements. While it is too early to make forecasts about the year ahead the profits of ATV's financial year ended 30 April are not affected by it. In any event, ATV's central position in this highly profitable industry is well secured and the future is bright.

## The current year

Looking ahead for a moment at the Sunday Pictorial's prospects for the current year, it appears likely that investment income will be slightly below that for the year under review and trading profit somewhat higher.

It remains for me now to pay tribute to all personnel, both at home and overseas, whose efforts have contributed to the results before you. They have had a busy period, culminating with the move into the Daily Mirror's splendid new building in Holborn Circus at the end of the financial year. Its modern and colourful appearance makes an appropriate setting for the liveliest newspaper in the Sunday market.





## AN EXTREMELY SUCCESSFUL YEAR

## RECORD VOLUME OF NEW BUSINESS

## GROWING RECOGNITION OF T.R. SERVICES AND WORKMANSHIP

## MR W. STUART PHILCOX ON "SUBSCRIBER SATISFACTION"

The thirty-second annual general meeting of Telephone Rentals Limited was held on June 7th at the Registered Office, 197, Knightsbridge, London, SW7. Mr W. Stuart Philcox, DFC, MA (Chairman and 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, 1960.

I greatly regret that for the second successive year I have to preface my comments on the year's operations by referring to the death of one of our Directors, who can be fairly described as one of the founder members of the Company. Mr Campbell Cochran, who died on October 17, 1960, was closely connected with Telephone Rentals Limited and its predecessors throughout a period of 48 years and it is hardly too much to say that without the practical help and support he gave to the late Mr F. T. Jackson in the early difficult days the Company might not be in existence today.

He combined a sound knowledge of the law with a shrewd knowledge of business affairs, though his judgment was always tempered by human understanding. He always had great faith in the future of the Company and through his death we have lost a wise counsellor and a staunch friend.

## RESULTS FOR THE YEAR

It gives me very great pleasure to be able to report that the Company has again had an extremely successful year on all sides of the business. This success is clearly reflected in the Accounts now before you and I hope that the general picture of financial strength and solidity they present gives you as much satisfaction as it does your Directors.

Following the more common practice these days I will deal with the more important changes in the Consolidated figures of the Group rather than those of the Parent Company.

## PROFIT AND LOSS ACCOUNT

Trading income is up by £350,736. Dividends

and Interest receivable by £12,898, whilst on the other side Operating Expenses are up by £129,728 and Depreciation by £60,006. Directors' Emoluments on the other hand shows a reduction of £26,238. This reduction is accounted for by the payment made to the estate of the late Chairman in 1959, which as I explained last year was non-recurring, less the emoluments of the Executive Directors which are now included in full for the first time.

United Kingdom Taxation is up by only £45,158 and Overseas Taxation by £2,403. The UK Taxation benefits greatly by the effect of the Investment Allowance which this year amounts to no less than £120,000. This is a great help to your Company, enabling its further expansion by way of Capital Investment.

The Net Profit after Tax, but before transfers to Reserves and provisions for Dividends, is £990,012, an increase of £152,509 over 1959. The sum of £508,019 has been transferred to General Reserve and £171,200 to the Tax Equalisation Reserve.

As has been explained in previous years, the Tax Equalisation Reserve represents the difference between the amounts allowed by the Inland Revenue for Initial and Wear and Tear Allowances and the amounts provided by us for Depreciation in our Accounts. The Reserve is calculated each year on the respective written-down values of the Fixed Assets at the current rates of Taxation. Thus the transfer for 1960 is enlarged by £54,000 for the years prior to 1960, due to the increase in the rate of Profits Tax from 10 per cent to 12½ per cent in the 1960 Budget which became operative from April 1, 1960.

The additional 2½ per cent in the rate of Profits Tax imposed by the 1961 Budget will necessitate a further re-assessment next year.

The other principal item in the Profit and Loss Account, apart from the provisions for Dividends, is concerned with the Holding Company in South Africa. During the year we decided to capitalise £129,000 of the Profit and Loss Account, thus increasing the Issued Capital to £130,000 and bringing it more into line with the Capital permanently invested in

South Africa, which amounts to approximately £250,000. During the course of the next few years, we hope to make a further increase of capital in the same way to complete the operation. Meanwhile, the stamp duties involved in this transaction, amounting to £696, have been written off, and the current account of some £157,000 is being liquidated, £42,500 having been received to date in 1961.

I said last year that we might reasonably anticipate being able to maintain the increased rate of dividend and your Directors have pleasure in recommending that a final dividend of 10 per cent, making a total of 15 per cent for the year, should be paid.

After providing for the transfers to Reserves, and the Dividends on both the Preference and Ordinary Shares amounting to £243,873, we are left with an unappropriated Profit balance attributable to the shareholders of Telephone Rentals Ltd. of £353,190 as compared with £420,486 for 1959. This would, of course, have shown an increase of £62,400 but for the item mentioned above in connection with South Africa.

## BALANCE SHEET

## Liabilities

The Authorised and Issued Capitals remain the same, but the Capital Reserves show an increase of £131,646, mainly accounted for by the £129,000 referred to above. The Parent Company's Shareholders' interests, consisting of Capital, Reserves and Unappropriated Profit, amount to £6,139,533, an increase of £572,369 over the previous year.

I have already dealt with the various Tax Reserves and the remaining liabilities show only small changes due to normal trading fluctuations.

## Assets

The value after depreciation of the revenue-bearing Installations has increased by £651,304, which reflects the considerable increase in new business obtained in the latter part of 1959 and throughout 1960.

Stock and Work-in-Progress at £1,107,153 is up by £351,308, an increase of over 40 per cent. These figures bear out my statement last year that we anticipated considerable increased ex-

## THE ECONOMIST JUNE 10, 1961

penditure on materials. Not only must we carry larger stocks to cater for the higher rate of business, but there is also much more in the "pipe-line" as work-in-progress.

The increase of £131,597 in Sundry Debtors and Prepayments is almost wholly accounted for by many large jobs completed and invoiced in the last few months of 1960.

Our Liquid Resources consisting of Tax Reserve Certificates, Deposits with Local Authorities, Investments and Cash are some £283,258 less, due entirely to the increased expenditure on Stocks, as forecast.

The remainder of the items in the Balance Sheet do not call for comment, since the fluctuations are not material and arise in the course of normal trading conditions.

## COMMERCIAL ACTIVITIES

I am glad to say that our operations in the United Kingdom resulted in a volume of new business that represented an all-time record, with a continuation of the trend towards larger installations to which I referred last year. Generally speaking, trading conditions were not easier in 1960 than in the previous year and this achievement is entirely due to the efforts made by all members of the Commercial staff, both at Head Office and in the field.

Resulting from the work done in our National sales schools, there has been a great advance in our selling technique and during the year our methods of presenting T.R. Services were re-organised and improved. It is permissible to add that the record results are indicative both of the growing realisation of the importance of T.R. Services to Industry and of the still wider recognition of the Company's reputation for first-class workmanship and service.

An interesting sidelight on the growth and development of the Company in recent years is given by the fact that the new business in 1960 expressed in terms of additional annual rental was greater than the sum total of rental on the books of the Company less than twenty years ago.

## ENGINEERING DEPARTMENT

On the engineering side, the number of installations completed and put into service exceeded the number fitted in 1959 by more than 50 per cent and our engineering departments were continuously working under great pressure.

The larger volume of business, together with the effect of the longer holiday period agreed to at the beginning of the year, made it necessary for us to increase the number of men employed by about 20 per cent. Men recruited from outside are naturally not accustomed to our methods and the problem, of reducing the high work-in-hand figure whilst at the same time giving organised training was not easy to solve. As the new men have been anxious to learn and as our experienced men have been equally anxious to co-operate, the difficulties were successfully overcome and our standard of workmanship has been fully maintained. On your behalf, I offer our best thanks to all concerned.

In spite of the considerably larger orders on suppliers and the increase in man-power just described, the amount of work-in-hand still remains high and the period between the signing of a contract and the completion of the installation is still too long. This time-lag not only causes inconvenience to our Subscribers but also adds to the financial load on the Company as

## COMPANY MEETING REPORTS

we cannot submit our invoices until the work has been satisfactorily completed. This is a situation that will progressively improve during the current year, as the result of the steps taken in 1960.

## CLERICAL STAFF

Another consequence of the extra volume of business has been the automatic increase in the amount of paper work to be handled. In spite of this, so far from the number of clerical staff at Head Office and the Branches having increased, the number employed at the end of 1960 was actually 15 per cent fewer than at the beginning of 1958.

It was during 1958 that we decided to carry out the thorough investigation into our routines and methods and this quite remarkable result is due to the successful implementation of what has amounted to a major re-organisation. The change from one set of methods to another covering all sections of the business, at a time when the burden of work is daily becoming heavier, demands a great deal from the staff, and particularly the senior members of the staff. Without their willing and understanding co-operation our efforts towards greater efficiency could not possibly have succeeded.

## LONG SERVICE

For many years it has been our custom to present a gold watch and a cheque to each employee who had completed forty years of service with the Company. During the year under review it was our great pleasure to make no fewer than nine of these presentations. These long-service employees, many of whom are still active with us and who hold many different positions in the Company, have lived and worked through almost every phase of the Company's history. They are truly representative of that indefinable thing we call T.R. spirit.

At this stage, it is not inappropriate to report that included in our list of subscribers are almost nine hundred—the exact figure is 874—with whom we have had a continuous business association for forty years or more. This is a good indication both of the cordial relationship that exists between ourselves and our subscribers and of the quality of our service to them. There is a closer connection between the nine and the nine hundred than might perhaps be apparent on the surface.

## PENSION SCHEMES

We have two contributory pension schemes. The first, which has been in existence for many years, is voluntary in nature and is now almost entirely confined to female members of the staff. The second, more recently introduced, is compulsory for all males in the employment of the Company with three or more years of service, except the relatively small number who wished to remain in the original scheme.

After careful consideration we came to the conclusion that the interests of both Company and employees would be best served by contracting out of the State Graduated Pension scheme all members of our compulsory scheme. With the agreement of the members we have taken the necessary steps to implement this decision, which necessitated certain minor alterations to the scheme itself.

## OVERSEAS COMPANIES

On the whole, in spite of generally unfavourable conditions, our overseas interests continued to make satisfactory progress.

A number of visits by senior personnel, both to and from the United Kingdom, again took place. Although costly, we are sure that these visits are essential as it is only through personal contact and direct interchange of views and information that we can effectively preserve identity of interest among such widely differing circumstances.

In South Africa, although the general situation was unsettled our companies again operated profitably, and the overall volume of business was slightly higher than in the previous year. During the last three years our engineering departments, particularly in Johannesburg, have been overhauled and re-organised. Our rate of growth in South Africa during the past twelve years has imposed considerable strain on our local staff and the operation now on the point of completion, which has involved the transfer of skilled men from this country, will ensure that the work of installation and maintenance will be carried out more efficiently and economically.

In Canada, a very definite and quite severe recession developed during the course of the year and our early hopes for greatly improved results were disappointed. In the circumstances there was little we could do from here to be of practical assistance and it is therefore all the more satisfactory to be able to report that our Canadian staff are working with increased energy, having in no way lost their determination to succeed.

The balance of overseas payments in Australia worsened during 1960 and in the latter half of the year stringent credit restrictions were imposed. In spite of this and the quieter trading conditions that resulted, our jointly owned company had another successful year and they established new records both as regards the number of contracts taken and the amount of profit earned.

On the Continent, in the face of some difficulties, particularly in Belgium, our operations continued satisfactorily and profitably.

## FUTURE PROSPECTS

So far as the current year is concerned, we must expect some quite heavy increase in our internal expenditure. Although your Company does not form part of the Electrical Contracting Industry our working hours and rates of pay are to an extent influenced by those current in that industry. During 1961 we are committed to a shorter working week and a considerable wage increase on the engineering side, whilst there will be certain unavoidable rises in general overheads. It seems safe to say, however, that these increases will not materially outweigh our expected rise in revenue.

With so many conflicting views being expressed in the Press and elsewhere it is difficult to form a clear picture of the probable trend of trading conditions at home and overseas. As we do business with almost every type of commercial, industrial and professional concern, our monthly returns during recent years have represented a sort of barometer of national production and business activity.

But the experience of the Company, which covers times of depression as well as times of prosperity, shows that when trading conditions become less favourable, and when in consequence the fight against competition depends more and more on lower costs and higher efficiency, the need for T.R. Services becomes greater and more apparent.

Although later on we may have temporarily to

abandon the use of the word "record" in describing our progress and although conditions overseas may become more difficult before they improve, there is at present no evidence to suggest that, in the absence of some major crisis, we need anticipate any serious falling off in our overall results. I am at least able to say that the returns of the first four months of the year support that view.

In all the circumstances, your Board feel able to recommend the capitalisation of £506,880 of the General Reserve to be applied to the issue to Ordinary Shareholders on the register at the close of business on the 21st June, 1961, of one fully paid Ordinary Share for every five already held. We anticipate that it will be possible to maintain the present rate of annual dividend on the increased capital.

PROBLEMS OF GROWTH

Looking beyond 1961, I believe that the long-term fortunes of the Company are likely to depend less upon fluctuating trading conditions than upon our ability to deal with the problems created by our own growth.

HAMBROS BANK LIMITED

HAS RECORD YEAR

REVIEW BY SIR CHARLES HAMBRO, CHAIRMAN  
NEW PARTNERSHIP IN AMERICA

The forty-ninth Annual General Meeting of Hambros Bank Limited was held on June 8th at the office of the Bank, 41 Bishopsgate, London, E.C.2.

Sir Charles Hambro, KBE, Chairman of the Company, stated:

On April 25th the Bank suffered a grievous loss in the death of our Chairman, Mr Olaf Hambro, a great personality in the City of London, who started work in our family firm of C. J. Hambro & Son in 1908. He was one of the last representatives of that great age of Merchant Banking that helped to make London the financial centre and envy of the world. We have not only lost a great leader whom we all honoured and admired, we have lost a beloved head of the family who was a guide, philosopher and friend to all of us. Under his guidance the Bank has grown from strength to strength and it is a great satisfaction to us all that he was well enough before the end to see and approve the record figures which we are able to put before you today.

STERLING BALANCES

The activities of the Bank during the year under review have again been complicated by economic uncertainties outside our control. Last year the accumulated effect of several years of deficit in its budgets caused the United States to lose gold in considerable quantities. The uncertainty brought about by the drain of gold started a flight from the dollar in the autumn of last year, with a rise in the open market price of gold; and the resulting demand for sterling created a big increase in foreign balances in this country. These balances remained here until the revaluation of the German Mark at the beginning of March this year, but this revaluation prompted a new feeling of uncertainty in the stability of other currencies; this caused a flight from the pound sterling and many foreign-owned sterling balances were transferred abroad as fast as they had come in. By the nature of

COMPANY MEETING REPORTS

As both our subscribers and the people we employ increase in numbers and as the range of T.R. Services widens, the organisation becomes more complex and in order to get things done in the time available we must depend increasingly upon standard methods of procedure. The danger is that through our daily preoccupations, we may lose sight of the fact that our real strength lies in the personal relationships we have established with our subscribers on the one hand, and between ourselves within the Company itself on the other.

Subscriber satisfaction, which in the last analysis is the foundation upon which the business has been built, although demanding technical skill and efficient organisation, depends on something more. The annual rentals paid by individual subscribers range from something in the neighbourhood of £30,000 at one end of the scale to something under £10 at the other. Our endeavour must always be to demonstrate, through our actual performance, that we are able to satisfy, and indeed anticipate, every demand that may be made upon us, and at the same time to make it clear that our desire to give

our business a large proportion of our deposits are for foreign account, so the Bank felt the immediate impact of this ebb and flow of funds.

This unnecessary transfer of funds from one country to another can only cause dislocation of business and I welcome the recent arrangements made by the European Central Banks to minimise this in the future.

SCANDINAVIAN SERVICE

Our Scandinavian Service, introduced last year, has been widely appreciated and the facilities we have granted within the Service continue to expand. This is a "package deal" aimed at simplifying the tasks of British businessmen who want to expand or develop their trade with the Scandinavian countries.

The Scandinavian Service fits into a broader policy which we have adopted in recent years, which is to get closer to the smaller and medium-sized manufacturers, of whom there are so many in this country, who can contribute so much to the country's export efforts.

Our Investment Advisory Service has been very active during the year and many more accounts have been opened. Experience has shown how wise it is for Trustees, Pension Funds, Charities and private investors to entrust

BALANCE SHEET AT 31st MARCH, 1961

| LIABILITIES                                  |             |
|----------------------------------------------|-------------|
| Current, Deposit and Other Accounts ...      | £79,602,047 |
| Acceptances ...                              | £29,096,053 |
| Paid-up Capital ...                          | £ 4,000,000 |
| Reserve ...                                  | £ 5,000,000 |
| ASSETS                                       |             |
| Cash in Hand, at Bankers and at Call ...     | £41,002,310 |
| Bills of Exchange ...                        | £15,661,219 |
| British Government Securities ...            | £ 7,734,473 |
| Loans, Advances and Other Accounts ...       | £20,407,185 |
| Trade Investments in Subsidiaries ...        | £ 3,729,573 |
| Liabilities of Customers for Acceptances ... | £29,096,053 |

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service is in no way influenced by the amount of the quarterly invoice.

This we can continue to do if we are able to preserve the sense of common purpose and mutual responsibility that exists today among all ranks in the Company. The question we must answer is whether, as we grow larger, we can remain simple in outlook and flexible in method, avoiding the risk that threatens all growing organisations of becoming some form of bureaucracy, insensitive to change or circumstances both internal and external.

I think the surest guarantee that we shall be able to answer the question satisfactorily is that we are so acutely aware of its existence.

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

The retiring director, Mr. C. H. Jackson, FCA, was re-elected and the remuneration of the auditors, Messrs Rooke, Lane and Co., was fixed.

As special Business resolutions altering the Company's Articles of Association and giving effect to the one-for-five scrip issue having been passed, the proceedings terminated.

the investment of their funds to experts who are in daily touch with the market and have knowledge of potential values.

Owing to the considerable increase in open market operations in gold and silver, Mocatta & Goldsmid Limited have had a very active year, and this has also contributed to a large increase in the operations of our Foreign Exchange Department.

RECORD FIGURES

Turning to the figures, I am glad to be able to report another satisfactory trading year, our profit showing an increase of £89,591 at £654,481. This increase reflects expansion in every department of our business. Deposits now stand at a record figure of £79,602,047, an increase of £6,333,876 during the year. At £20,407,185, as against £17,993,876 last year loans and advances have risen but they are still only 25.6 per cent of deposits and the liquidity of the Bank in Cash and Bills of Exchange is over 71 per cent of deposits, which we regard as very satisfactory. Our acceptances, despite a falling off in trade generally, have risen from £27,103,344 to £29,096,053. This rise however has taken place in the first quarter of this year and reflects the lower money rates ruling during that period.

LAIDLAW LINK

Since the end of our financial year we have taken an important step in regard to our business in the United States. We have become a limited partner in the old-established private banking firm of Laidlaw & Co. of New York. This firm, founded in 1842, is one of the two remaining Private Banks in the State of New York and, as

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such, enjoys a franchise to act as a Merchant Bank and Acceptance House as well as Brokers on the New York and other American and Canadian Stock Exchanges. For many years we have thought that, as an Acceptance House, we ought to be able to place at the disposal of our customers, facilities and acceptance credits in dollars as well as sterling and this link-up will, we hope, enable us to do so.

Since March 31st the Government has announced an extension of ECGD facilities to cover risks on certain exports of capital goods up to ten years. This should be a great help to the heavy industries of this country, including shipbuilding, and we hope that, as a result, our Scandinavian shipping friends will again find it expedient to build ships in British yards. As always we are ready to assist them whenever possible.

DIRECTORS

We propose to invite Count Frederick Charles Seilern-Aspang to join the Board. He is a Director of Ruegg & Co.'s Bank, and Union Investment Company, both of Zurich. In conjunction with Mr Paul Kern he has been looking after our affairs in Switzerland and his knowledge of Germany and Austria will be of great assistance to us in developing further our business in those countries.

During the year Lord Astor of Hever retired from the Board at his own request. For many years we have been grateful for his wise counsels, and I am glad to say that the Hon. Hugh W. Astor has filled his father's place, so that our valued connection with the Astor family will be continued. Mr Edward Mocatta, who came to us with Mocatta & Goldsmid, has also joined the Board and we are asking you today to confirm these appointments.

SIAMESE TIN SYNDICATE

SALES AGAIN INCREASED

The fifty-fourth annual general meeting of the Siamese Tin Syndicate, Ltd., will be held on June 29th in London.

The following is an extract from the statement of the Chairman, Mr W. R. B. Foster, circulated with the report and accounts for 1960:

The production of the group for the year was 2,605 tons of tin concentrates; this was 972 tons more than in the previous year and 1,096 tons more than in 1958. As restriction on exports (and hence on production) was in force at varying rates from December 1957 until September 1960, no true comparison can be made of annual outputs for the last few years. For the same reason production costs have again been omitted though we have been able to include statistics which we felt would be of interest to stockholders.

Sales of tin concentrates totalled 2,735 tons, an increase of 972 tons over the previous year. The average Singapore tin market price for 1960 was a little under the 1959 figure, but as deductions (at £33 per ton of concentrate) to cover Thailand's Buffer Stock contributions ceased in April, the average net price we received for our product was higher than in the previous period.

Mainly as a result of the increased production, our profits have risen considerably and after the recent lean years it is a pleasure to be able to recommend the payment of a final dividend of 1s. 3d. per stock unit, making 2s. 9d. per stock unit for the year.

The statistical position of tin promises well for producers.

COMPANY MEETING REPORTS

BRITISH BELTING & ASBESTOS

PROFIT AND DIVIDEND FORECAST EXCEEDED

The sixty-fourth annual general meeting of British Belting & Asbestos Limited will be held on June 29, 1961, at Fountain Hall, Fountain Street, Bradford, Yorks. The following is an extract from the circulated Statement by the Chairman, Colonel Sir William C. Fenton, MC, JP:

Last year we decided that it would be in the interests of shareholders to have a Stock Exchange quotation for the Company's shares. After the sub-division of the £1 Ordinary shares into 5s. units and a one-for-one bonus issue, 1,925,000 Ordinary shares of 5s. each were offered for sale last June at 18s. per share.

At that time your directors forecast a dividend of 15 per cent in respect of 1960 and suggested that, for various reasons, the profit might be slightly less than in 1959. This has not proved to be the case; in spite of the recession in the motor industry and certain price reductions, sales increased and the Group profit before tax rose by 4½ per cent to £1,428,005, of which £921,282 was earned by the parent Company and £506,723 by subsidiary companies. The final profit, after providing for taxation and debiting the expenses of the capital increase and offer for sale, was £796,693, compared with £730,628 last year—an increase of 9 per cent.

It is a source of satisfaction to your directors that these results justify them in recommending an increased final dividend of 11½ per cent which brings the total dividend for the year to 17½ per cent, compared with the 15 per cent forecast.

REVIEW OF THE YEAR

For the parent Company this has been a year of reorganisation and development. The circumstances under which the Company's growth has taken place have made buildings and machinery unduly congested for many years and it has been impossible to segregate the Asbestos, Belting and Mintex Divisions into separate units. By the completion during the year of some of the new office and factory buildings referred to in my statement last June, we have been able to bring together the Mintex Division offices and main production units in one area and more efficient operation will result.

We have increased the production capacity of all three Divisions, our total capital expenditure during the year amounting to £601,320.

During 1960 we increased our sales abroad by 22 per cent and we are particularly pleased to report an increase in sales to Common Market and other European countries, and to Australia, New Zealand and South America.

Building expansion has taken place overseas in our companies in Germany, the United States, Australia and Spain, and at home in Versil Limited and Regina Glass Fibre Ltd.

PROSPECTS

During the first quarter of this year turnover has continued at a satisfactory level, and sales in the parent Company have been slightly higher than those for the same period of last year. I make no attempt to forecast profits for 1961. The effect of the Budget proposals is not yet known. With minor exceptions, we are assured of being fully employed throughout the year. We have in hand major items of capital expenditure throughout the organisation and we look forward to the future with confidence.

RUBBER PLANTATIONS INVESTMENT TRUST

SIR ERIC MACFADYEN'S ADDRESS

The fifty-second Annual General Meeting of the Rubber Plantations Investment Trust, Limited will be held on June 28th in London.

The following is an extract from the circulated Address of the Chairman, Sir Eric Macfadyen:

A scrip distribution of one share for ten was made to shareholders in June, 1960. The gross revenue of the Trust for the year to March 31, 1961, was £367,440 (£305,767). After deducting taxation and expenses our net revenue is £199,328 (£160,730). The Directors recommend an increase in the dividend from the 13½ per cent paid last year on the smaller capital to 15 per cent plus a bonus of 1 per cent, making 15 per cent in all. The heavy charge for Profits Tax £24,500 (£14,500) arises from the fact that the Trust is liable to this tax on a substantial portion of the dividends received from plantation companies which have qualified as Overseas Trade Corporations.

Up to 1956 the Trust's income had been derived almost wholly from dividends received on rubber and tea shares; since then the Board's policy has been, as you know, to seek greater stability of income by spreading our investments more widely. Excessive fluctuations are apt to occur in the market values of plantation shares often due to effects upon the commodity markets of quite extraneous influences and, while rubber particularly is likely to remain the Trust's largest single interest, I would not exclude the prospect of diversification of investment being carried somewhat further when that may appear to be in the interest of stockholders.

FOISTER, CLAY & WARD

CONSIDERABLE PROGRESS

The Thirty-fifth Annual General Meeting of Foister, Clay & Ward Limited was held on June 8th in London, Mr P. A. Clarke Vincent, FCA, the chairman, presiding. The following is an extract from his circulated review:

The year 1960 saw considerable progress. Having completed our present expansion programme we propose a period of consolidation to lessen the seasonal pressure on our resources.

Throughout 1960 all our machinery was fully employed apart from the men's hose section where there was some short time working. Taken as a whole production and turnover established a new record, but overheads continue to increase and in the current year have again been increased by the Chancellor of the Exchequer. How much Graduated National Insurance will cost us depends on factors which at present can only be estimated.

Your directors view the future with confidence and hope. Our productive capacity is greatly increased and there is nothing to indicate that it will not readily be sold. At present our order book ensures full production for many months ahead, but at the same time it must not be overlooked that many costs are continually rising. It is no longer possible to shrug off each increase by saying the customer will pay, except in monopolistic industries where the customer has no alternative. At present we are fighting hard in export markets against foreign competition but further cost increases could force us to abandon foreign markets to fight foreigners at home.

The report and accounts were adopted.





## WHITBREAD AND COMPANY LIMITED

### COL. W. H. WHITBREAD ON POLICY OF STEADY PROGRESS AND DEVELOPMENT

The Annual General Meeting of Whitbread and Company Limited will be held on 4th July, 1961, at the Brewery, Chiswell Street, London, E.C.1.

The following is the statement by the Chairman and Managing Director, COL. W. H. WHITBREAD, which has been circulated with the report and accounts for the year ended December 31, 1960:

From the Directors' Report you will see that your Company has continued to make steady progress, which it has done for the last twelve years. The Group has again made more net profit after tax at £1,496,438, which has enabled your Directors to recommend a higher distribution to the Ordinary stockholders of 27 per cent as against 25 per cent last year, and, at the same time, continue to plough back a still larger amount at £704,486.

Reserves have increased from £4,688,105 to £6,584,621 and the cash position has improved by nearly £2 million. We have a bank overdraft of just over £500,000, which is a temporary convenience at Christmas time to finance increased Duty during that period.

To my surprise this has all been achieved in a year during which the Board have had to use all their energies to overcome rising costs.

During the year we offered for sale a controlling interest in the Whitbread Investment Company to the Whitbread stockholders at 22s. 6d. per share. The latest quoted price is over 40s.

#### ASSOCIATED COMPANIES

The stockholders of Whitbread and Company should know that during the past few years we have invested considerable funds of the Parent Company in the Associated Companies and that now we hold very substantial interests in these companies. Although these investments have been made by the Parent Company, a time will arise when they will be transferred to the Whitbread Investment Company.

Your Board take a view here that a company is run for at least three elements—the shareholders, the staff and the employees—and management has to take into consideration the happiness and prosperity of all three. Further, with each association with other companies, our responsibilities must likewise embrace the welfare of the shareholders, staff and employees in these companies. This is what we endeavour to achieve.

The chairmen of the companies with which we are associated well know that they have the continued support of Whitbread and Company and that we have a natural desire for their companies to show successful results.

#### FREDERICK LENEY & SONS LIMITED

Until November 1960 Frederick Leney & Sons Limited was a wholly-owned subsidiary of Whitbread's. For some years we have had a trading agreement with Fremfins of Maidstone. During the year we sold the Ordinary share capital of Leney's to Fremfins for a consideration partly in Ordinary shares and partly in Debenture stock.

On the conclusion of this arrangement we have extended our mutual trading arrangements with Fremfins, and Fremfins have honoured us by welcoming my eldest son, H. C. Whitbread, to join me on their Board. As the interests of Fremfins and Whitbread's are very much the same, in that they realise that in trading as brewers they have a responsibility to the public, to employees, to customers and indeed to the economy of the country, we look forward to a happy partnership which will prove profitable to both companies.

#### THE BREWING INDUSTRY TODAY

Some people seem to think that there is an extraordinary convulsion going on in the brewing industry today. Our view is that the industry is continuing to develop naturally under the new techniques, development of transport and improving social conditions. The only element that is extraordinary is the present fever of short-term speculation, resulting in a spirit of unrest unfavourable to efficiency and prosperity.

Our industry has a tradition of responsibility to serve the public, and indeed it would be a great pity if it deteriorated into an industry which, without responsibility to the community, felt that its sole duty was to make money for its shareholders.

Your own Company, and fortunately many other family businesses in our industry which have the spirit of public service in their blood, feel that the most important duty is to run a successful enterprise which is not only of value to the national economy but will also make a contribution to the welfare and happiness of those engaged in it and of all men and women of goodwill in this country.

It is the opinion of the Board that in the long run the success of a company depends on the quality of its service to the public and this they keep continually in mind.

#### FAMILY COMPANY

I think it is time I made quite clear to the stockholders what, in our view, as a family company, we recognise are the responsibilities of the Whitbread family to the Company.

A very small group of the Whitbread family holds well over 50 per cent of the voting power of the Company. Having regard to the tradition of the past and their responsibilities for the future, this group is dedicated to maintain control of the Company for at least one more generation, and it is difficult for any man to see beyond that. The Whitbread family are determined that the commercial, financial and technical achievements of your Company should at least be as successful as any other public company; in fact they feel that the confidence and continuity which they can give to the staff and employees should achieve a loyalty which must lead to greater efficiency than can be obtained in other groups. Pride in a family undertaking, and the fact that the fortunes of the family are closely bound up with the future of the Company, surely produce an effective driving force.

In view of the highly speculative atmosphere which surrounds our industry at the present time, I consider it worth while to emphasise that the objective my Board and I have constantly in mind is the long-term prosperity and prestige of this fine old company by steady progress and development. We like to feel that the great majority of stockholders regard their investment as a permanent holding in a developing concern rather than a means to a quick speculative profit.

#### TRADE

In spite of the atrocious weather during 1960, our trade was buoyant and continues to be so, and the sales of Whitbread Pale Ale, although exposed to the full competitive and advertising impact of the brewers of lager, have continued to increase.

The rapidly expanding sales of Mackeson indicate that this is also now a national product which the public expects to be available everywhere, and that those who still do not sell it must be losing both business and goodwill.

Whitbread Tankard, one of the more recent ventures of the Company, has astounded us by its popularity and progress.

In view of the British climate, I still wonder whether lager, which at present commands only about 3 per cent of the total beer market in this country, will increase in popularity at the rate that some people assume. Your Board have made adequate and satisfactory arrangements to obtain their proper proportion of this market.

#### RESEARCH

Your Company have always made one of the first priorities of their operations constant research into the production of their beers and, besides yeast and various technical aspects of engineering, they have taken a great interest during the last few years in continuous brewing. Their policy has also been directed towards the development of the smaller efficient brewing unit rather than the large concentration of production carrying with it heavy costs of delivery and handling.

#### TRAINING FOR MANAGEMENT

One of the most important tasks your Board have had to deal with, especially during the last few years, is the training of young men for management. In a fairly large company executives are apt to specialise, and although management is not a form of black magic, a future manager must have experience of direction over various fields, although he may be expert in only one or two particular spheres.

It is our intention to recruit for management from within the Company whenever we can; and not only do we have to find management for ourselves but also we are continually being asked to find suitable men for other companies. We have for many years run training courses for potential managers, whom we accept at practically any age. Although we can train our own young men, sometimes we find it necessary to select men who have had varied experience else-

where, as it often brings a breath of fresh air to a company to appoint someone from outside after he has done a suitable course of training within the Company.

#### THE LICENSING BILL

The Government are in the process of presenting before Parliament the Licensing Bill, the intention of which, I understand, is to modernise and liberalise the present out-dated system.

Education has much advanced since the beginning of the century and I am sure the Government realise that they can trust the people to behave responsibly in spite of being given greater opportunities for relaxation. It will be a great pity if this effort by the Government is nullified owing to the Trade being unable to sort out its own difficulties of labour and expense and so failing to meet the present needs of the people.

It must be realised that if greater facilities and longer hours of trading are required by the public and sponsored by the Government, something more will have to be paid for these benefits.

#### RIISING COSTS

I am very conscious of our comparative lack of success in reducing our expenses. This is a most serious matter and your Board and all the executives are well aware of this problem.

#### ADVERTISING

Although our trade is buoyant, we are far from complacent about the volume of sales. With this in view, we have appointed two new advertising agencies during the past year, because we feel that from time to time we require new stimulating influences in our advertising which can only be achieved by fresh men with fresh ideas.

We have also sponsored a limited number of sporting events which present the Company in an attractive, dignified and popular way to the public.

#### WINES AND SPIRITS

Recently we have reorganised the management of F. S. Stowell Limited, which is a wholly-owned subsidiary of Whitbread's, in order to compete with the growing demand for wines and spirits and we are pleased with the progress that is being made.

Sales of Squires Gin have continued to increase and now represent a very sizeable proportion of the total amount of gin sold through all our outlets. Squires Gin Limited, the independent company with a membership of 95 brewery companies, has also, in the last few months, produced a straw-coloured gin—named Cornhill—to run in harness with Squires. Initial reactions to this high-quality gin have been extremely favourable, and the demand is increasing at a satisfactory rate.

#### PENSION FUND

Recently various companies have made public their conditions of employment, including their pension funds, and we were interested to note that the Pension Fund of your Company, although started many years ago, gives more generous terms than those quoted by most other public companies.

As regards contracting in or out of the Graduated State Pension Scheme, we have decided that all male members of the Whitbread Pension Fund and all foremen should be contracted out of the Government scheme, so that

they should anyhow receive the overwhelming benefits of the Whitbread Pension Fund.

#### SITE DEVELOPMENT

Like most other property owners, we have been well aware of the steep rise in values of properties owing to the inflationary climate during the last few years, and we have carefully looked into the values of our properties, including those of our breweries and bottling stores.

We have developed several of our sites and have plans in process for developing others.

#### EXPORT

As I have told you before, our policy as regards export has been the same for many years in that we keep a foothold in over sixty countries for possible development in export trade, and in a few of these markets we are seriously considering further development at the present time.

Meanwhile, our Belgian trade, in spite of the difficulties of the Belgian people owing to the collapse of the Congo, continues to increase to such an extent that we will have to spend many thousands of pounds on buildings and technical equipment in order to meet expansion of this trade.

#### INDUSTRIAL ALLOWANCES

You will be aware that the brewing industry carries on its trade to a large extent in public houses. These premises do not qualify for what is usually known as Capital and Investment Allowance, which is still applied to industrial premises only. I feel that, in fairness to the industry, similar treatment should be accorded to public houses, and if this were done Income Tax and Profits Tax on this Company's last year's profits would have been reduced by £76,000. Based on last year's profits, the extra 2½ per cent on Profits Tax imposed by the Chancellor in this year's Budget would cost your Company an additional £51,000 in a full year.

#### EXECUTIVE AND STAFF

The record results now placed before you, which have been almost wholly attained through increased sales and successful management, bear testimony to the fine efforts of all our executive and staff. On behalf of all stockholders and your Board, I tender my thanks and appreciation to all. It is the policy of your Board to promote on merit only, so that management at all levels is in the most capable hands.

Great strides have been made during the year in quality, packaging and presentation, and this is only achieved by the relentless drive and spirit of determination that nothing is good enough but the best by all those working in the Company.

#### THE FUTURE

We are national brewers, that is to say, we sell our products all over the country—and in many other countries. In view of the extent of short-time working in various industries in different parts of the country, it is difficult to be certain of the trend in the months to come. Also there is this great struggle to halt our overhead expenses to which I have already referred.

However, your Board and I have confidence that, as our beers have been nationally known for many years and their quality continues to be excellent, they will be sought by the public to an even greater extent, always providing the general level of prosperity of the country as a whole is maintained.

## GUARDIAN ASSURANCE COMPANY LIMITED

Annual General Meeting, June 7, 1961.

Chairman—The Right Hon. Lord Blackford, DSO, JP.

Summary—1960.

During 1960 the Company continued to progress and expand, acquiring the Union Insurance Society of Canton, Limited, in December. Future policy will for some time, however, be one of consolidation and the profitable expansion of general business.

The total underwriting profit carried to Profit and Loss Account for 1960 was £1,069,873 compared with £994,400 in 1959.

Investment income amounted to £2,732,610 showing an improvement of £587,848.

A proposal to increase the Authorised Capital to £10 million by the creation of a further 25 million five shilling Ordinary Shares was approved, and two will be offered to existing holders at par for every Ordinary Share of 5s. at present held.

#### LIFE DEPARTMENT

Net New Sum Assured 1959 .. £50,771,001  
Net New Sum Assured 1960 .. £70,946,066  
Transfer to Profit & Loss Account .. £93,774  
Gross Rate of Interest Earned 16 17s. 4d.  
Life Fund at end of 1960 .. £93,240,618

#### FIRE DEPARTMENT

Net Premium Income 1959 .. £9,794,985  
Net Premium Income 1960 .. £10,661,088  
Transfer to Profit & Loss Account .. £130,536

#### ACCIDENT DEPARTMENT

Net Premium Income 1959 .. £19,503,687  
Net Premium Income 1960 .. £20,261,557  
Transfer to Profit & Loss Account .. £435,725

#### MARINE DEPARTMENT

Net Premium Income 1959 .. £3,769,979  
Net Premium Income 1960 .. £4,208,037  
Transfer to Profit & Loss Account .. £384,154  
Marine Fund at end of 1960 .. £5,168,661

#### PROFIT AND LOSS

Gross Investment Income 1959 £2,144,762  
Gross Investment Income 1960 £2,732,610  
Balance carried forward .. £296,057  
Dividend for year 1960 .. 3s. 9d. a share (less income tax)

#### BALANCE SHEET

A valuation of the Stock Exchange Securities was made at December 31st last and disclosed a substantial surplus over the total value as shown in the Balance Sheet.

TOTAL ASSETS OF GUARDIAN GROUP (INCLUDING UNION INSURANCE SOCIETY OF CANTON, LIMITED), £194,686,130.

The Company Transacts all the Principal Classes of Business as well as undertaking the office of Trustee, Executor and Administrator.

HEAD OFFICE—68, King William Street, London, E.C.4.

## VICKERS LIMITED

## VISCOUNT KNOLLYS' REVIEW

The ninety-fourth annual general meeting of Vickers Limited was held on June 6th in London.

The Viscount Knollys, GCMG, MBE, DFC (the chairman), presided and, in the course of his speech, said:

1960 was a good but difficult year for our Group and the trading results were satisfactory, and profits rather higher than in 1959. Total sales increased slightly to £159 million.

Engineering sales were well up, and profits, in spite of strong competition, were higher than in any previous year.

The turnover in our Shipbuilding Yards increased, but the overall profit of our Shipbuilding Company was lower due to less repair work being available and that at poor prices.

The output of English Steel Corporation increased almost to the record figure of 1957. Its profits were however only slightly higher because of narrow margins and continued slackness in orders for railway products.

Aviation trading profits suffered from the natural run-down of Viscount production. But provisions for development and special costs on aircraft were halved and were based on orders for Vanguards actually received. The amount of the provision was not affected by the merger of our aircraft interests into British Aircraft Corporation.

The income from our growing investments was rather higher, representing mainly increased dividends from Firth-Vickers and International Computers & Tabulators but a lower dividend from Metropolitan-Cammell.

No dividend was received from BAC nor can one be expected in the current year, as the newly formed Company is occupied with new aircraft and guided weapons which at present are only in their early stages.

As a result of these various factors Group profit before taxation was considerably higher at £11.6 million, as was profit after taxation at £6.25 million. After making the normal allocation to Reserves we shall have added £500,000 to the Contingencies Reserve and now recommend a dividend on Ordinary Stock of 7½ per cent, making for the year 10 per cent, the same as for 1959.

Orders in hand at the end of the year were £307 million, £25 million more than a year ago, though the margin of profit on much of the order book will be narrow.

The reserves, capital and revenue, of the Group stand at £51.3 million, with share capital remaining at £49.4 million. The return on capital employed was 9.2 per cent compared with 7.5 per cent in the previous year. If our aircraft interests were eliminated because of their special features, the remainder of the Group—Engineering, Shipbuilding and Steel—earned 12.5 per cent in 1960, compared with 10.3 per cent in 1959.

## CURRENT BUSINESS

The record and achievements of the Vickers Group in 1960 are fully described in the "Review of the Year" circulated with the Report and Accounts. Our interests certainly continue to be varied. Engineering, heavy and medium; Shipbuilding and Shiprepairing; Steel, alloy and stainless; Aircraft, Guided weapons; Rolling Stock and vehicle bodies; Accounting machinery, mechanical and electronic.

I hope you will agree that this still represents the best form of traditional policy of diversification, spreading our prospects and our risks in products we know something about, and in fields which realistically take into account the trends of world trade.

Export orders have always been and remain one of our main objectives. I have just had the opportunity of seeing one of our newer markets at first hand. I flew to Moscow to attend the opening of the British Trade Fair, where Vickers had its own large and distinctive pavilion.

I was particularly glad before leaving Moscow to have been able to announce the completion of negotiations by High Polymer and Petrochemical Engineering Ltd., the selling Company in Great Britain for Hans J. Zimmer A.G., Frankfurt, with both of which Companies we are associated, for supplying a large industrial Nylon plant worth £4 million.

## ENGINEERING

The order book to date this year is well maintained at a satisfactory level, markedly in Clearing presses, steel furniture, packaging machinery and dairy equipment, as well as in accelerated freeze-drying equipment, nuclear engineering products and asphalt producing equipment. Overall, the prospects of sales and orders during the current year are good, although margins and profit will not be easy to maintain.

Viscount Knollys then reviewed the Group's activities in Australia, Canada and India, and continued:

## SHIPBUILDING

Our Shipbuilding Yards have continued to be active in 1961. I was on board the Canadian Pacific Liner "EMPRESS OF CANADA" when she successfully completed her trials. She was handed over, and accepted by the Owners, on March 29th, the exact day forecast four years ago.

The level of activity in the Building Yards has continued to be high, but the volume of Shiprepair work remains low and highly competitive. The level of Constructional Steel Work remains good, though, as with Shiprepair work, prices are exceptionally keen.

We expect the year 1961 for our Shipbuilding Company as a whole to be at least as good as 1960. There are a good number of enquiries for new work in circulation; those suitable for our Shipbuilding Yards are being very actively pursued, and the prospects of receiving orders during the remainder of the year are quite fair. But until new orders are actually received we must retain a cautious view of our Shipbuilding prospects after this year.

## STEEL

The outstanding feature in English Steel Corporation is the progress of the new development scheme at Tinsley Park, which is estimated to cost £26 million. We anticipate that the new plant will be in operation by the end of next year—1962. When completed it will increase capacity for special carbon, alloy and stainless steel products to 850,000 tons a year. This will ensure that E.S.C. will continue to retain its predominant position in the field of special steel production.

We are also providing a new plant at Open-

shaw for producing high speed and other tool steels.

## AVIATION

Under the terms of the merger of our aircraft interests with those of English Electric, Bristol and Hunting, the financial responsibility for aircraft under development and construction (Viscount, Vanguard, VC.s10) remained with Vickers.

In March contracts were placed for four Viscount 810s—three from All Nippon Airways and one for Lufthansa. Limited production of Viscounts beyond the 429 sold to date is being continued in anticipation of further sales.

During the first four months of 1961 Vanguards were delivered at an average of one every ten days. We do not, however, in our financial calculations rely on further orders for Vanguards beyond the 43 we have sold.

The VC.s10 sales effort is being intensified and in more than one case negotiations are well advanced. The most notable order since the end of 1960 was that placed by the Government of Ghana in January for three VC.s10s for Ghana Airways. Although the number of aircraft involved is small it is equivalent in value to a sizeable fleet of Viscounts.

British United Airways, as you may have seen, have just announced their intention to place an order for VC.10 aircraft.

Negotiations have been conducted with B.O.A.C. recently with a view to introducing the Super VC.s10 earlier in the production programme. The Super VC.s10 was originally designed specifically for the North Atlantic routes, but is now somewhat smaller and more suitable for operation over B.O.A.C.'s entire world-wide network of routes.

## PROSPECTS FOR 1961

Our business in 1961 has so far been maintained at a level similar to the latter part of 1960. I see no reason why this should not continue, though profit margins of some of our engineering works look like being lower.

Shipbuilding profits should be rather better for the year 1961 at least. Steel sales remain steady, but costs have risen. The new and promising products we have been developing will not this year be contributing much to our profits. Deliveries of aircraft this year will be few in comparison with the activities of past years. We must always bear in mind the problems of aircraft business everywhere and it is, of course, still too early to assess the final financial outcome of the VC.s10. But if the remainder of the year turns out as we can at the moment reasonably expect, the 1961 results may not on balance be greatly different from 1960.

The problem of ever increasing costs is not only serious for us as a Company but also for the nation as a whole. We have got to remain competitive. We must surely have a consistent and co-ordinated national policy aimed at growth rather than at mere stability. Private initiative without a Government policy complementary to it can be rendered ineffective. I can at least assure you that for our part we are attacking the problem of costs and stimulating ideas for growth in every sphere of our activities. This must be our constant aim.

The report and accounts were adopted.

## UNION CORPORATION, LIMITED

(Incorporated in the Republic of South Africa)

## ADDRESS BY SIR CHARLES J. HAMBRO, KBE, MC, CHAIRMAN, AT THE ANNUAL GENERAL MEETING OF THE CORPORATION HELD IN JOHANNESBURG ON 1ST JUNE, 1961

Gentlemen: Before dealing with the formal business of the meeting I have to refer with deep regret to the death in July last of Mr A. V. Conrad. Mr Conrad joined the Corporation in 1932, was appointed a Manager in 1948 and joined the Board in 1957. He was a great servant of the Corporation and a true friend. He is greatly missed by us all.

Mr W. Randerson, who had been in the service of the Corporation for 35 years, and London Secretary for the last 15 years, retired during 1960. I should like to record our appreciation of his long and faithful service and to wish him health and happiness in his retirement.

The Accounts of the Corporation for the year 1960, together with the Directors' Report are submitted for your approval.

Dividend income amounted to £2,488,000 during 1960, a rise of £243,000 compared with the previous year. Share realisation profits were £395,000 lower at £1,106,000, which in the circumstances can nevertheless be considered as very satisfactory. Other income rose by £1,740,000. In this connection I wish to point out that one of the subsidiary companies in the Group is Winkelhaak Mines, Limited. The legal necessity to present a consolidated profit and loss account has had the effect of bringing into our consolidated income the whole of Winkelhaak's net revenue from its mining operations notwithstanding that, as a subsequent deduction in the account indicates, a substantial portion is attributable to minority interests. Furthermore Winkelhaak is setting aside a large part of its profits for its own capital expenditure and loan redemption and profits so ploughed back are not available for dividend and never will be. The fact that part of these profits attributable to shareholders in Union Corporation is unavailable has been recognised in the accounts by the transfer of £600,000 to Capital Reserve Account.

Net profit has risen from £2,857,000 to £3,688,000 after charging taxation and after deducting the interest of minority shareholders in the profits of subsidiary companies.

The net profit of the Corporation itself was £1,647,000 as compared with £1,542,000 last year, subsidiary companies having retained £2,041,000 including the £600,000 referred to earlier, as against £1,315,000 in 1959.

The Directors have appropriated £250,000 to General Reserve Account and £150,000 to Exploration Reserve Account.

In October, 1960, the Directors declared an unchanged interim dividend of 1s. 0d. per share less United Kingdom Income Tax. For reasons mainly connected with the recent introduction of a decimal currency system in South Africa the final dividend for 1960 has been declared in South African cents free of tax. The rate of 18½ cents per share is equivalent to approximately 3s. 0½d. per share less United Kingdom Income Tax, as compared with last year's final dividend of 2s. 9d. per share less United Kingdom Income Tax. The two dividends for 1960 absorbed £1,231,000 against a distribution of £1,148,000 in 1959, leaving £411,000 to be carried forward.

The Annual Report contains particulars of the operating results of our Group companies and of those companies outside the Group in which we are interested and accordingly I propose to do no more than review our activities very briefly.

Our interests are mainly in South Africa. Of the nine gold mines of the Group two, namely VAN DYK CONSOLIDATED MINES and GEDULD PROPRIETARY MINES, have only short profitable lives ahead of them, although the Geduld Company will continue to operate as an investment concern once its own mining operations have ceased. During the year it acquired further substantial shareholdings in various companies so that the book value of its investments rose by £565,000 to £1,566,000. EAST GEDULD MINES, which is still earning satisfactory profits, is nevertheless now mining its extensive pillars in retreat from its boundaries towards the shafts. This Company still has a number of years' life ahead of it and fortunately the grade of its remaining ore is consistently fairly high so that it can be expected to earn substantial profits in spite of increasing mining difficulties and rising costs. MARIE-VALE CONSOLIDATED MINES and THE GROOTVLEI PROPRIETARY MINES achieved record tonnages and profits during 1960. In the Orange Free State ST. HELENA GOLD MINES recorded substantially higher profits during 1960, made considerable progress in opening up the deeper levels served by No. 2 Shaft and also completed the sinking of No. 7 Ventilation Shaft to a depth of 5,338 feet. The completion of this shaft represents an important step towards maintaining good ventilation and opening up the upthrown block of reef near the eastern boundary of the lease area.

In the Kinross area we are able to report a substantial increase in the working profit of WINKELHAAK MINES, which declared a maiden dividend of 4d. per share in September last. This mine is now sinking No. 2 Shaft, which is sited 6,000 feet to the north-east of No. 3 Shaft, so as to be able to develop the deeper levels of the mine and make possible in due course expansion of its operations to a milling rate of 150,000 tons per month.

Progress at BRACKEN MINES and LESLIE GOLD MINES continues to be most satisfactory and it was possible to start underground development on both properties in March this year—that is in just under a year from the start of full scale shaft sinking. A start has also been made with the erection of a Reduction Works on each property with an initial capacity of 75,000 tons per month, and provided all goes well it is hoped to be able to start trial milling at both properties by about the middle of 1962.

Taken as a whole, the results of the producing gold mines of the Group show an increase in the tonnage milled and gold output, in net profits and dividends declared, as compared with the previous year.

Our principal industrial investment in South Africa is in SOUTH AFRICAN PULP AND PAPER INDUSTRIES. This Company which serves principally the home market and uses

virtually all South African raw materials, experienced a steady demand for its products, both from the Enstra Mill (bleached papers) and Tugela Mill (unbleached papers) and its net profit for the year showed a marked improvement. Since the year-end the large newsprint machine at the Enstra Mill has been completed and commissioned and newsprint of satisfactory quality is being supplied to the inland market. This is the first time that newsprint has been made on a commercial scale in South Africa and the commissioning of the new machine is an important event both for the Company and for the economy of the country. Moreover, the output of this machine can be increased substantially with the addition of certain ancillary items so as to meet the greater portion of the country's requirements of newsprint. For the expansion of the Tugela Mill the Company has placed orders covering the major items of plant, including a new kraft paper machine, which will enable the Company ultimately to double its output of kraft papers so as to meet the country's entire requirements of kraft grades and have a surplus for export. The tissue and cellulose wadding plant in which the company is interested is also producing satisfactorily.

## SOUTH AFRICA

Yesterday South Africa became a Republic and we wish the new Republic success and prosperity. Our confidence in the ability of South Africans ultimately to solve their difficult problems, and thus in the long-term future of the country, remains. Whilst we all regret that South Africa has at the same time ceased to be a member of the Commonwealth, we are hopeful that the United Kingdom and South African Government will enter into new arrangements which will result in little or no change in those matters which particularly affect our business, such as for example taxation reliefs. The ties between South Africa and Europe are often stressed, and rightly so. In our own Corporation British, French, Swiss and other overseas investors still hold the majority of the shares and there are sizeable non-South African shareholdings in all the publicly quoted companies in the Group. Having, as we do, very close association with the City of London, we can help to maintain some of the very valuable links with Britain, links which have been and must continue to be so valuable for the economic development of this country.

South Africa has by far the largest population of European descent in the Continent of Africa giving a relatively high ratio of Europeans to Non-Europeans and an appreciable proportion of these people are thinking deeply today not of the narrow issue of maintaining their supremacy as white people at all costs, but of preserving western civilisation for the benefit of all races. It follows that actions which damage South Africa damage the chances of western civilisation flourishing in the Continent as a whole. Conversely, one of the best ways of strengthening western civilisation in Africa is to strengthen and develop South Africa. It is the most highly industrialised part of Africa and as such could



and should play a great part in the economic development of this awakening continent. But for this country to take up such a role will require the development of a greater spirit of tolerance within and between all nations in Africa, including South Africa itself.

The outline which I have given of the Union Corporation Group activities in South Africa will make it clear that, especially with the new mining and industrial projects on which we have embarked, we are well placed to play our part in the economic development of the country, in which our Group interests already represent a factor of considerable economic importance.

For example, the value of our gold and base mineral output in 1960, and thus our gross earnings of much needed foreign exchange, amounted to £33,700,000, whilst the savings of foreign exchange made possible by the operations of South African Pulp and Paper Industries amounted to a further £8,500,000. In the Kinross field, which is unique in the history of the South African gold mining industry in that it is entirely under the control of one group, the total expenditure up to the end of last year, including prospecting and the purchase of properties, on shafts, plant and equipment, mine development, township development and housing and stores was just over £18m. By the time Bracken Mines and Leslie Gold Mines have reached production the figure will be over £30m. Most of this money must be found in the form of mining risk capital, the bulk of it coming from the Corporation itself and its partners and associates. Even where it has proved possible for our associated companies to draw on other sources of finance, such as loans from the National Finance Corporation of South Africa or from the South African Mutual Life Assurance Society, such loans have had during the risk period to be guaranteed by the Corporation. In this area, concurrently with our mining work, we have founded a new community at Evander Township which today comprises some 3,000 people. We expect that by the end of next year this township and the nearby village of Brendan, will be catering for a population of some 6,000 Europeans, principally mine employees and their families, and that by about 1970 the population will be about 10,000 Europeans.

The Non-European mine employees in the Kinross Area who will, in the course of the next 10 years or so, number some 18,000, are fed and housed on the properties of the mines themselves. We are keenly conscious of our responsibilities to our Non-European employees and are endeavouring in our compounds to maintain high standards of accommodation, feeding and medical care and are providing sports fields and other facilities for recreation. In the new Non-European hospital, which is being built on the property of Winkelhaak Mines to serve all the mines of the field, we expect to have one of the best equipped Non-European hospitals in the country.

With regard to the further development of the Kinross field a limited amount of prospecting work is still being carried out in the area to the north-west of Winkelhaak Mines and also to the east of Winkelhaak Mines. We are still unable to tell whether it will be possible to develop a fourth mine in the field.

The recent expansion of the operations of South African Pulp and Paper Industries has involved the expenditure of about £3,000,000 on the newsprint enterprise and will involve a further £5,500,000 on the new paper machine, ancillary plant, buildings and housing at the Tugela Mill. The additional savings of foreign exchange from newsprint production and the

## COMPANY MEETING REPORTS

expanded operations at Tugela will ultimately amount to some £5,000,000 per annum.

I have said that we are well placed to play our part in the economic development of South Africa but I must add that our business and the general economy of the country cannot really prosper unless steps are taken to restore the confidence of foreign investors in South African projects.

Lack of confidence in the future, if not corrected in time, can result in further economic difficulties leading to a lower standard of living for all classes. I pray that the new Republic will take such steps as are necessary to reassure the outside world that the future of this wonderful country will be both stable and prosperous.

Until confidence is restored we, as the parent company of the Group, will have to carry a particularly heavy responsibility to those companies which are in process of development and expansion.

Commitments which under more favourable conditions we could, through the medium of the Stock Exchanges, share with the investing public, may now have to be carried by us in their entirety. In the accounts you will see that the Corporation's proportion of the uncalled capital of Bracken Mines and Leslie Gold Mines at the year-end was £6.3m. Added to this, South African Pulp and Paper Industries has recently announced a rights issue. As a substantial shareholder, the Corporation has commitments in this issue, which it is also undervriting.

With our existing resources and with the assistance of a short term loan of £2m. which has recently been negotiated I am confident that the Corporation can meet the calls upon it. In the long term, the rewards to the Corporation and to you as members should be high. In the short term, however, we shall be less free to pursue new projects and undertake new commitments.

## OVERSEAS INTERESTS

Throughout the Corporation's history it has been international in nature, believing that all aspects of its business benefited from the experience gained in other fields and using its capital resources, wherever earned or raised, to further those projects where they could be most usefully and profitably employed. Although the largest proportion of our business remains in Southern Africa we have, as you know, substantial interests in the United Kingdom and in Mexico and also in certain companies which themselves are international in scope.

Under present conditions we cannot rely on being able to supply any finance which may become necessary for these overseas interests from funds available in South Africa. For this reason it was arranged early this year to bring together most of our overseas interests in a wholly-owned United Kingdom subsidiary company. We have called this company UNICORPORA LIMITED, the name Unicorpora having been a patronym associated with our business for forty years. The intention is that Unicorpora will use its own resources and creditworthiness to finance the Group's existing overseas interests and to develop new ones.

This reorganisation does not imply a separation of the various parts of our business or a direction of our resources away from South Africa, but is rather a means of ensuring that each part can develop freely with the experience of the Group behind it. One example of the way in which one part of the Group can help

## THE ECONOMIST JUNE 10, 1961

another is the establishment of the new company, UNICASES LIMITED, which has been set up with the object of manufacturing corrugated cardboard containers in the United Kingdom. For this purpose we have been able to draw widely upon the experience of South African Pulp and Paper Industries, and that Company has also invested substantially in the project.

As far as our other overseas interests are concerned, both BAY HALL TRUST and WILKES BERGER ENGINEERING COMPANY had good years. SAN FRANCISCO MINES OF MEXICO, which has large reserves of high grade ore, had a brief respite in its struggle to keep going under the twin burdens of punitive Mexican taxation and low metal prices and was able to pay a dividend for the first time in three years. Subsequently, however, conditions worsened again and the company is now barely breaking even. Legislation has recently been passed in Mexico which will ease the burden of taxation on companies which "Mexicanise" themselves, and the board of San Francisco is taking steps to negotiate with Mexican investors in an endeavour to arrange for the introduction of Mexican capital into the company on mutually satisfactory terms.

This concludes my review of the Corporation's affairs and I should like to thank, on your behalf, the Management and staff of the Corporation in Johannesburg and in London, and the Directors, Managers and staffs of the companies under our administration for their contributions to the results which I have placed before you.

## BRITISH BORNEO TIMBER RECORD PROFIT

The Annual General Meeting of The British Borneo Timber Co., Ltd., will be held on June 23rd in London.

The following is an extract from the circulated Statement by the Chairman, Mr H. G. C. Townsend, OBE:

The Accounts for 1960 show a gross trading profit of £376,748. This is £71,647 more than the previous year and the highest yet attained. Taxation, however, is up by £82,477. After adding £66,541 brought forward and a surplus of £787 on disposal of fixed assets, the amount available for allocation is £291,593 (£258,416).

The Board have transferred £100,000 to Capital General Reserve and recommend a final dividend of 9.6d. per 2s. Stock Unit, less tax. This makes a total dividend for the year of 1s. per 2s. Stock Unit, less tax.

The Board recommend a bonus share issue of £300,000 by capitalising £300,000 of the Capital General Reserve and distributing one 2s. share for each 2s. Stock Unit held. It is also recommended that the existing two-shilling Stock Units be converted back into un-numbered two-shilling shares.

Log production at 7,871,675 cubic feet was only fractionally below the record figure of 8,112,152 cubic feet for 1959.

As far as concerns current operations, royalty rates on logs have been substantially increased from January 1, 1961, but are now on a sliding scale related to selling prices. Production is running at about the 1960 level. High production must be maintained to meet the extra costs of hauling logs from further inside the jungle. Selling prices in some markets have eased, but in the timber business price fluctuations are normal.

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## COMPANY MEETING REPORTS

# WOODALL-DUCKHAM LIMITED

## BENEFITS ACCRUING FROM POLICY OF DIVERSIFICATION

## GROUP'S PROMISING FUTURE POSITION

## MR T. C. FINLAYSON ON BOARD'S CAPITAL PROPOSALS

The thirteenth annual general meeting of Woodall-Duckham Limited will be held on June 26th at Woodall-Duckham House, 63-77 Brompton Road, London, SW.3.

The following is the statement of the Chairman, Mr T. Campbell Finlayson, CBE, MSc, MIE, MICE, FInstE, circulated with the report and accounts for the year ended December 31, 1960:

Before reviewing the activities of the Group in some detail, I would refer to certain changes in the membership of the Board.

In the Report of the Directors it will be noted that Mr Douglas Rider, having attained the age of seventy, retires from the Board in accordance with the Group's retirement policy. Mr Rider was a Director of your principal operating Company for 33 years, being Joint Managing Director for eight years. Your Directors would like to place on record their deep appreciation of the great contribution he made to the Group's success during his 49 years' service with it.

Two new appointments have been made to the Board of your Company—Mr W. J. Chadder and Mr H. S. Cheetham—both of whom have served for a number of years on the Board of your principal operating Company.

## THE ACCOUNTS

In my last Statement I drew Members' attention to the fact that the annual profits of the Group are always greatly influenced by the dates on which substantial contracts are completed and brought into account. The accounts for the year 1960 have, as were those for 1958, been favourably influenced by these circumstances.

The consolidated Profit and Loss Account for 1960 shows a profit before taxation of £1,441,766 compared with £968,594 for 1959. Taxation amounted to £718,757 compared with £379,672 for 1959. The Net Profit applicable to Woodall-Duckham Limited for 1960 was £696,255 against £583,138 for 1959. Out of the Group Net Profit of £696,255, profits amounting to £421,834 were retained by the Subsidiary Companies, leaving a Net Profit of £274,421 available in the Parent Company's Accounts.

The usual 5 per cent Interim Ordinary Dividend was paid in December, 1960. Your Directors propose to recommend that a Final Ordinary Dividend of 22½ per cent should be paid on the Ordinary Shares in respect of 1960 in comparison with a Final Ordinary Dividend of 20 per cent paid in respect of 1959.

## CAPITAL STRUCTURE

During the past few years the size and scope of the activities of the Group have continued to grow. Your Directors have therefore decided that the capital structure of the Company could with advantage be adjusted to take account of these facts by bringing its Issued Capital more closely into line with the capital actually employed and required in the business.

As Members will have seen from Press announcements, your Directors will recommend that the Authorised Capital of the Company be increased to £2,400,000 by the creation of 2 million new Ordinary Shares of 5s. each and that £438,395 of the Capital Reserves of the Company be utilised in issuing 1,753,582 new Ordinary Shares of 5s. each fully paid to existing Ordinary Shareholders on the basis of one new Ordinary Share for every three existing Ordinary Shares held at the close of business on June 16, 1961. The shares so allotted will rank *pari passu* with the existing issued Ordinary Shares of the Company but without participation in any dividend declared in respect of any period before January 1, 1961. Subject to the passing of the necessary Resolutions, Renounceable Share Certificates will be posted on July 7, 1961. Application will be made to the Council of the Stock Exchange, London, for permission to deal in and for quotation for the 1,753,582 shares.

The effect of this transaction will be to raise the Issued Capital of the Company to £2,153,582, comprising £400,000 5 per cent Cumulative Preference Shares of £1 each and £1,753,582 Ordinary Capital represented by 7,014,327 Ordinary Shares of 5s. each. The reason for the increase in the Authorised Capital resulting in 985,673 Ordinary Shares remaining unissued after the proposed capitalisation is to ensure that this additional Authorised Capital should be readily available for possible future developments. The Directors have no present intention of issuing any such shares.

Unless unforeseen circumstances arise, your Directors anticipate that it will be possible to pay a 5 per cent Interim and a 16 per cent Final Dividend on the increased Ordinary Capital in respect of the current financial year ending December 31, 1961, so that the Ordinary Shareholders will receive approximately the same overall return as for 1960.

## MEETING CHANGES IN DEMAND

In my last Statement I drew attention to the changing requirements of the Group's main clients in the Steel, Coal and Gas Industries and I indicated that your Directors were meeting these changes in demand, firstly by extending the range of processes and plants which the Group could offer, and secondly by acquiring new Subsidiary Companies whose activities came within the broad framework of the Group's present activities. Both these lines of approach have been actively pursued during the past year.

The value of work carried out by the Group during 1960 was £131 million compared with £12 million in 1959. The orders received by the Group slightly exceeded the value of work carried out and amounted to £133 million. Including the uncompleted orders of a new Subsidiary Company, the value of unexecuted work in hand at the beginning of 1961 rose to £214 million.

The importance of diversification of the Group's activities by the acquisition of the

various operating Subsidiaries may be indicated by the fact that, although the principal operating Company, Woodall-Duckham Construction Company Ltd., still provided the majority of the Group's orders, the six other operating Subsidiary Companies provided 34 per cent of the Group Order Book in 1960. Although these six operating Subsidiary Companies are still regarded as being in the early stages of their expansion and ultimate profitability, they together provided a valuable contribution to the Group Net Profits in 1960.

Brief particulars of the activities of the seven operating Companies which constitute the Woodall-Duckham Group are given in the following paragraphs with greater emphasis on the newer acquisitions.

## WOODALL-DUCKHAM CONSTRUCTION COMPANY LTD.

The Company continued to carry out a large volume of construction work for the Steel, Coal and Gas Industries and a number of important orders were obtained during the year for coke oven and by-product plants. Amongst these, special mention is made of an order to supply a further installation of coke ovens and by-product plant at the Orgreave Works of United Coke & Chemicals Company Ltd., a subsidiary of the United Steel Companies Ltd. Since the beginning of 1961 the Company has received a further large order to the value of several million pounds from the South African Iron & Steel Industrial Corporation to build two more batteries of coke ovens with extensive by-product and coal and coke handling plant. The extent of this new order is under review at this moment and further details will be published later. Work continued on the design and construction of the two large high pressure gasification plants, one for the South Eastern Gas Board employing the Shell Process for the gasification of oil, and the other the plant for the West Midlands Gas Board employing the Lurgi Process for the gasification of small coal.

Investigations proceeded on improved processes for the biological treatment of effluents from the Gas and Coking Industries, working in association with Ames Crosta Mills & Company Ltd.; on methods for the production of sinter fuel for the Steel Industry; on beneficiation of ores and on making the best use of the Nation's coal for coking purposes, utilising the Burslein Process.

## W. J. JENKINS & COMPANY LTD.

The restriction in demand for the Company's products by the Gas and Coal Industries mentioned in my last Statement continued in 1960. Although the overall output of the Company has been affected by the lack of large contracts, the Work's productive capacity has been fully employed. Attention has been focused upon the means of diversifying the Company's activities. The firm's selling and marketing methods have been reorganised to enable the Company to extend its activities in other fields. Profit mar-

There's more to life than meets the landsman's eye: much more, for three-quarters of the world is covered by ocean—challenging, capricious, and a hard taskmaster for those who make their living by it. But science gives the sailor powerful help. At I.C.I.'s Brixham research station, scientists study the effects of sea air and salt water on ships and their gear. Specially tough marine paints are one result; another, ingenious anti-fouling compositions, which slowly release a chemical compound to repel the barnacles that are always seeking lodgings below the water-line. To trawlermen, I.C.I. means "Terylene"—the polyester fibre that's made into nets that stand up magnificently to the rough-and-tumble of the sea-bottom. When the sea is the enemy, I.C.I. scientists are staunch allies.

**LIFE HAS  
HIDDEN  
DEPTHS**



IMPERIAL CHEMICAL INDUSTRIES LTD., LONDON, S.W.1



# AMERICAN SURVEY

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

## Wanted: A Foreign Policy

WASHINGTON, DC

TEN days after President Kennedy broadcast his "sombre" report to the nation on his mission to Paris, Vienna and London the American public finds itself in two moods. To begin with the visit cheered people up and this euphoria has not quite evaporated. The personable young President and his wife had a personal success in Europe. There were encouraging stories that he had made a very favourable impression on General de Gaulle and a firm one on Mr Khrushchev. A poignant chord in the national pride was touched by European homage to Mrs Kennedy as an American Queen of Hearts. The Cuban humiliation was erased and the more sophisticated commentators discoursed on the psychological benefits of the trip for Mr Kennedy's maturing presidential personality.

On the other hand, it has begun to emerge that the President used a very mild word—"sombre" was not the one chosen by his speech writers—to describe the impact on him of Mr Khrushchev's unforthcoming approach and doctrinaire inflexibility. Either Mr Kennedy felt that it was necessary to tone down his reaction lest the crumb of comfort contained in the agreement over getting a cease-fire in Laos (even on humiliating terms) should be lost, or else he felt that his American audience would question whether their champion had scored if he conveyed the full force of the uncompromising Russian *aide-memoire* on Berlin, of Mr Khrushchev's insistence on the *troika* system for giving the Russians a veto on enforcement of the ban on atomic tests, in the United Nations and in every other international procedure and of his supreme confidence that the West would cave in. This would have made Mr Kennedy look as if he had travelled to Vienna merely to be told what was going to happen in all these matters, and in the world at large, whatever the United States said or did to divert the locomotive of history. But the story that Mr Kennedy did indeed find the Russian leader even harder to talk to than he had expected (though more mercurial and less clever) and that he did not report fully on the meeting has now damped American spirits.

This hardly suits Mr Kennedy's political book at a time when the public is in any case showing signs of impatience that the Administration is still producing words rather than deeds. The President's difficulty, however, is that a great deal more talking has to be done and that this is a necessary forerunner of action—unless there is to be disaster. But perhaps the first phase of educating the American public to face the prospect of a "long and difficult" struggle with Communism, with few short cuts, many setbacks, some nerve-wracking brink-walking and little of what the average American would call "action" has been completed.

The President, back in his White House rocking chair, now faces three sets of problems. In the first place, he knows that even as he digests his European trip he may be interrupted by a new crisis—in Iran, in the Caribbean, in south-east Asia—at any time. Yet, secondly, he knows that while the Berlin situation is still

only in the warming-up stage, and while talks continue in Geneva, it is urgent to define policy in advance. If there is an American answer to Mr Khrushchev's alternatives for Berlin, it is still a secret and there has not yet been time to formulate an American response to the Russian ultimatum on the inspection of atomic tests and on disarmament. Possibly the response may take the form of a gradual backing out of futile negotiations in a way that would not lose world sympathy, and a slow approach to a resumption of atomic testing, beginning with a "peaceful" nuclear explosion. The Russian move and growing domestic pressure for tests of atomic weapons come when policy is still unsettled.

Thirdly, the President realises that the very success which he achieved in Europe has proved obsolete his idea that the conduct of foreign affairs could be returned to "normal" diplomatic channels, with the President and Secretary of State anchored at the receiving end in Washington. There will be more summits—certainly more sub-summits. For example, one result of the Paris talks is that the Americans have accepted, at least partially, General de Gaulle's demand for tripartite policy-making by the United States, France and Britain (others being co-opted at need). As the General is even more his own Foreign Minister than the President is his own Secretary of State, this points to further western meetings. Above all, though the President took care not to accept any invitation from Mr Khrushchev, care was also taken not to create an atmosphere that would have made a further meeting on Berlin impossible; the main problem was to ensure that if such a meeting were held, as world opinion would expect should a head-on clash seem imminent, it would not be the Munich that Russian self-confidence seems to anticipate.

URGENT as it is to decide policy despite these pressures, unfortunately the machinery of policy-making is still in bits and pieces. At the top, American foreign policy turns on the relations between the President, the Secretary of State and the Secretary of Defence; this in turn requires effective interaction between the White House and the departments lower down. But in fact relations at the top are unclear, and lower down they are unsatisfactory. Originally, the group of clever men with whom Mr Kennedy surrounded himself to run the Presidency agreed that the State Department must be restored to efficiency after its long eclipse under Mr Dulles's personal rule, the witch-hunting of Senator McCarthy and the vacuum that was Mr Herter. Yet it is still uncertain where policy is being made. It was natural that the military-type organisation of General Eisenhower should be ignored, since it produced no policy. It was to be expected that the new President would be more his own Secretary of State than his predecessors had been. And it is fair to say that Mr Rusk, the Secretary of State, is probably the President's principal adviser and agent in foreign policy. But he is so by only a small margin: policy is plainly often made or deeply influenced, not only by the dozen assistants in the White House who specialise in it, but also by some of the President's other confidants.

Mr Rusk often seems engaged in elaborate manoeuvres with all these gentry, cautiously awaiting the moment when he can safely assert his rights. These preoccupations, and his inevitable calls abroad, have prevented him organising his own department, the morale of which has risen scarcely at all. Mr Rusk did not



## ELLIOTT-AUTOMATION LIMITED

### MR R. E. F. DE TRAFFORD REPORTS ON GROWTH OF AUTOMATION

The Annual General Meeting of Elliott-Automation Limited will be held on June 27th in London.

The following is the statement by Mr Rudolph E. F. de Trafford, OBE, the chairman, circulated with the report and accounts for the year ended December 31, 1960:

#### RISE IN GROUP PROFIT

The profit of the Group, before taxation, last year amounted to £1,776,510. Of this The Rheostat Company Limited, which was acquired during the year, contributed £520,648, representing the profit of the Company itself for 12 months ending on December 31, 1960, but only nine months' profit of its overseas subsidiaries. Excluding Rheostat the profit of the E-A Group was £1,255,862, as compared with £1,015,630 in 1959, an increase of nearly 24 per cent. Net sales in 1960, after deducting trade discounts and after eliminating inter-Group sales, in round figures amounted to £20 million compared with £16 million in 1959 for the Group as now constituted, an increase of 25 per cent.

#### OUTLOOK: FURTHER EXPANSION

Despite the large growth in turnover, your Group's order-book has risen steadily since our last report and we can, therefore, look forward to further expansion in the volume of our business. In consequence, during the current year to date, both turnover and profits are continuing to show an encouraging upward trend, and in the absence of unforeseen circumstances we are confident we can look forward to a further improvement in our results for 1961.

There is every indication now that in the near future we shall be reaping increasing benefit from the widespread preparatory work which has been going on for several years and which is still proceeding.

#### MECHANICAL AUTOMATION

Until now, we have concerned ourselves largely with the automation of process industries such as oil, chemicals, etc., and with the automation of data processing. More recently we have turned our attention to the mechanical automation field. To quote an instance, we are the licensees of Jervis B. Webb Company of Detroit, Michigan, which gives us access to the most advanced methods of large scale material handling, including electronically controlled conveyor systems. Our orders for this kind of equipment are now building up rapidly. Another example is our manufacturing arrangement, recently concluded, with the Warner and Swasey Company of Cleveland, Ohio, a leading American machine tool manufacturer, in respect of its remarkable electronic machine tool control systems which, because of their flexibility, high quality and economic price, appear to have great potential. Additionally we are playing an important part in the mechanisation of the General Post Office by equipping it with the latest devices for the automatic handling of mail, and with coin boxes for direct trunk dialling.

#### NEW AGREEMENTS AND PROJECTS

Some of the other new developments in which we have been engaging in the last 12 months

include a sales and manufacturing agreement with the Autonetics Division of North American Aviation Inc., which covers their "Verdan," the most successful airborne digital computer in the world, for which there is a substantial demand in this country. Among important projects with which we have been entrusted is the production of an experimental system for air traffic control involving the use of our latest high speed computing techniques. Last year I was able to announce that in consequence of our agreement with them, the National Cash Register Company had invited us to manufacture in this country a computer designed by NCR in the United States. This machine, the "315," has meanwhile been publicly announced, and manufacture is actively under way. In addition, increasing numbers of National-Elliott "803" computers are being sold.

Among new licensing arrangements entered into last year, I should like to mention an agreement with FXR Inc. of Woodside, New York, for microwave instruments, and one with General Kinetics Corporation of Englewood, New Jersey, covering certain types of ball valves. We have further expanded our interest in the quality control instrument field by an agreement with Hallikainen Instruments of Berkeley, California, which grants us manufacturing rights for an important range of instruments developed in conjunction with the petroleum industry, and also by an agreement under which we have secured the rights in respect of a French range of oxygen analysis equipment of outstanding merit. A marketing agreement in respect of electric recorders of particularly high quality has been negotiated recently with the Esterline-Angus Company of Indianapolis.

#### JOINT VENTURES

I referred a year ago to the impact we had made in the high vacuum field. We have since then formed a company jointly with E. Leybold's Nachfolger of Cologne, leaders in this field, which will exploit in the British Commonwealth the experience of its parent companies and of the German company's associate, Leybold Hochvakuum-Anlagen GmbH, in the field of vacuum pumps and of specialised plants (e.g., for coating and impregnating) based on high vacuum techniques. In this connection, I would particularly like to single out the process of accelerated freeze drying, in which the food industry is now showing much interest.

Since the turn of the year we have entered a

similar type of joint venture in the microwave valve field, with Litton Industries Inc. of Beverly Hills, California, whose tube division is among the world leaders in this sphere. Our own microwave valve activity which has been developing in a very promising way, and which has substantial exports to the United States, is being transferred to the new jointly owned company, and the fact that it will be based on the combined skills of the two parent companies will, we believe, ensure its rapid growth. We have also formed a joint company with Rotron Controls Corporation of Woodstock, New Jersey, USA, to exploit their special flowmetering equipment for the British Commonwealth and Europe. In all these jointly owned companies we have a majority shareholding, and therefore their results will be incorporated in our Group figures.

#### OVERSEAS OPERATIONS GROWING

Our own operations abroad are growing apace, and to this the Rheostat network of overseas subsidiaries and associates, which includes manufacturing plants in France and the Union of South Africa, is making an important contribution. Our French associate "Manurhin" has formed a subsidiary, "Elliott - Automation (France) S.a.r.l.", to handle its new automation activities, and satisfactory progress has been made there in building up sales and manufacture of some of our major product lines.

In a number of other important markets overseas, we are now planning local manufacture through subsidiaries. In all these cases the expansion of sales due to local manufacture has the effect of increasing our own exports to the country in question.

#### COMPLETE AUTOMATION SYSTEMS

Our ability, brought about by a constant widening of our range within the automation field, to engineer and provide complete automation systems from our own resources, is gaining increasing recognition both at home and abroad. This does not indicate that our business depends largely or mainly upon a few exceptionally large orders, but in the years now before us emphasis will inevitably shift from the supply of individual items of equipment to fully planned and integrated overall systems of automation. We feel that we are, as a result of our policy over many years, uniquely placed to take full advantage of this trend.

#### SUMMARY OF RESULTS AND POINTS OF INTEREST 1960 (In approximate figures)

|                                                        |                   |
|--------------------------------------------------------|-------------------|
| GROUP SALES .....                                      | £20,000,000       |
| PROFIT BEFORE TAX .....                                | £1,776,000        |
| (being 8.9% on Sales and 15.5% on Net Tangible Assets) |                   |
| of which Taxation took .....                           | 46% £817,000      |
| Preference Dividends .....                             | 3% £49,000        |
| Ordinary Dividends .....                               | 24% £433,000      |
| Retained in Business .....                             | 27% £477,000      |
| CASH FLOW (Retained Profits plus Depreciation) .....   | £970,000          |
| FIXED ASSETS ACQUIRED .....                            | £899,000          |
| DEPRECIATION .....                                     | £493,000          |
| Earnings before tax per 5s. Ordinary Share .....       | 1s. 4½d.          |
| Number of Shareholders .....                           | 14,000            |
| Number of Employees in United Kingdom .....            | nearly 12,000     |
| Total Factory Floor Area in United Kingdom .....       | 1,600,000 sq. ft. |

There are over 60 operating Companies and Divisions in the Group.

Copies of the full Report can be obtained from the Secretary, Century Works, Lewisham, London, S.E.13.

## SPILLERS LIMITED

### GROUP'S POSITION WELL MAINTAINED UNDER KEENLY COMPETITIVE CONDITIONS

#### TOTAL TURNOVER INCREASED BY £9M TO £98M

#### SUBSTANTIAL CAPITAL EXPENDITURE PROGRAMME

#### BENEFITS ONLY PARTIALLY REFLECTED IN YEAR'S RESULTS

#### SIR WILFRED D. VERNON REVIEWS WIDESPREAD INTERESTS AND ACTIVITIES

The 74th annual general meeting of Spillers Limited was held on June 2 at the Abercorn Rooms, Great Eastern Hotel, Liverpool Street, London, E.C.2, Sir Archibald F. Forbes, G.B.E. (Deputy Chairman) presiding in the absence of Sir Wilfred D. Vernon (the Chairman).

The following is the statement by the chairman which had been circulated with the report and accounts for the year ended January, 31, 1961:

#### RESULTS FOR THE YEAR

After meeting all charges other than taxation the result of the year's operations is a profit of £5,299,000. Taxation requires £2,600,000 thus leaving a net balance of £2,699,000 which is £204,000 higher than for the previous year.

The Directors recommend that the final dividend on the Ordinary Stock should be 7½ per cent making the total distribution 10 per cent for the year as against 9 1/6 per cent for the year ended 31st January, 1960. I am glad that the results justify this increase in the return on stockholders' funds invested which have again risen during the year.

If this proposal is adopted the distributions on the Ordinary and Preference Stocks of the company together with those on minority holdings in subsidiary companies will, after deduction of income tax, absorb £1,310,000 out of the net balance for the year of £2,699,000 leaving £1,389,000 retained in the business in addition to the provision for depreciation and obsolescence of £2,050,000.

During the year there was considerable capital expenditure comprising the acquisition of the whole of the Ordinary Share capital of Spratt's Patent Ltd. and certain minor investments together with substantial outlay on the construction of new factories and the modernisation of others. This amounted in total to some £10 million and was financed in part from our own resources and in part from the proceeds of an issue of £8m. 6 per cent Debenture Stock. The benefit of this expenditure has been only partially reflected in the trading surplus for the year.

Total turnover rose by some £9m. to £98m. a proportion of the increase being derived from the new acquisitions.

#### FLOUR MILLING

On the milling side output and earnings were maintained although conditions within the industry still operate to make it difficult to earn a margin which we consider reasonable in relation to the real value of the capital invested. This is due to normal competition being intensi-

fied by the existence of productive capacity in excess of the overall demand. It would be unwise to rely on any significant expansion in the latter and accordingly some further rationalisation of the industry's capacity may be inevitable in the long run.

In accordance with our practice of maintaining the fullest efficiency in operational costs a new flour mill is being constructed at Gainsborough to replace the existing mill at Grimsby which has become obsolete. The new mill which is adjacent to the new animal foods factory should come into operation towards the end of this year.

#### ANIMAL FOODS

In this section of the business deliveries were maintained but increased costs brought about some reduction in margins. I believe that our policy of seeking to produce feeding stuffs designed to give the highest conversion values to the end products on the farm commends itself to the agricultural industry. Work in this field has been intensified at our Technological Research Station and Central Laboratories at Cambridge and at our Research Farm Centre at Middle Aston, Oxfordshire. During the past year an increasing number of farmers, merchants and scientists have visited these establishments and we welcome the opportunity which this gives for them to see at first hand the nature and extent of the research which is being carried out.

We continue to be impressed by the rapid growth of the broiler side of agriculture and are pleased to think that the considerable effort which we have directed to research in this connection has been of benefit to all concerned.

There has been some delay in bringing the two new factories at Gainsborough and Aberdeen "on feed." At Gainsborough this was occasioned by late delivery of certain plant and production did not commence until the beginning of 1961. At Aberdeen construction was retarded by late delivery of steel and unfavourable weather; consequently production will not begin until next month. Both these plants should make a useful contribution to expansion in this field.

#### WHEAT AND GRAIN MARKETS

As in 1959 there was little fluctuation in wheat and barley prices or in freight rates during 1960. This stability was unaffected by some notable features occurring during the year.

The bad weather conditions in North-Western Europe while not reducing the yield of the wheat

harvest did result in a lowering of quality. In consequence some European countries which in normal years are self-sufficient in grain supplies were compelled to resort to considerable import. Russia emerged as a substantial exporter of both wheat and barley in the latter part of the year and about the same time China entered the market as a substantial buyer of wheat. It is probably fair to say that the international movement of wheat during the present cereal year will be higher than ever before.

1960 produced a record crop of homegrown barley. This is being gradually absorbed and imports of barley have in consequence been lower than for some years past. The continuance of bad weather in the United Kingdom seriously interfered with the winter sowing of wheat and it is conceivable that this may induce farmers to raise even more barley in 1961. It is to be hoped that circumstances will not bring about production of barley in excess of real needs. While absorption of homegrown barley is clearly important, it must be remembered that its usage beyond a certain point would not fulfil the nutritional requirements of certain compound foods with a consequential reduction in the ultimate competitive position of the stock-raising side of agriculture.

#### BAKING

Baking operations increased in volume but rising costs absorbed the benefit of the increase in bread prices. In the main this has been a year of consolidation with the emphasis on the modernisation of production facilities with a view to improving efficiency. This process of modernisation includes the construction of several completely new bakeries at Birtley (near Newcastle), Croydon, High Wycombe, Stoke, and Swansea. Those at Croydon, High Wycombe and Stoke came into operation in the early part of this year and the others are expected to commence production within the next few months.

Our aim is to manufacture products of high quality and of a variety likely to appeal to public taste. This I consider to be not only desirable in itself but also the most practical method of stimulating consumption. Accordingly the underlying baking companies have during the year introduced a number of new types of bread and confectionery. These have distinctive names but all come under the broad designation of "Wonder" products.

#### PET FOODS

In this sphere steady expansion has continued and the ability to co-ordinate policy with Spratt's Patent Ltd. has proved of benefit to both com-

panies. Stockholders may like to know that both concerns now manufacture canned pet foods in addition to their well-known brands of biscuits and meals. The principal canned foods are marketed under the name of "Wagat" by Spillers and under the names of "Top Dog" and "Top Cat" by Spratts. A complete range of bird seeds is also produced and sold under the name of Caperns—a subsidiary of Spratts.

#### GROCERY PRODUCTS

The Group manufacture a number of products for human consumption which are sold mainly through the grocery trade. In addition to self-raising and packed flour marketed under the brand name of Spillers there are stuffings, spices, seasonings, etc., under the name of "Pinjar" and a new egg rusk product named "Sunnysnacks."

#### GENERAL

Over the whole field of our operations the year has seen the Group's position well maintained under keenly competitive conditions and a rising tendency in costs. I feel that our policy of seeking to keep our manufacturing, selling and administrative services at a high point of efficiency combined with the evolution of new products makes us as well placed as possible for the immediate future. It is as yet early in our financial year and much can still happen, but judged by experience to date I shall be disappointed if the outcome is not satisfactory.

#### OVERSEAS INTERESTS

The Rhodesian Milling Company (Pvt.) Limited and its associated concerns had a satisfactory year. As in past years profits have been applied to development and no dividend was drawn by the proprietors. There has recently been a substantial increase in the level of African wages which will have a significant effect on the cost of production but would also in normal circumstances stimulate purchasing power and therefore demand for the company's products. So far the company has not suffered from the political problems which beset the Federation but it seems evident that if these are not speedily and satisfactorily resolved general economic development of the country will inevitably be retarded. While fully appreciative of the wisdom of raising the living and educational standards and also the political status of the African this in the nature of things cannot be other than a gradual process. It is earnestly to be hoped that the progressive development of the country and its people—which has already reached a stage not fully appreciated here—will not be prejudiced by attempting to give power in advance of creating the necessary sense of responsibility to exercise it.

Our associated company in Australia showed some further falling off in earnings as a result of a continuance of exceptional competition brought about by conditions of potential supply being considerably in excess of demand.

#### OPENING OF THE NEW HEAD OFFICE

On June 27, 1960, the new Head Office of the Company at Old Change House, Cannon Street, EC4, was opened by The Lord Mayor of London, Sir Edmund Stockdale.

#### COMPANY MEETING REPORTS

##### PERSONNEL

It was most gratifying to all his colleagues that Mr Humphrey Vernon was invited to become President of the National Association of British & Irish Millers for the second time.

I am sure that the stockholders will be glad to associate themselves with the Board in expressing warm appreciation to all those in our employ who have worked so well throughout the past year.

#### THE ECONOMIST JUNE 10, 1961

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

The retiring directors, Sir Archibald F. Forbes, GBE and Mr Humphrey B. Vernon, MC, were re-elected; the Directors were authorised to fix the remuneration of the joint auditors, Messrs Impey, Cudworth & Company, and Messrs Deloitte, Plender, Griffiths & Company; the proposal to reconvert the Preference and Ordinary stocks into shares and to subdivide the £1 Ordinary Shares into shares of 5s. each was approved.

### BENGUELA RAILWAY COMPANY

At the Annual General Meeting of the Company held in Lisbon on 20th May, 1961, the following distribution of profits for the year 1960 was approved:—

|                                                              | 1960<br>Escudos | 1959<br>Escudos | 1958<br>Escudos |
|--------------------------------------------------------------|-----------------|-----------------|-----------------|
| Net Revenue.....                                             | 216,114,629     | 153,409,018     | 161,544,922     |
| Dividend:—                                                   |                 |                 |                 |
| Percentage to Portuguese Government.....                     | 98,696,838      |                 |                 |
| Deductions in accordance with the Articles of Association... | 15,880,031      |                 |                 |
| Staff Participation in profits.....                          | 9,440,046       |                 |                 |
| Balance available for distribution.....                      | 66,917,125      | 96,322,432      | 24,559,541      |
| Add:—Transfer from General Reserve.....                      | 181,067,514     | 129,069,554     | 126,555,339     |
|                                                              | 247,984,639     | 225,391,986     | 251,114,880     |
| Distributed as to:—Debt Service:                             |                 |                 |                 |
| Redemption of 1% Debentures.....                             | 16,299,046      | 16,299,046      | 16,299,046      |
| Interest on 4% Debentures for year 1960.....                 | 6,219,112       | 6,219,112       | 6,219,112       |
| Redemption of 5% Debentures.....                             | 8,060,000       | 8,060,000       | 8,060,000       |
| Interest on 6% Debentures for year 1960.....                 | 17,812,082      | 16,100,000      | 16,100,000      |
| Dividend of 10% on Share Capital.....                        | 47,576,554      | 40,754,445      | 41,311,551      |
| Transferred to Dividend Equalisation Reserve.....            | 82,500,000      | 82,500,000      | 82,500,000      |
| Advance Redemption of 4% Debentures.....                     | 65,185,000      | 62,319,270      | 2,044,119       |
|                                                              | 195,065,794     | 187,572,715     | 196,835,750     |

Note:—Additional new 5% debentures to the nominal value of Escudos 45,370,000, repayable as from 1st July, 1971, and chargeable to interest and redemption on the earnings of the railway whether or not sold before the end of the year 1961 will be issued forthwith to Taqanyika Concessions Limited for cash at a discount of 10%.

Taqanyika Concessions Limited owns all the Debentures and 90% of the Equity of the Benguela Railway. 60.5 Escudos = £1.

### TIMOTHY WHITES & TAYLORS LTD.

#### BRANCHES THROUGHOUT GREAT BRITAIN

Extracts from MR. G. I. RUERTON'S STATEMENT  
AT ANNUAL GENERAL MEETING, 7th JUNE, 1961

**INCREASED SALES AND PROFITS.** The Accounts for the year ended 14th January, 1961, again show an increase in profits compared with the Accounts for the 54 weeks ended 16th January, 1960. The Sales again show a substantial increase and the National Health Service prescriptions remain approximately equal to the previous year.

The Trading Profit and sundry income of the Group amounted to £2,277,740 compared with £2,073,351 in 1959. After various deductions the profit before taxation was £1,773,728 compared with £1,570,457.

**TRANSFERS TO RESERVES.** Your Directors have transferred this year £250,000 to General Reserve and £20,000 to Development Reserve.

**HIGHER DISTRIBUTION.** Your Directors recommend a final dividend on the Ordinary Shares of 10 per cent making a total for the year of 16 per cent. The total dividend for 1959 was 27½ per cent on the Ordinary Capital before the issue of one new Ordinary share in respect of each Ordinary share held, which means that the total dividend of 16 per cent compares effectively against a dividend of 13½ per cent on the present capital.

**DEVELOPMENT POLICY.** During the year under review the Stores at Liverpool, Middlesbrough and Notting Hill Gate, London, were opened and are trading satisfactorily. In continuance of the policy of closing Branches which have become uneconomic, a further 47 Branches within the Group have been closed. A large Store is in course of construction in the centre of Blackpool, and it is anticipated that it will be completed and opened in 1962. The very ambitious programme of alterations and extensions mentioned in my Statement last year was completed and the results so far indicate that the capital expenditure involved has been well justified.

**PROSPECT FOR CURRENT YEAR.** As far as the current year is concerned the turnover has again been increasing steadily except in dispensing, which has shown a fall in the number of prescriptions as a result of the increase in the prescription levy from 1/- to 2/- per item. You may be assured that your Directors and Executives are making every effort to replace any drop in National Health Service turnover by increasing the sales of general merchandise.

The report was adopted and the final dividend approved.

#### THE ECONOMIST JUNE 10, 1961

#### COMPANY MEETING REPORTS

## MILK MARKETING BOARD

### OUTPUT AN ALL-TIME RECORD

#### MR RICHARD TREHANE'S SPEECH

The annual general meeting of the Milk Marketing Board was held on June 1st in London. Mr Richard Trehane, the chairman, in the course of his speech, said: The Annual Report and Accounts of the Board covering the twelve months ended March 31, 1961, have been sent to all registered producers. Since we met a year ago, whilst climatic conditions have caused very difficult farming they have been in favour of a high level of milk output almost everywhere. The number of dairy cows on farms in England and Wales has been increasing and the latest March figures show them at the highest point since the war. Apart from this, we who go about the country know that many dairy farmers, large and small, are planning to raise output of milk or at least to maintain it at a high level. The increase in total output last year compared with the previous year was as much as 153 million gallons or 8½ per cent. This emphasises once again the tremendous influence of the natural conditions in the farming year on the level of milk output. In this connection the output in this year under review should be compared with another peak year in 1957-58, three years ago. Comparing these, the increase is only 73 million gallons or about half as much as the comparison between this year and last.

cies which have been pursued here in the last decade.

The number of milk selling farms on our registers, however, has continued to decline and since 1950 we have lost 43,000 from our lists. Many of these were small units but the signs of rationalisation in dairy farming are unmistakable and they result in higher output and better efficiency.

#### PROSPECTS

Bringing all the relevant information together in our records the Board have studied carefully the prospects for the industry currently and for the next few years ahead. We believe that the trend for greater milk output will continue in this country; it is natural for this to happen. The Board's view—other things being normal—is that milk output will tend to rise over this period at a rate similar to that which we have experienced in the last five years or so. Cow numbers will be greater, the yield of the dairy cow will continue to improve and there will be more milk to sell. If the yield per cow does rise at the rate which we estimate for this period we shall reach the position when every cow whose milk is sold will show an average yield of more than 800 gallons annually.

In the light of these estimates of trends in output we are making further plans to deal with the bigger supplies which we are expecting to receive. The Board are investing considerable sums of your capital in manufacturing enterprises and these steps will mean that the Board will be in a better position to deal with surpluses as they arise. The new project on which we have embarked in Kendal is an example of the plans we are making in this direction. The manufacturers of milk products in this country, who continue to co-operate with us closely, are increasing the capacity of their creameries all the time.

#### IMPORTANCE OF MARKETING

Whilst I have spoken so far of production of milk we do not forget that first and foremost we are a marketing organisation. Our job is to sell and to sell in the best markets to secure the best returns for the industry. We believe firmly that still more energy and enterprise must be devoted to the marketing and selling side. Sometimes I think that as a farming community we do not find this subject of selling very easy. The emphasis throughout the whole industry since the war has been on production and more recently on the need for increased efficiency through reduction in costs. It is clear, however, that there must be more attention to, and investment in, the marketing side.

The Board believe firmly in this and we have accepted it as our responsibility. We certainly have now a much better appreciation of the subject and a growing belief that this wonderful market of ours can take more of our produce with great benefit to consumers and to ourselves. We must recognise that we have important natural advantages in our own market

and equally the consumers of this country have the great benefit of a supply of fresh farm produce which is readily available to them everywhere. Here is our mutual interest and our job is to serve the public from our farms in such a manner that they can enjoy the high quality and variety of British farm produce on fair terms.

#### NED FOR FAIR TRADING

At this meeting last year I referred to the need for fair trading in face of the opening of our markets more and more to international trade. I regret to say that in this respect matters have not improved. It has been necessary for the Board to make representations to the Government against some of the more flagrant practices that we suffer. Although this was done some time ago there has been no discernible result and we are therefore making a fully formal application under the anti-dumping legislation.

I have so far made no mention of the particular pressing problem of today—whether or no we shall be more closely associated in trade with the nations of Europe. To make precise comment is difficult as the terms of any possible association are unknown. I would, however, even at this indefinite stage make one important claim. The liquid milk market in this country is a very special one accounting for a very high part of our production, and farmers and distributors have gone to very great lengths to ensure that it is served faithfully. To ensure this we have laid out our milk producing pattern in a very special way both as to the standards of quality of our milk and the burden of the high level of winter production that we have sustained. In any arrangements with Europe it is imperative that the consumer's need for service and our ability to sustain it are not impaired. Those who negotiate our future must recognise this special case and make provision for it.

#### MEETING CONSUMER DEMAND

In this statement today I have tried to give an appreciation of the trends of supplies in our industry and the confidence which dairy farmers have in their plans for the future. The consequence of increasing output, we all know, will be seen in lower average pool prices. I have nothing to say on the two-tier price issue in view of the study now being made. It is important that this feature of milk policy can be considered quite objectively by the leaders of the industry and subsequently by the producers themselves. My emphasis today has been on the market and the great scope that remains in it for us if we turn over more positively to establish and maintain high quality produce in greater variety to meet consumer demand. Every farmer can take positive action on his holding which will help to this end. And if we are to belong to a wider community of farmers in Europe the steps which we take at home in the next few years will be our greatest safeguard and I am confident should ensure our success.

The report and accounts were adopted.



## THE CHARTERHOUSE INVESTMENT TRUST

### MARKET VALUES AND REVENUE AGAIN BUOYANT

The thirty-sixth annual general meeting of The Charterhouse Investment Trust Limited will be held on June 28th in London.

The following is an extract from the review by the chairman, Sir Nutcombe Hume, KBE, MC, which has been circulated with the report and accounts:

Both market values and revenue were buoyant again during our last financial year and despite the fact that we did not receive the final dividend from The Charterhouse Group until after our year-end and had the use of the proceeds of our new issue for only three-quarters of the year, gross revenue and net revenue before and after tax increased by £47,500, £43,900 and £27,250 respectively; and so far this year, this trend has continued.

### AN INVESTMENT TRUST'S MAIN CONCERN

An Investment Trust Company must be mainly concerned with revenue and although of course capital appreciation has its attractions it is of no real use unless it carries with it an

## COMPANY MEETING REPORTS

increased revenue or is realised and then used to provide that increase.

If the market value of our investments is used as a yardstick the ordinary shares of the Trust at April 30th were worth about 24s. each, and whilst that may give one a comfortable feeling it also poses the conundrum of how to turn that fact into an increase of revenue and dividends for our Shareholders. It must of course be one of the major preoccupations of the management of any Trust Company to judge whether the market value of any investment has correctly foreshadowed an increase in dividend or has "run away" to a level which over-discounts this prospect and when that is so, to find other temporary or permanent employment for the released funds. A switch here and there into good preference shares has considerable attractions.

Whilst the day to day management of an Investment Trust may not present any serious difficulties, agreeing the policy which governs the selection of the right portfolio is not as easy as it may look and this leads me to an attempt to look ahead.

The continued profitable manufacture and sale of the things people want—or, in other words, "economic growth"—must depend for all the developed countries and for our own in particular, upon the proper use of savings and the proceeds of taxation to hold the very delicate balance between encouraging home consumption, controlling the balance of overseas trading (both

## THE ECONOMIST JUNE 10, 1961

visible and invisible) and the maintenance of full employment. The search for formulae which will produce this balance is probably the greatest preoccupation of serious-minded economists, businessmen and politicians today.

Plans are of no value unless there are men of ability and good-will first to make them wisely and then put them into effect. It is becoming increasingly realised that it is vitally important to provide greater opportunities for young people to learn the skills and arts of management. At this, however, takes time and to the extent that men's ability is needed in this process of growth (and I claim that it is the paramount need) it can only come about relatively slowly and in the meantime serious mistakes and miscalculations will be made from time to time. We must pray that one of these will not plunge us into war or a slump comparable with that of 1930.

As far as our own Company is concerned we enter into our new financial year with the feeling that the general outlook for the shorter term is—to use a slang expression—"dicey," but we believe that our portfolio is well chosen and that for the longer pull it will pay to retain our holdings in most cases, whilst always using all the skill we can command to exchange as opportunity offers into the shares of companies which look as if they will be the blue chips of the future, while they still offer a relatively high yield and good prospects of increasing profit and dividends.

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### DAVIS AND TIMMINS

The sixty-second annual general meeting of Davis and Timmins, Limited, was held on June 2 in London.

Mr F. Le Neve Foster, the chairman, in the course of his speech, said:

Although the results, based on a greatly increased sales turnover, were achieved under the highly favourable trading conditions of last year, they provide ample proof of the growth and vitality of our business.

The Group Trading Profit for the year, before taxation, but after charging Depreciation, Directors' Emoluments and Interest on Unsecured Loan Stock, is £556,673 as compared with £252,724, while the Net Profit, after taxation, amounts to £293,999 as compared with £135,586 for the previous year.

These record figures reflect the success of your Board's policy, which over the past ten years has aimed at broadening the base of the business by progressive expansion and diversification.

## COMPANY MEETING REPORTS

The Directors recommend a final dividend of 20 per cent plus a cash bonus of 5 per cent, making, with the interim dividend of 10 per cent already paid, an effective total distribution for the year on the increased capital of 34.1 per cent as against 25 per cent for the previous year paid on the smaller capital.

Sales promotion, efficient distribution and service to customers are paramount considerations which must receive priority of thought, action and expenditure, if progress is to be made. During the past eight years depots have been established in Wood Green, London, Birmingham, Manchester, Bristol and Belfast and last year we opened similar depots in Bridgend in South Wales and Newcastle. We have also firmly established ourselves in Glasgow and Edinburgh and negotiations are now going forward for a depot in Leeds. With this network of selling points, we can rightfully claim that our distribution is on a nationwide basis. The success of our Sales policy can be judged by the fact that our Group sales turnover last year was an all time record.

Our subsidiary companies make the largest

contribution towards diversifying the activities of the business and they have been responsible for a notable part of the Group profits.

The Chairman then stated that since the preparation of his address and as announced, a provisional offer, subject to his Board's approval, had been received from The Delta Metal Company Ltd., to acquire all the Issued Ordinary Shares of his Company (other than those already owned by the Delta Group) on the basis of two Delta Ordinary Shares of 5s. for each Davis and Timmins Ordinary Share of 5s., ex the final dividend but cum the proposed share bonus. The Directors, having given the closest consideration to all relevant factors, are of the opinion that the terms of share exchange are fair and have unanimously decided to recommend the offer for acceptance by the Ordinary shareholders. The formal offer, with full details of the proposals, will be posted to shareholders as soon as possible.

The Report was adopted but the proceedings for the capitalisation proposals were adjourned pending consideration of the offer.

## THE ANGLO-PORTUGUESE TELEPHONE COMPANY

### MR ALASTAIR F. ROGER ON SATISFACTORY OUTCOME OF ANOTHER ACTIVE YEAR

The 74th annual general meeting of The Anglo-Portuguese Telephone Company, Limited, will be held on June 27 at Strouger House, 8, Arundel Street, London, W.C.2.

The following is an extract from the statement by the Chairman, Mr Alastair F. Roger, which has been circulated with the Report and Accounts:

First taking the Accounts, the results of the continued progress of your Company are reflected in them for the year ended 31st December, 1960.

Total Revenue at £3,715,571 is £290,986 higher than in 1959.

Total Expenses, including Royalties paid to the Portuguese Government, Provision for Renewals, Depreciation, Taxation, Loan Interest and Service of Debentures amount to £3,101,980, an increase of £227,325 over the 1959 figure.

Net Profit of £613,591 is £63,661 higher than in 1959.

Your Directors recommend and the Accounts provide for a final dividend of 6 per cent on the £7,000,000 issued Ordinary Capital which, together with the interim dividend of 3 per cent paid in November last, makes 9 per cent for the year on the £5,810,000 Ordinary stock issued prior to November last and 6 per cent on the 1,190,000 Ordinary Shares of £1 each

issued towards the end of the year and since converted into Stock. A dividend of 9 per cent on the "A" Ordinary Stock is also proposed.

After providing for the net cost of these dividends and the dividends on the Preference Stock, and after transferring a sum of £130,000 to General Reserve, carry forward is increased by £77,319.

The issue of 1,190,000 Ordinary Shares of £1 each referred to above was made to existing Ordinary Stockholders at 21s. per share. Over 97 per cent of the "Rights" were taken up and applications for excess shares had to be heavily scaled down.

The issue enabled the Company to repay the whole of its temporary borrowings and left a balance available to provide additional equipment for capital development.

### GENERAL PROGRESS

During 1960 considerable capital development was undertaken at a gross cost of £2,175,000 and at the end of the year Total Fixed Assets stood in the Balance Sheet at £17,908,973. The total number of stations in service was 275,352, an increase of 21,800 in the year.

The Waiting List at 31st December numbered around 6,000 and new applications for service are being received at the rate of 2,050 per month without any indications of slowing down. This continued high rate of demand provides a measure of the new business available to the Company.

Both Lisbon and Oporto are rapidly growing cities and the increasing number of factories, offices and dwellings being made available by the new building projects which are continuously being undertaken provides a partial explanation of the rising demand for telephone service.

According to the publication "Telephone

Statistics of the World" the number of telephones per 100 population in Lisbon and Oporto taken together was 7.3 ten years ago. The comparable figure today is over 16.0. Few cities in the United Kingdom show a figure superior to this.

In meeting and exchanging views with the Prime Minister, H.E. Dr. Salazar, and a number of his Ministers during the year I was impressed by the goodwill which the Government has for the Company. Our friendly relationship with the Portuguese Authorities, which has extended over so many years, is a most valuable asset being founded on a mutual respect of the terms of the contract under which we operate.

### CURRENT EVENTS

Portugal, in common with the United Kingdom and other European countries which have assumed responsibility for African territories, is at present faced with problems in those areas the solution of which will require the exercise of a high degree of patience and sympathetic understanding.

The uncertainty which these problems have created in international financial circles must make us proceed with due caution in planning our future capital development. However, as I have already stated, additional profitable business continued to be available to us.

Recent visitors to Portugal will confirm that business is being conducted in a normal manner and certainly it is true that the Company's day to day operating has not been affected by the difficulties which Portugal is experiencing at the present time.

Our telephone services in Lisbon and Oporto continue to work at full capacity and if the present business conditions prevail there is every reason to believe that the results for 1961 will be satisfactory.

## APPOINTMENTS

### PRESSED STEEL COMPANY LIMITED

The Company's expanding Group Research and Development Department at Oxford requires the services of a—

## MATHEMATICIAN

Applications are invited from Mathematicians with a good honours degree and with experience in the application of mathematical techniques to industrial or commercial problems. Immediate help is needed in the following fields:

- (1) Numerical machine control (involving both the development of methods of defining mathematically empirical curves and the associated computer programming).
- (2) Design of experiments for statistical analysis of the significance of several variables.
- (3) Servo-mechanisms.

Problems in other fields will occur on an ever-widening front. Experience in any of the above fields would represent an attractive attainment; evidence of analytical ability is important.

Application forms are available from the Staff Officer, Pressed Steel Company Limited, Cowley, Oxford.

### CO-OPERATIVE UNION LIMITED DEVELOPMENT DEPARTMENT

ASSISTANT DEVELOPMENT OFFICER required. Duties involve preparation of material for Development Committee in relation to financial aspects of Co-operative Movement's development problems, and particularly the provision of advice on the development projects of individual societies. Qualifications sought are a lively mind, a detailed knowledge of co-operative finance and trade, an appreciation of trading methods. A degree or recognised second-hand or accountancy qualification would be an advantage, as would personal experience of development work at society level. Commencing salary, £1,450 p.a.; superannuation, 10% on basic salary. For further details and application form, apply to Development Officer, Co-operative Union Ltd., Holbeck House, Hanover Street, Manchester, 4.

CENTRAL OFFICE OF INFORMATION requires a SENIOR INFORMATION OFFICER (unclassified) to advise, coordinate papers on international affairs and to supervise the work of others similarly qualified. Qualifications required are an honours degree (preferably in history), research and experience and the ability to present factual information concisely and accurately. Applicants should be prepared to supply examples of work done if required. Salary £1,574 p.a. plus 10% superannuation. Details of experience and qualifications to Manager (PE 600), Ministry of Labour, Professional and Technical Register, Atlantic House, Farnborough Road, London, E.C.4.

### LANCASHIRE AND MERSEYSIDE INDUSTRIAL DEVELOPMENT ASSOCIATION

Applications invited from suitably qualified persons for appointment as DEPUTY DIRECTOR OF THE ASSOCIATION. SALARY £1,400 p.a. rising by annual increments of £75 and £300 to £1,575 p.a. Post superannuable. Further particulars and form of application obtainable from Joint Honorary Secretaries of Association, Town Hall, Manchester. Applications returnable by the 7th JULY, 1961.

For other appointments see page 1184

### SURREY EDUCATION COMMITTEE

KINGSTON TECHNICAL COLLEGE, FASSELL ROAD, KINGSTON-UPON-THAMES

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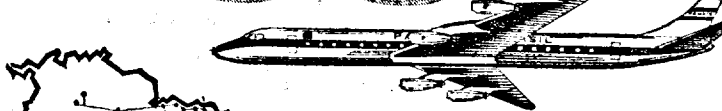
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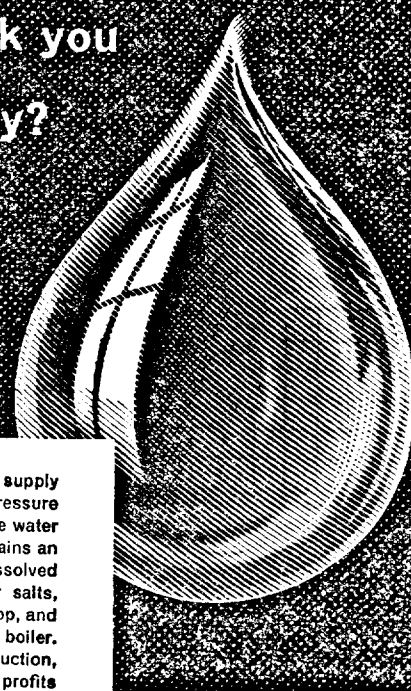
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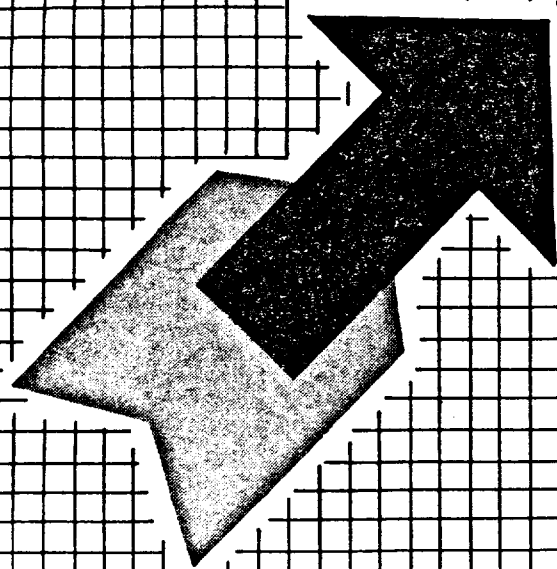
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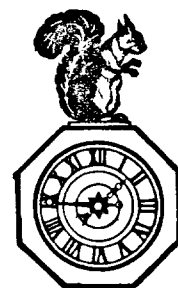
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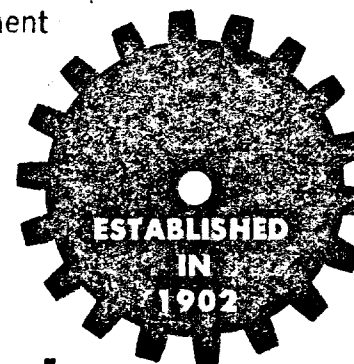
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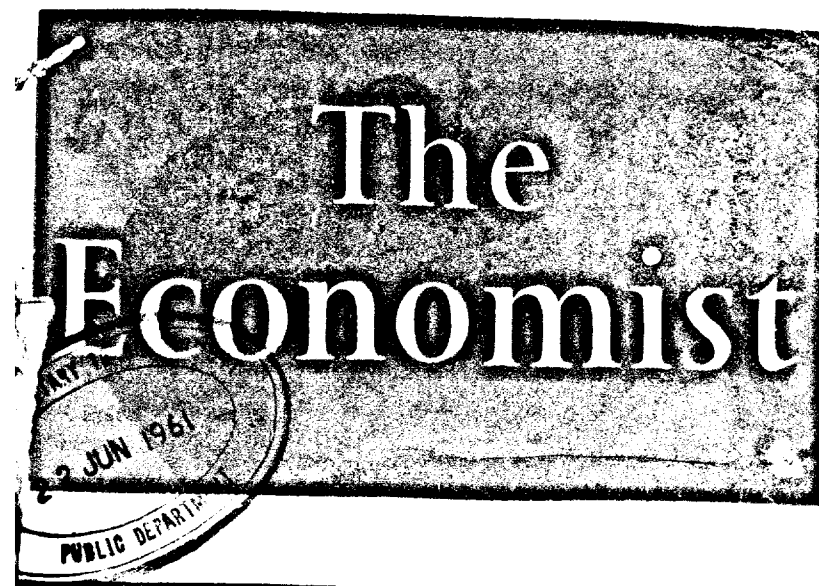
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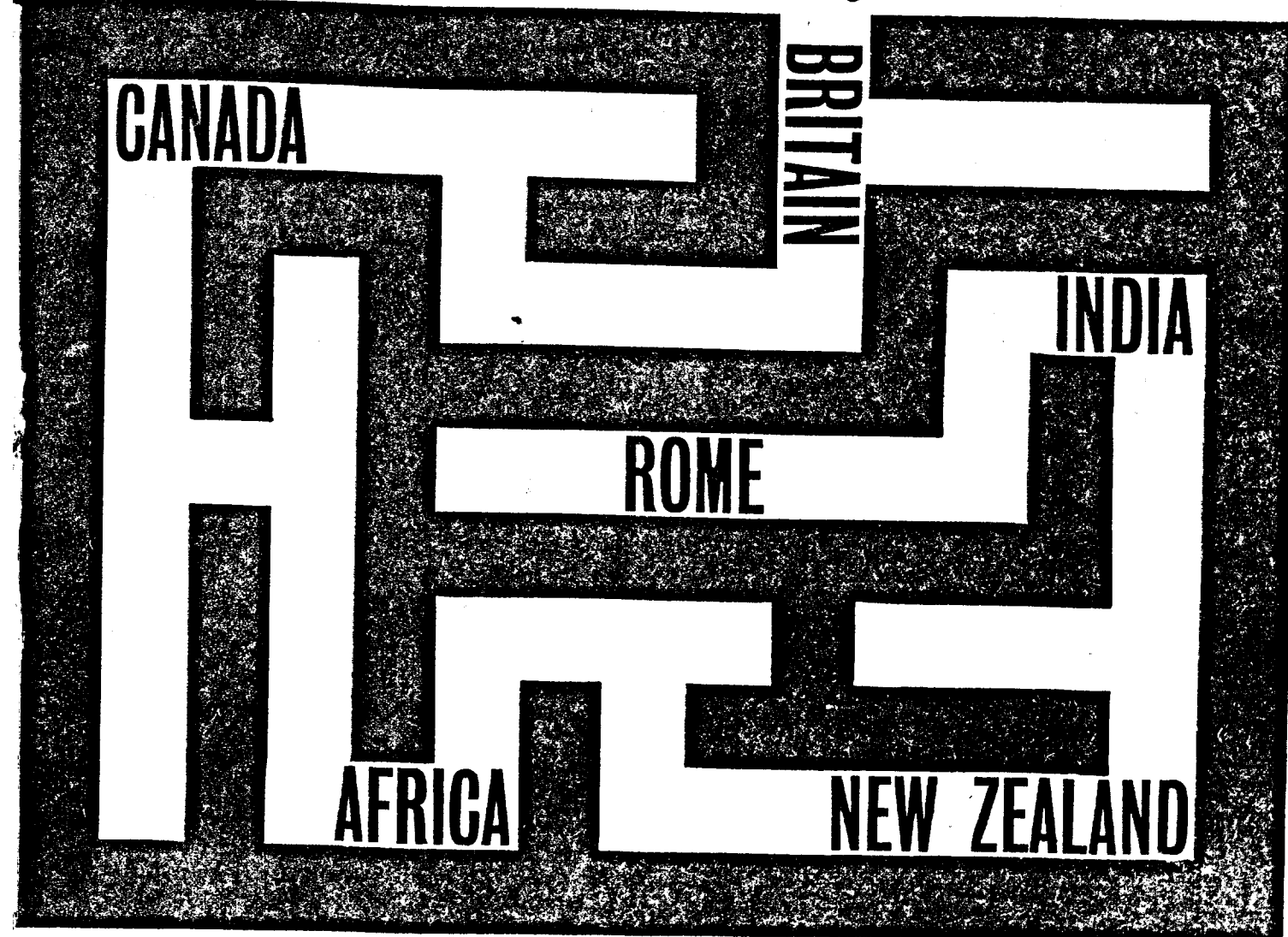


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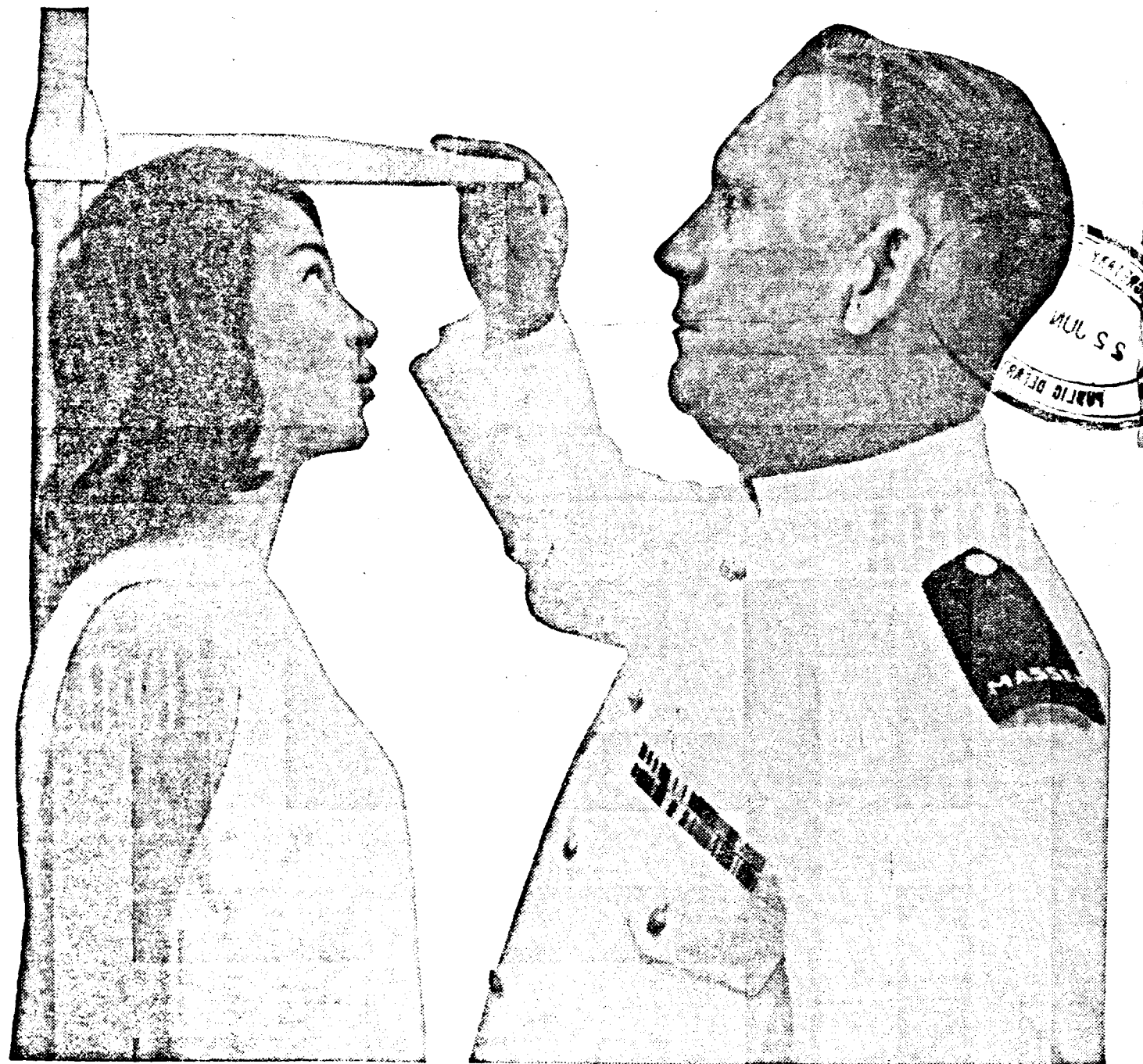
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page 1263 to page 1289





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## In The Economist this Week

June 17, 1961

### HOME

#### HOVERING

The British Government is playing a cautious game in Europe: the time has really arrived for hitting out, for Six (p. 1203).

• Political divisions on the common market in Britain are not between Tories and Socialists, but between liberals and illiberals (p. 1204).

• Trade union opinion seems, cannily, to be leaning towards Europe (p. 1205).

• The farmers are coming to realise that union with Europe could harness more horses to their ploughs: but Mr Soames seems to be a pro-European for the wrong reasons (p. 1206).

#### REFORMING

Prisons: a new look for old gaols (p. 1209).

Atomic energy: a little fission is a good thing for Harwell (p. 1249).

Labour Party: Mr Gaitskell's Campaign for Democratic Socialism is at present the party's most effective pressure group (p. 1211).  
International Payments: Prospects for the expansion of IMF are becoming clearer (p. 1255).

#### TRAFFICKING

By road: a recent decision of the Transport Tribunal threatens to jumble up the hauliers' ABC (p. 1247).

Railway vanmen are striking in patches (p. 1217).

By air: the US fly-American campaign affects BOAC's attempt to recover lost ground (p. 1258).

By rail: Dr Beeching is accurately taking the pulse of his new patient (p. 1251).

In goods: Britain's exports lagged in May (p. 1250); orders up but prices down (p. 1252).

#### BARGAINING

Steelworkers at Rotherham will be paid for losing their jobs (p. 1235). Scottish teachers have received a new pay offer—one which would repay study by their English colleagues (p. 1212). Mathematics teachers: new methods and higher differentials needed (p. 1214).

#### Changes in the Street

Death of a Sunday (p. 1211). Expressman's Retrospect (p. 1231).

### Finance and Politics

#### Thirty Years after 1931:

Lessons and legacies from that decisive turning point in economic and financial affairs (pp. 1263-89).

### INTERNATIONAL

#### TREBLE

Russia's argument that all international bodies must in future be run by a triumvirate, including a western, a communist, and a neutral representative, springs from the Soviet reckoning of the current balance of power (p. 1206).

#### ANOTHER TROIKA FOR MR K:

• A week of words and demonstrations has provided impressive evidence of the determination of west Germany to resist Mr Khrushchev's policies (p. 1239).

• Only the formation of a government of national unity will get the Geneva conference on Laos off the ground (p. 1212).

• Chinese who know that they are hungry can probably read between the lines of China's buoyant newspapers (p. 1212).

America's arguments: it is high time that President Kennedy defined the objectives of his foreign policy, yet his policy-making machinery is in a state of confusion (p. 1221).

• Nowhere is this causing more difficulty than in Latin America (p. 1225).

• Mr Stevenson's trip to Brazil may have confirmed him in the urgent need for social change (p. 1218).

#### TRIBAL

Southern Rhodesia: Mr Sandys's White Paper represents the most

the Europeans are now willing to concede to African nationalism (p. 1214).

Nigeria: Nine months after independence, this is an African country in need of strong personalities (p. 1239).

Angola: Only the West can rescue the peoples of Portugal and Angola from the social and economic ruin that threatens them (p. 1214).

Kenya: The government has given thousands of Africans the near-certainty of handsome profits from the land (p. 1242).

Algeria: It is too soon to believe rumours of a final break-up of the negotiations at Evian (p. 1210).

#### TROUBLE

The way in which the Canadian government has tried to prise Mr Coyne from his realm in the Bank of Canada has brought big trouble on the government's own head (p. 1208).

#### . . . and farther South

• Last week the United States Supreme Court ruled in effect that communists have lost the constitutional right to freedom of speech (p. 1222).

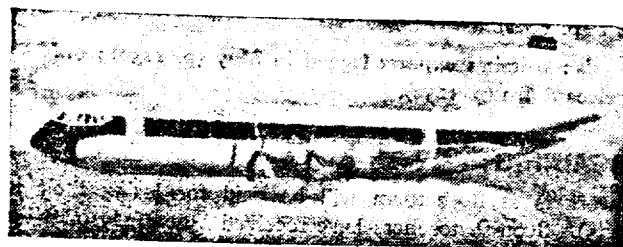
• The state of the American economy continues to improve but there is no boom in sight yet (p. 1222).

• Persistent unemployment is to be attacked from new angles (p. 1226).

Detailed contents on page 1203

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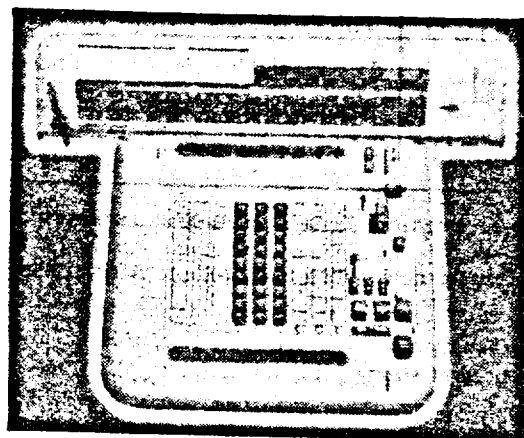
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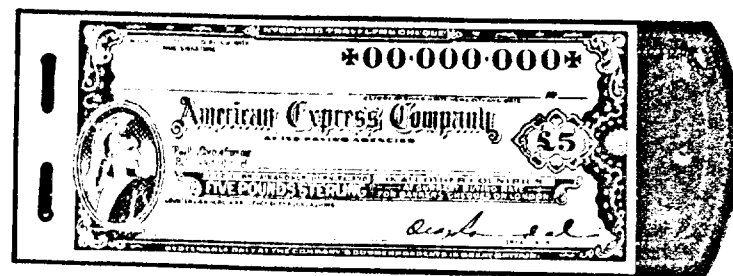
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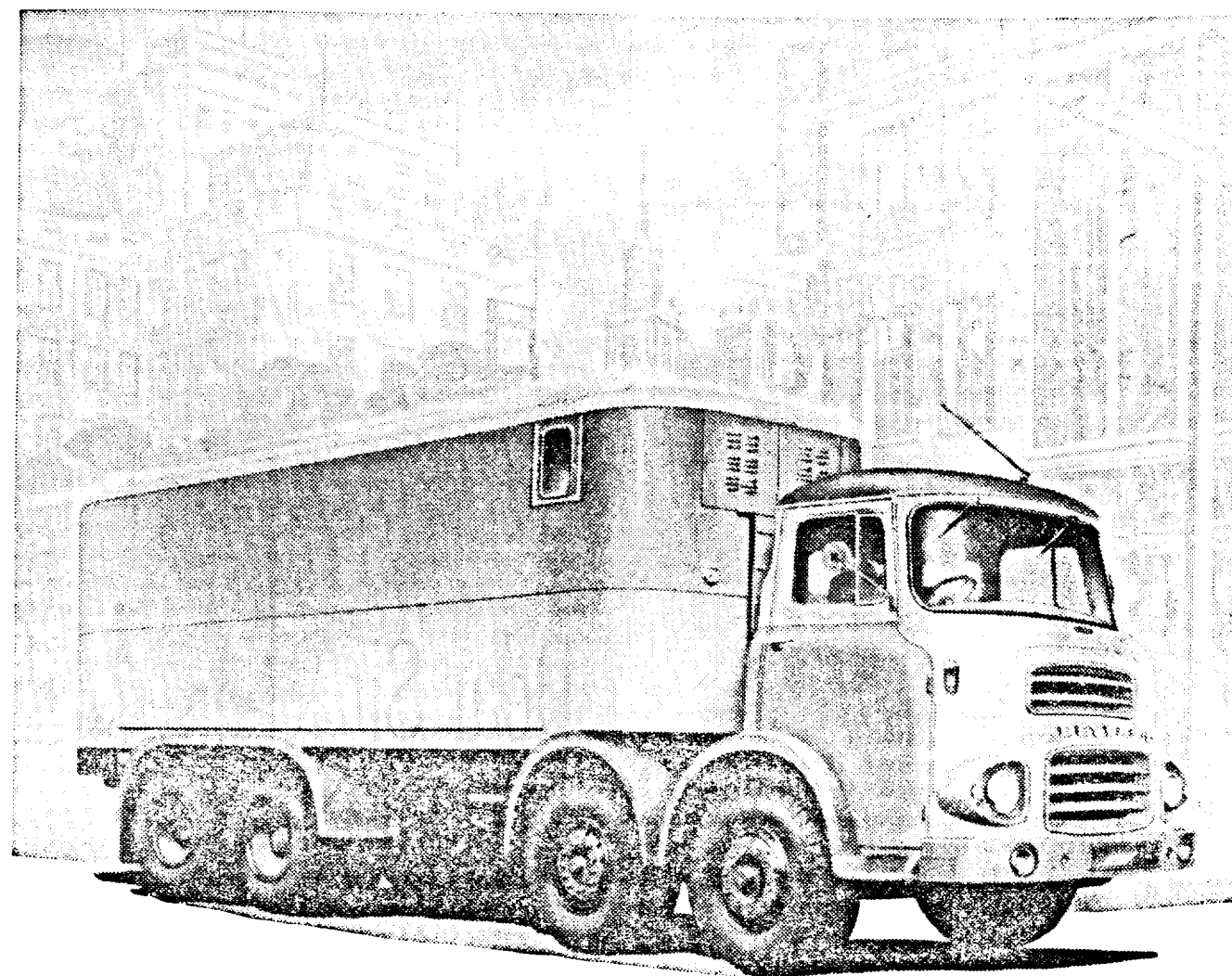
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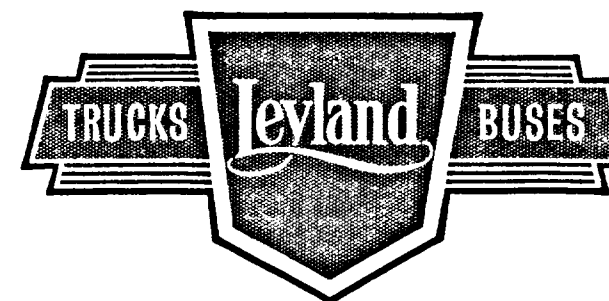


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of  
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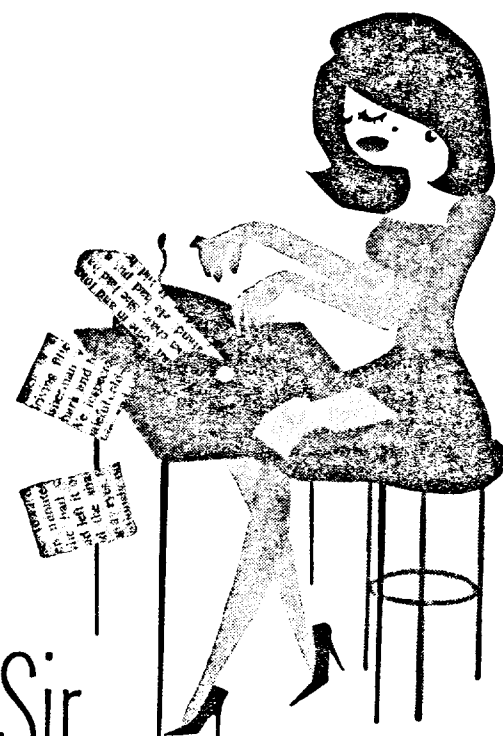
Only craftsmanship, wedded to science, can ensure the perfect paper which is part of our tradition and our job is not to mass-produce thousands of tons but to meet the exacting needs of modern printing in more modest quantity.

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*Just for interest you might well enjoy reading 'Talking to Papermakers'. Please let us know if you would like a free copy.*

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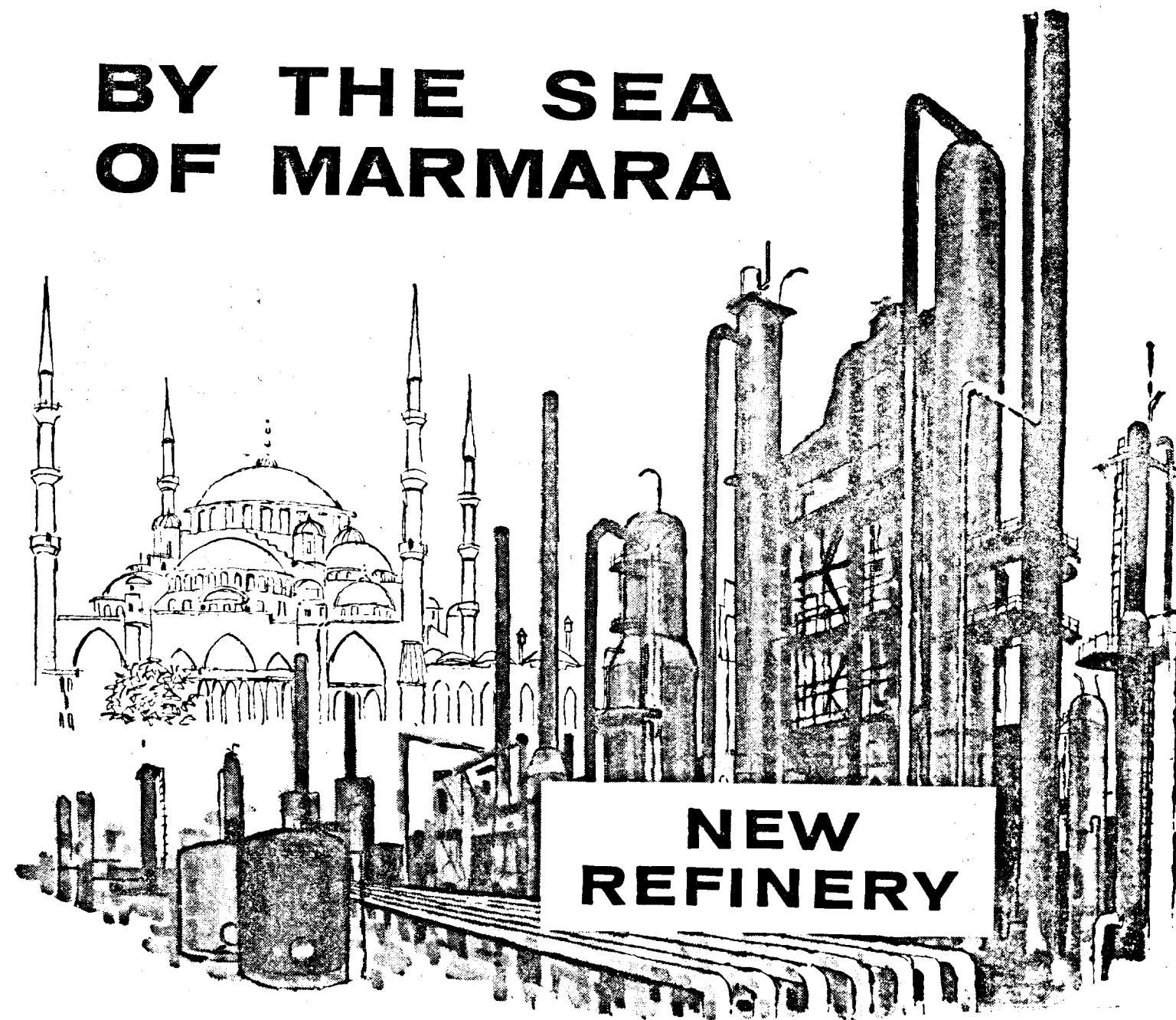
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## BY THE SEA OF MARMARA



**NEW  
REFINERY**

ON the shore of Izmit Gulf about 90 kilometres south-east of Istanbul near the town of Izmit, one can see the industrial progress of Turkey on the march. The construction of the new oil refinery for Istanbul Petrol Refinerisi A.S. and its owners, Turkiye Petrolleri A. O. and Caltex, is well under way.

This new refinery using modern catalytic processes will refine 20,800 barrels of crude oil a day and will produce a complete range of petroleum products including petrol, L.P.G., kerosene, diesel oil and fuel oils. The products will be marketed in Turkey.

The Kellogg organisation is responsible for engineering and construction of this new refinery. The technical planning, including the process engineering, the mechanical design engineering and a major part of the procurement were co-ordinated at Kellogg House in London.

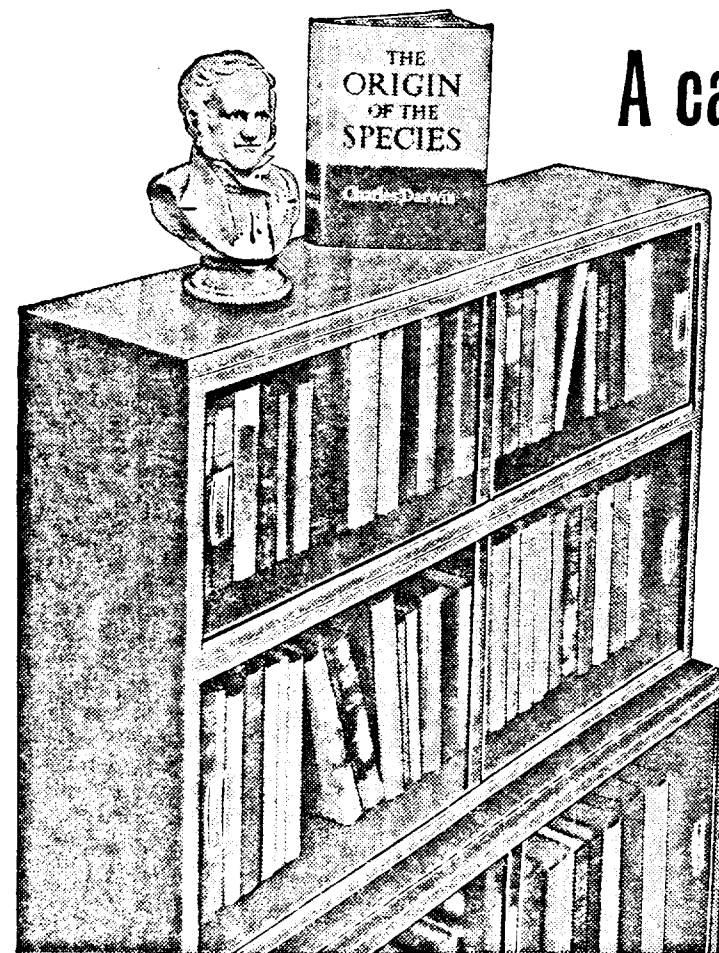
Organisations contemplating new process plants in the Near East, Far East, Australia and New Zealand, on the Continent, in Africa or at home are invited to investigate the economic advantages of employing the Kellogg International Corporation to implement their plans for new plants.



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## A case of natural selection

Would Mr. D. have charted the Origin sooner with his tomes of reference more conveniently arrayed—in a Minty bookcase, for instance? Did he take time off from his tadpoles to ponder the fact that books are also prone to extinction through wear and tear? Could be. Too bad, however, that the most naturally selective answer of all—Minty—was not available to him. Today, book-loving homo sapiens has the advantage—and takes it.

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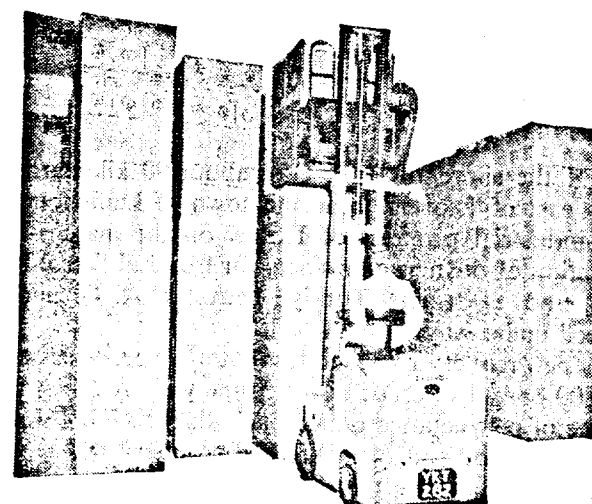
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## A Case for Conveyancer

|                                                                                                                        | Old Method<br>Man Hours<br>per ton | New Method<br>Man Hours<br>per ton |
|------------------------------------------------------------------------------------------------------------------------|------------------------------------|------------------------------------|
| Off load empty cans in corrugated cases, stack into store, combined with issuing according to production requirements. | ·706                               | ·167                               |
| Transferring finished goods from production lines and stacking up to 50 cases high in stockroom.                       | ·622                               | ·066                               |
| Loading and assembling of finished goods.                                                                              | ·200                               | ·075                               |
| One ton of goods handled and despatched.                                                                               | 1·528                              | ·308                               |

Foster Clarke Ltd., chose Conveyancer Fork Trucks fitted with the Load Clamp attachment in mechanising their plant and an estimated saving of 80% is obtained in the overall handling costs. Write for free illustrated literature on the range of Conveyancer Materials Handling Equipment.



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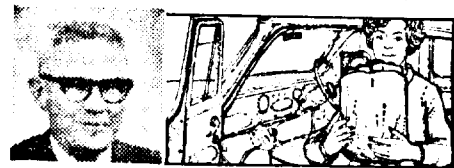


Reed Paper Group's growth into world markets

# Unlimited growth in paper markets

## WHICH ARE THE COUNTRIES TO WATCH?

### AUSTRALIA EXPECTS "50% increase in next 10 years!"



Mr. Ray Z. de Ferranti, Chairman of Reed Paper Products (Holdings) Ltd, says:

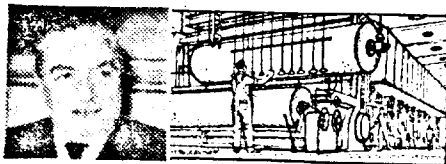
"Australia is a nation with an exploding population. About 7½ million in 1945, it has now reached 10½ million and, if present trends continue, in ten years' time will be nearly 13 million people. More than half of these will be under 30 years of age.

"To keep pace with the needs of this growing population, Australian manufacturing industry has spent more than £880 million on new equipment in the last 5 years.

"Growth has brought prosperity and high living standards. Australians have a personal disposable income of £352 compared with £293 in the United Kingdom.

"Figures tell only part of the story. There have been big changes in merchandising. The growth of Self Service Stores—they handle more than half of all grocery sales though they represent only 15 per cent of stores—has stimulated the presentation of consumer goods in colourful well designed packages. This has lifted paper sales. Australians are now using about 800,000 tons of paper and paper products a year. Over the next ten years consumption is expected to increase 40 to 50 per cent."

### ITALY SAYS "Demand may double by 1970"



Dr. Luigi Bruno, President of La Centrale Finanziaria Generale S.p.A. of Milan, Italy's leading finance corporation, says:

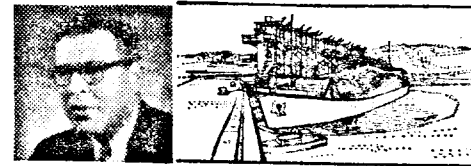
"In answer to the challenge of a market of 170 million people, brought about by the Common Market, Italian industrial output, although still at a lower level than that of the other member countries, is now making more rapid progress than the rest of 'The Six'.

"Largely because of the demand for industrial and consumer packaging, the Italian paper and board industry is growing at the rate of about 12 per cent each year.

"The Italian today uses on average only 60 lb. of paper and paper products compared with the average for the rest of the Common Market of about 140 lb. This emphasises the vast potential for the Italian paper industry, mainly in connection with the industrialization of the South which will bring about a further improvement of the standards of life for people living in those areas—together with a widening of business opportunity.

"It is to meet this demand—that may well be doubled in ten years—that we have jointly established SICAR with the Reed Paper Group to create a vertically integrated packaging organization."

### CANADIAN OUTLOOK "Huge market potential"



Mr. Bill Soles, President of Anglo-Canadian Pulp and Paper Mills, says:

"Canada, supplying a strong and growing domestic market, is also the world's largest exporter of pulp and paper. It is, after the U.S.A., the second largest producer of these commodities. Abundant supplies of pulpwood and power, and proximity to the large U.S. market, have led to the development of an industry equipped with large modern plants and utilizing up-to-date techniques.

"In addition to a huge market potential in the highly developed economies of the North American continent, Canada is well placed to supply a major part of world requirements. This is particularly true of the Western hemisphere, where the Latin and South American markets are expected to mirror the vigorous growth experienced in Europe.

"In estimates recently prepared by the U.N. Food and Agriculture Organization, it is anticipated that demand will double in

these areas in the 20-year period, from 1955 to 1975. In total volume the increase in North and Latin America will be twice that in Western Europe. Our Company (which is part of the Reed Paper Group) serves all these markets, and plans to participate in their growth to the fullest possible extent."

### BRITAIN STATES "Britain's prospects are bright"



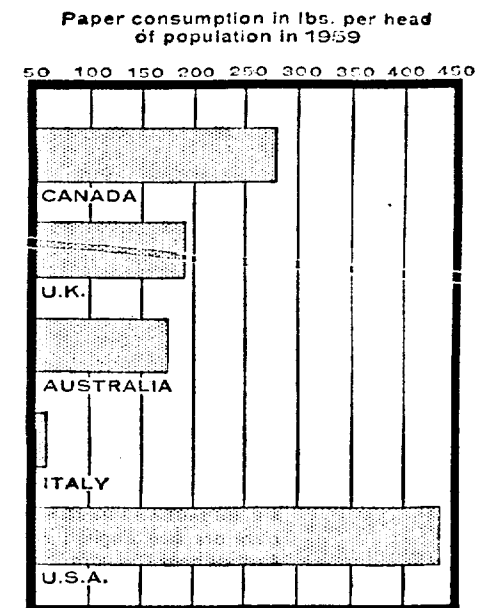
Mr. Hector G. Paul, Chief Executive and Director of the Paper and Board Division of the Reed Paper Group, comments:

"Last year, on average, each of Britain's 52 million people used two cwt. of paper products. Demand today for paper and board is 56 per cent higher than 10 years ago. This rate of increase will be maintained and indicates a bright future.

"Last year the output of the British paper industry increased by 11 per cent as against only marginal rises in other industries. Increased demand for packaging by the clothing and food industries more than offset the temporary fall in demand by others—such as domestic electrical appliances.

"We are still a long way behind the U.S.A. average consumption of paper of nearly four cwt. per head—and this underlines the enormous potential in the U.K.

"The growth factors are tremendous. Even more paper is needed for commerce, industry and publications of all kinds. New packaging techniques are being developed, and the growing versatility of paper products ensures that this trend will continue in the coming years."



### "NEARLY £30 MILLION INVESTED OVERSEAS—SO FAR"

says Mr. Philip G. Walker, Managing Director of the Reed Paper Group.

"The Reed Group is already anticipating a surge in demand for paper, board and packaging products over the next ten years as forecast by our experts—for instance 50% in Australia, 25% in Canada and 100% in Italy.

"In Australia Reed Paper Products are one of the leading makers of packaging products.

"Anglo-Canadian Pulp and Paper Mills Limited, valued at \$65 million (approximately £24 million), is one of the largest pulp and paper manufacturers in Canada, most of its products being exported to the U.S.A.

"In Italy we are in partnership with La

Centrale one of Italy's most progressive organizations. There, in addition to our paper and board converting activities, we are building a carton board mill.

"With our partners Sande Tresliperi A/S in Norway we are already well advanced in the construction of a £2½ million pulp and paper mill for the production of corrugating material.

"In our overseas partnerships, we add our technical, research and production experience, to our associates' invaluable knowledge of local markets.

"All these overseas interests apart from their own intrinsic value, give the Reed Paper Group a basis on which to grow in each of the main trading areas of the Free World—the Dollar Market, the Commonwealth, the Common Market and the European Free Trade Area.

"They represent so far a total overseas investment approaching £30 million."

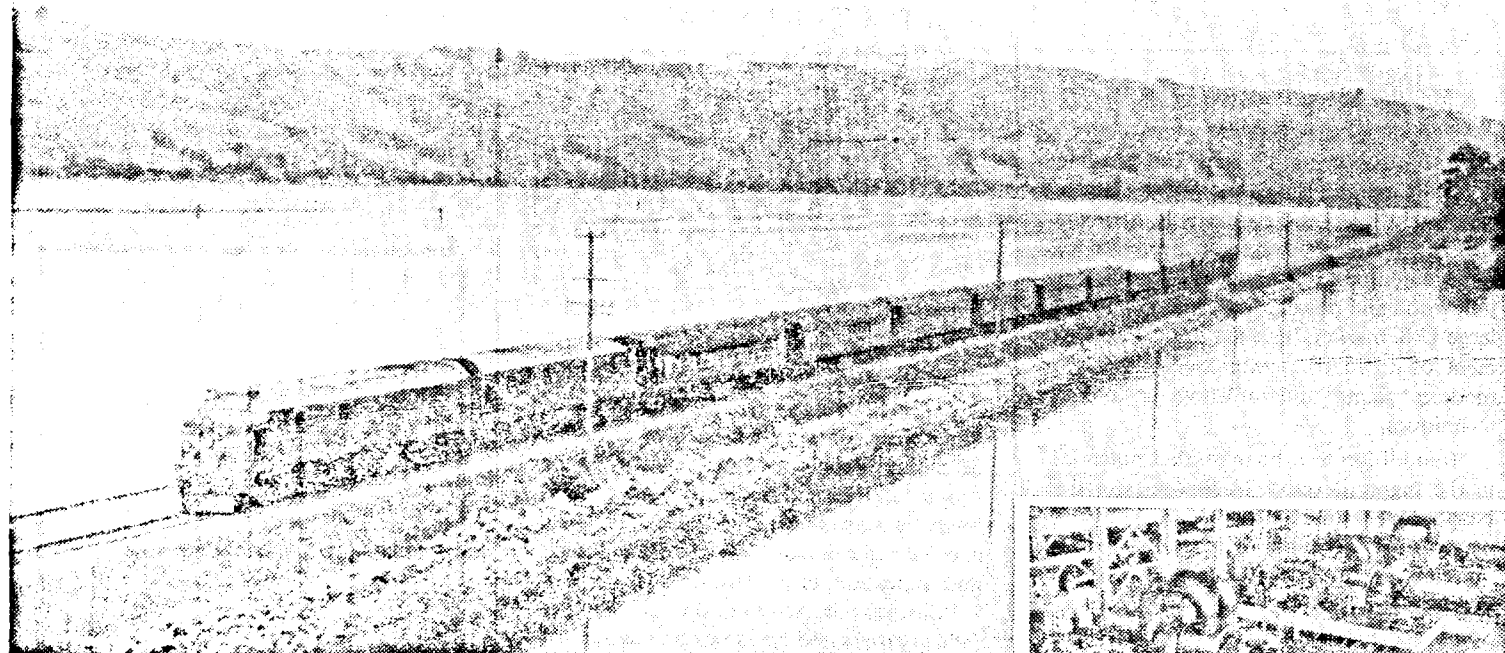


## REED PAPER GROUP

A world-wide partnership  
producing pulp, paper, board and packaging



## NEW ZEALAND ON NEW TRACKS



A FIRST-CLASS RAIL SYSTEM is vital to New Zealand's new industrial planning. Here are two English Electric diesel-electric locomotives hauling the "Limited" Express near Dunedin.

### How more power will add to national wealth

NEW ZEALAND enjoys one of the highest standards of living in the world. She owes this largely to her rich farmlands and a century of good husbandry. Now she is busy diversifying her economy and modernising her transport system. The trend to a more industrial national outlook (which will attract many new immigrants) includes the setting up of heavy industries like steel, aluminium and oil-refining, providing rock-solid foundations for even greater prosperity.

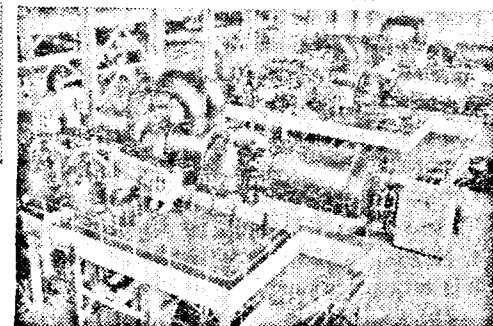
These new industries could not exist without a plentiful supply of electric power. At present the dominion's generating capacity is just keeping pace with demand, which is still mainly domestic. Fortunately there is a big hydro-electric potential which she is developing at speed, and with

these natural resources harnessed to new, vital industries, New Zealand need have no doubts about the future.

#### ENGLISH ELECTRIC IN NEW ZEALAND

The English Electric Company has been supplying generating plant to New Zealand since 1918. Many of her hydro-electric power stations have English Electric water turbines and alternators, and the new Meremere steam power station, too, contains English Electric plant.

For New Zealand's railways, English Electric has been building electric locomotives and trains since 1921, and over 150 have been supplied. The company has also supplied most of the diesel-electric units operating in New Zealand. Other English



Both steam and hydro generating plant have been supplied by English Electric. These three 30,000-kW steam turbine generating sets were built for the recently completed Meremere power station.

Electric products in the dominion range from control gear and motors in paper-mills, cement works, and fertiliser factories, to diesel-electric engines for the biggest tug yet built in New Zealand. Orders now being carried out include similar plant for important ferries to link the Islands, electrical equipment for the first big steel and aluminium mills, and even more hydro-electric plant for New Zealand's expanding electric supply system.

And so the fruitful relationship grows. New Zealand can depend on the store of technical knowledge, skill and research which lie behind every contract with English Electric, while English Electric gains in New Zealand further valuable experience, which it can use in other countries and at home.

#### POWER FOR PEACE

## 'ENGLISH ELECTRIC'

THE ENGLISH ELECTRIC COMPANY LIMITED, ENGLISH ELECTRIC HOUSE, STRAND, LONDON W.C.2

## The Economist

JUNE 17, 1961

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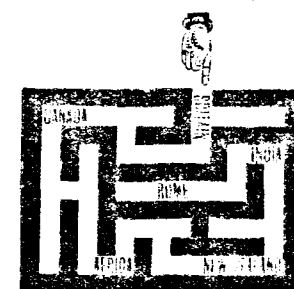
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## Roads to Rome

CRICKETING pundits say that England came within an ace of losing the first test match at Edgbaston last week largely because at a critical moment on the first afternoon two relative newcomers to the side, Messrs Allen and Illingworth, wasted a precious three-quarters of an hour by patting balls back to the bowler along an admittedly sticky wicket. No doubt these seemed natural tactics while the ball was rearing up so uncomfortably at them, but the main practical result was to ensure that, by the time their opponents came in to face their own off-spin bowling, the wicket had hardened in those opponents' favour. The big political question of the hour is whether the same mistake is now being made by Britain's Prime Minister in relation to the common market.

The forcing tactic that some people had hoped for from Mr Macmillan on Tuesday, despite the bumpers flying around his head, was a bold intimation that Britain now intends to apply to join the common market, subject to safeguards being negotiated to meet certain trading interests of the members of the European Free Trade Association, our farmers and (above all) the Commonwealth. Mr Sandys and his team of itinerant ministers could then have been charged to take a sort of commuters' season ticket between these European negotiations and the Commonwealth capitals, constantly carrying out the latest messages about what concessions the common market countries are willing to dispose and enabling these to be measured against the concessions that the dominions will wish to propose. Instead, Mr Macmillan went out of his way to emphasise that Britain has still taken no decision even on whether to enter negotiations with Europe—thus inviting the riposte from every European that it is high time Britain did; and he played cautiously by announcing that Mr Sandys is to be sent on his tour round the Commonwealth first. The danger is that Mr Sandys may simply come back with his briefcase full of new objections.

It is tempting to say that, in view of present Commonwealth and Conservative unease, any other order of negotiations would have been unthinkable (an epithet often used by the unthoughtful), and that it is essential to serve notice on Europe that Britain still has a lot of political awkwardnesses which it will need help to overcome. But the dangers of excessive safety play are obvious, for the sake of future Commonwealth and Conservative unity as much as for anything else. When Mr Sandys appears at its door, every Commonwealth government will be failing in its duty to its own electorate unless it tries to get the name of each of its interests that might conceivably be damaged on to his "safeguard these" list. If Britain then finds that it cannot persuade Europe to promise to grant concessions on all of them, but nevertheless goes into the European Economic Community, this is bound to stir up more difficulties for Mr Macmillan both with the Commonwealth and with his domestic critics. Only if Mr Sandys is both informed enough and brusque enough to tell his hosts which concessions Europe is unlikely to grant will his visit be fruitful; it will be a misfortune if he encourages some new Commonwealth objections that will really be bargaining bids to be specifically formulated, and thus allows a new quota of difficult questions of saving face to become involved. The idea that the more difficulties we parade the more concessions we are likely to get would hold good only if the Europeans were ready to split differences with us in order to get us into EEC; it would have precisely the opposite effect if the real aim of some of the French is to

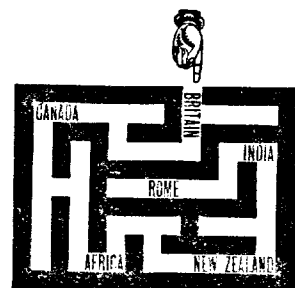
find excuses to keep us out of it.

Possibly, these forebodings are too gloomy. Certainly Mr Sandys's bilateral missions to the Commonwealth look less hazardous as a forerunner to negotiations with Europe than Mr Diefenbaker's idea of a multilateral Commonwealth prime ministers' conference; one can see why Mr Macmillan has resisted this—and equally why Mr Diefenbaker proposed it. This problem of the British approach to the European market has come at a harsh time for Canada, which is smarting under some of the recent political and economic implications of its dependence on the North American market and is looking with a correspondingly fresh yearning for what it would like to be a Commonwealth alternative. Mr Diefenbaker's proposal is a natural attempt to pull Canada's own special chestnuts out of the fire. If there were to be a multilateral Commonwealth prime ministers or finance ministers' conference at this stage, there would be an obvious pressure for parity of concessions, irrespective of worth. Each delegate would argue that the fact that Britain had promised to seek concessions for one partner increased its obligation to seek an equal number of concessions for every other partner—instead of recognising that the more insistently Britain bargains with Europe for concessions to those dominions that have a really strong case, the more difficult it will become to secure marginal additional advantages for the next Commonwealth country in line.

And it had better be frankly recognised now that Britain's main priorities in negotiating with Europe are likely to be to secure some easements in the Treaty of Rome for the dairy products of New Zealand (which is the one dominion whose economy would otherwise be really seriously hurt) and after that, perhaps, for exports from the Asian and African Commonwealth countries (where Europe seems likely to meet us wholly or in part). By the luck of the draw, Australia might gain from any concessions that were negotiated for New Zealand, but it is going to be terribly difficult to persuade Europe that there is any equally compelling case why it should grant special concessions for Canada's industrial exports over the EEC tariff wall. For one thing, it seems clear that these Canadian industrial exports are likely to gain more from the increased prosperity that EEC would bring than they would lose from the imposition of some new tariff barriers by Britain; all exporters to Britain, but particularly industrial ones, would lose very heavily if Britain were to become an enfeebled economy isolated from the rest of Europe.

One must hope that the main purpose of Mr Sandys's private and bilateral discussions will be to rub this point home. There was a revealing incident on Tuesday when Mr Macmillan rejected the idea of publishing a white paper that would spell out the advantages and disadvantages of Britain joining the EEC, because he thought that Britain's bargaining position would be impaired if all cards were laid on the table before negotiations with Europe begin; what this presumably means is that the advantages, when spelled out, look so overwhelming that he fears that some Europeans might conclude from it that they need to offer us no concessions at all. Because of the real and emotional strength of the Commonwealth tie, any such conclusion by Europeans would be tragically wrong. Nobody therefore should underestimate the complexity of the negotiations in which Britain will now be engaged; nobody can say dogmatically how far particular pieces of timing are clumsy or wise. But the apprehension remains, as one peers

at the probable weather ahead, that the state of the wicket at question time last Tuesday might have better utilised by more forceful hitting out, for Six.

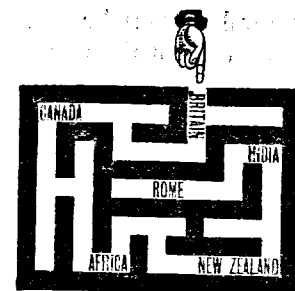


## All Liberals Now?

At first sight, the list of MPs who are shying angrily away from British association with the common market makes an extraordinary mélange: what possible connection is there between Mr Shinwell and Mr Turton, Mrs Castle and Sir Robert Grimston, Mr Creech Jones and Mr Patrick Wall, Mr Jay and Sir John Barlow, Mr Michael Foot and Sir Beverley Baxter and Mr Edwin Gooch? The answer is simple, if one thinks about it. Nominally the present House of Commons consists of 366 Conservatives, 257 Labour, 6 Liberals and one Independent. In reality, under the skin, it consists of rather over 400 liberals and about 200 non-liberals.

The liberals comprise virtually all Conservative MPs except the extreme right, plus the main centre block of Labour; the non-liberals comprise the extreme right of the Conservative party, plus both the extreme right and the extreme left of Labour. Virtually all MPs who have spoken out against the common market belong to one or other of these last three categories of non-liberals; they include the genuine protectionists, the ardent planners, and the little Englanders who just happen rather to dislike foreigners. It is possible that this division between liberals and non-liberals will gradually come to be seen as the real distinction in modern British politics, although at present recognition of this is greatly hampered by traditional party nomenclatures.

In the country, one suspects, the instinctive non-liberals may still be a larger force than they are in Parliament. That is why it has always seemed possible that emotional opposition to joining EEC may increase as the implications of the step sink in; some such recrudescence of opposition should probably be expected in the next few weeks, mainly on little Englander grounds. But the bandwagon into Europe has so far been carried forward by a pronouncedly favourable reaction from organised industrial opinion, from men who are accustomed to judge issues less in emotional terms than in terms of bread-and-butter advantage. The fact that British industrial employers are now predominantly liberal-minded, for the first time since mid-Victorian days, became apparent some time ago; indeed it was a series of industrialists' answers to an FBI questionnaire that was largely responsible for giving the Government the first push along the way that it has gone. It was not so obvious that the trade union movement would prove to be pro-European, too; but in the last few weeks a surprising number of trade union leaders have come out in EEC's support. It is probable that a cautiously worded motion in favour of joining, subject to proper safeguards, would now be able to secure a majority at the Trades Union Congress. The factors that are swaying informed trade union opinion are discussed in the next article.



## The Unions' Choice

MSPAACK, father of the Rome Treaty, once remarked that most of its economic safeguards would probably never be used; they would be bypassed by economic change. The remark has been strikingly borne out in one matter—the free movement of labour—which was once the main bogey of the British unions as they faced the common market. Three years ago—with over a million winter unemployed in west Germany and nearly two million in Italy—the fear of German workers getting the best jobs and Italian Casanovas getting the best girls was understandable enough. Today, boom is soaking up the continent's reserves of labour so fast that the fear is becoming groundless.

In Germany there are now four times as many vacant jobs as unemployed. Despite the continuing influx of workers from the east, and a vigorous recruiting drive in Italy, Spain and Greece by German firms, the labour market is now so tight that the Bonn government last week told employed workers that they need pay no contributions into the national unemployment insurance fund for six months; the fund is overflowing with cash. Italy too, though it still has over a million unemployed, is soaking up pools of concealed unemployment at great speed and its economists forecast that it will be fully employed in about six years' time. France and Holland together expect a rise in their labour force of about three million in the next ten years, but both see this as a means of sustaining expansion rather than a handicap. Free movement of labour, which looked like posing a real threat to full employment in some countries when the treaty of Rome was signed, is coming more and more to be seen by the members as a guarantee that the labour market will have at least some flexibility as all western Europe becomes fully employed.

THE safeguards in the treaty, that the free movement of labour shall not jeopardise full employment, thus look increasingly superfluous. But the safeguards are there. Under proposals for the transition period adopted by the Council of Ministers of the European Economic Community this week, workers will not be able to move from one country to another without a clear offer of a job; once there, they will not be able to switch jobs for at least a year, or change trade or profession for at least three. Ultimately the movement of labour is to be completely free. But migrant workers will have, permanently, the same legal right *vis-à-vis* employers as the citizens of their adopted countries and must be paid union rates. It is an essential feature of the common market that free movement be brought about only in consultation with the unions and through collaboration between official employment exchanges.

Free movement of labour is not the only sphere where the common market provides safeguards for labour. When the

Rome Treaty was drafted, its creators were anxious to win left-wing support; hence various provisions for a rehabilitation fund to retrain workers displaced by free trade, an economic and social council giving employers and employed a chance to comment on the shaping of policy, and so on. Moreover, the French forced their partners to accept upward "harmonisation" of some labour costs, especially equal pay for women, the 40-hour week and "equivalent" paid holidays.

So far this harmonisation part of the treaty does not seem to have had much effect. But in such matters Europe seems, quite apart from the common market, to be moving towards a common level. For some years real wages on the Continent have been rising a good deal faster than here; the German industrial employer now pays more for labour (in wages and social contributions combined) than the average British industrial employer does. In all six countries working hours generally are falling to 45 per week, and the unions aim at a 40-hour week later on. On holidays with pay a norm of three weeks seems to have been reached by the Six; Britain will have to muster a few more saints' days or bank holidays if it is to reach the common market standard.

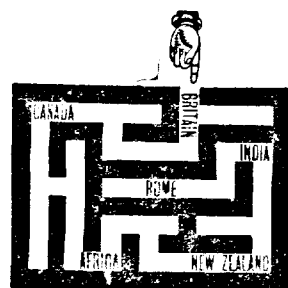
On equal pay between the sexes, few European countries, in or out of the common market, approach the French standard. In France women's wages are, on the average, 92 per cent of men's; the comparable figure for Britain and west Germany is some 70 per cent. While male employers and union leaders pay lip service to equality in all countries, neither have shown much enthusiasm in applying it. Yet even here France's partners have been forced by the treaty to move slowly forward. The French government—helped by the European Commission, which regards equal pay as socially desirable—is now pressing hard for it. Put at its lowest, the harmonisation of social legislation at least gives the unions an opportunity to learn from one another and exert pressure for "levelling up" workers' benefits in all the member countries.

ULTIMATELY, the level of earnings will be determined not by any provisions of the treaty, but by productivity. If industry on the continent continues to expand more rapidly than British, the time should not be far off when continental earnings pass ours. If British industry pulls up its socks, then British earnings will rise too. Put in another way, the choice for the unions is, economically, the same choice as that for the country as a whole. Is British industry more likely to prosper in than out? On the whole, trade union economists tend to come down on the side of going in.

In terms of new power, some trade union leaders see opportunities too. If European unions get together with the same zest as employers are showing, their bargaining power in a European market could well be strong; joint six-nation union organisations exist in coal and steel, and British union leaders could be well placed to take a leading role in similar joint organisations in other trades. Instincts—for adventure or for caution—are thus playing a large part in the unions' choice, although inevitably the wayward winds of union politics are also having their effect. In some left-wing unions the common market is already being lumped, together with The Bomb and German bases in Britain, into the category of cold-war plots. This, however, may not have quite the effects the hot-heads intend. One left-wing, but European-



mininded, union leader recently remarked that he thought the TUC would vote yes, but for the wrong reasons. "They will vote to join to dish the left."



## No Peasants' Revolt

MINISTERS turned up in force for Monday's agricultural debate in the Commons, ready to withstand a revolt against the common market by Tory agriculturists behind them. But the *sans culottes* did not appear, and so ministers sat on in the deserted firing line, looking rather silly. The Minister of Agriculture, Mr Soames, suggested obliquely that he was in favour of joining the market, but unfortunately mostly for the wrong reasons. Mr Soames seems to be less of a consumers' champion than his predecessors occasionally tried to be. Whenever he uses the words "unsatisfactory" or "uneconomic" about food prices, he means food that is cheap; he regarded the idea of checking surplus milk production "by sheer economic pressure" (i.e. by reducing swollen prices) as "not pleasant"; he believed that "in the years ahead world food surpluses are likely to increase yet more," and suggested that even if Britain did not join the European Economic Community, it might be right to move towards

the common market's system of agricultural support because "otherwise we will find our farmers constantly at the mercy of imports at uneconomic prices." If Britain does go into the common market, it may soon afterwards be desirable to get the parliamentarily able Mr Soames out of the Ministry of Agriculture; he shows some signs of being as European as the Europeans in his thinking about methods of support—instead of being a proponent of freer trade in food, which is the pressure group role that Britain (once within the market) most definitely ought to adopt.

While the present official spokesmen of the Ministry of Agriculture were not allowed to dive right into the common market, a former Tory junior minister there (Sir Richard Nugent) was put up to argue the case for doing so. He emphasised that political factors are likely to lead to much greater nursing of the farm vote inside a united Europe than in an independent Britain; Italy has 45 per cent of her voters in farming against Britain's 5 per cent, so that at European price reviews "there will not be one Jim Turner, but rows of them." This point—dramatised by the spectacle of French Jim Turners terrorising some of their county councils in a demonstration about potato prices (see page 1211)—has now sunk in with many Tory MPs from the agricultural constituencies, and as a result much of the farm lobby's former opposition to EEC is visibly withering on its stalk. It is the rallying cry of the Commonwealth (in Canada at the moment, as well as here), objections to the idea of an undefined and open-ended political involvement, and (in some quarters) loyalty to the European Free Trade Association that now provide the main slogans for those who are whipping up resistance.

## Riding the Troika

Russia having made its strategy clear, there is now a pause while the West reconsiders its own

DETECTIVES of diplomacy, seeking to deduce the present course of Soviet foreign policy, will note that Mr Khrushchev's meeting with Mr Kennedy in Vienna has not been presented to the Russians in terms as lyrical as those used for the Camp David encounter. Soviet newspapers are still tempted to show Mr Khrushchev as an international magician capable of turning a warmonger into a dove of peace, but they have been careful not to raise too many hopes over his Viennese performance. Metaphors are often symptoms of a mood. After Camp David, the Russian press was full of clichés about the rapidly melting snows of the cold war. Now, Vienna is merely described as the modest beginning of a thaw that may take a long time to complete.

What Mr Khrushchev had to say on disarmament and the German question is no longer a secret, since Moscow published last Saturday the two memoranda he had submitted to President Kennedy. They show no change in the Soviet line. The first restates the Russian case for tripartite control of any disarmament plan. The second revives the now routine threat that, failing an international agreement in the coming months, the Soviet Union and its allies will sign a separate peace treaty with east Germany. This is not at all new.

President Kennedy may have been more surprised by Mr Khrushchev's blunt language on the subject of the uncommitted third of the world. It is here that the spirit of Vienna differed most from that of Camp David. On his trip to America in 1959, Mr Khrushchev, eager to draw Mr Eisenhower to the summit, sought to avoid unpleasant topics. Now he has emphatically asserted his conviction that "wars of liberation" are inevitable and that, sooner or later, the uncommitted countries will choose the communist path. He has coupled this with a warning to Mr Kennedy not to interfere militarily with this "historical tide." If your troops move, he said in substance, so will ours, and each local conflict runs the risk of setting off a nuclear conflagration.

Disarmament would be the logical step to minimise such risks. But progress in this field is blocked by disagreements over control crystallised in the now fashionable Soviet concept of the "troika." The Russians argue that all international bodies must henceforth be run by a triumvirate, including a western, a communist and a neutral representative, which must agree on all the key decisions. The troika ("a Russian vehicle drawn by three horses abreast," says the Oxford dictionary) illustrates Moscow's ambivalent attitude towards

neutrals. It was, after all, Mr Khrushchev who recently said that "there are no neutral men"—which was at bottom not a boast but a confession of failure, since he meant that so-called neutrals were against him. Yet now he wants to build some sort of neutrals (presumably those who may still be his friends) into the organisations of the world.

Less than a decade ago, when the western alliance and its dependencies looked to viewers in the Kremlin like an empire on which the sun would never set, any success in detaching a territory from the western camp was for the Russians an enormous achievement. In contrast with this, at the conclave held in Moscow last November, many communist speakers argued that in the future some leaders of the newly independent states, alarmed by the threat of communism at home, might turn to the West for support. Mr Khrushchev was warned not to take neutrals for granted and was entrusted with the difficult task of intensifying the "anti-imperialist struggle" without committing himself whole-heartedly to neutralist leaders; and in September in Bled the neutrals will meet to decide, for themselves, where they stand.

RUSSIA'S introduction of the troika principle may have been precipitated, as Mr Khrushchev suggests, by Soviet displeasure over Mr Hammarhjöld's handling of the Congo crisis, but the principle has its roots in the Russians' assessment of the current balance of power. Tactically, it may seem an ingenious move. The inclusion of a neutral is an apparent tribute to the importance of the uncommitted nations; at the same time, the unanimity principle implicit in the arrangement provides the Russians with a guarantee against "bad neutrals" who might align themselves with the western powers. In a sense, the Russians can maintain that their plan is a version for the 1960s of President Roosevelt's idea of five policemen, which served as the basis for the United Nations. The United States and the Soviet Union are to be regarded as two super-policemen representing their respective sides. The inclusion of a neutral is a sign of the growing influence of uncommitted sentiment since the war. The western reply is well known: a driverless troika will get nowhere, and progress in world government can be achieved only by limiting, not by extending, the area in which the veto can be applied.

There is little hope that next week's meeting between Mr McCloy and Mr Zorin (discussed on page 1210) will bring agreement any nearer on disarmament, one field bedevilled by the troika issue. A ban on nuclear tests was the one point on which the two leaders could have produced an immediate result in Vienna. Yet the latest Soviet memorandum confirms that the Russians are no longer interested in this ban by itself. Mr Khrushchev did not even try to use the French experiments in the Sahara to explain the Soviet attitude. The gist of the Russian argument is that such an agreement is not worthwhile in present circumstances. With both sides armed to the teeth and capable of increasing their armoury without further testing, and with Nato seeking to strengthen its forces in Europe, Russia apparently has no interest in opening itself to inspection. It thus concludes that an agreement on tests must be linked to the whole disarmament question; perhaps it will have to be combined with the problem of Germany as well. In that respect, the Russians

are now more awkward than before. But being more awkward does not mean being less in earnest.

When western chanceries seek signs of Soviet willingness to compromise they look towards, say, Laos or Latin America. Moscow looks to Germany and Berlin. If west Berlin can be described (to use Mr Khrushchev's words) as a fishbone in the communist throat, then the Soviet leader has been remarkably slow in trying to pull it out. He proclaimed that the situation in Berlin was intolerable as far back as November, 1958. Yet his threat of a unilateral peace treaty with east Germany, with its awkward catalytic consequences for the western allies in Berlin, still stays suspended for a period not clearly specified. Moscow insists that its latest memorandum is no ultimatum. To render it more palatable, it has introduced two suggestions: signatories to the German treaty would not have to recognise east Germany, and the two parts of Germany would be allowed to keep their military alliances for a period after the signing of the treaty. Still, it seems to be indicated that, rather than going it alone at once with a unilateral treaty, Mr Khrushchev may once again use the Berlin issue as a lever to bring about an international conference.

The leaders of the two blocks have departed from Vienna with a better knowledge of each other's stand. The Russians' presentation of their case has run so true to form that the gloomy surprise shown by some American commentators seems out of place. It is reasonable to claim that the troika is only a provisional and perhaps not very road-worthy vehicle for Mr Khrushchev, who no doubt hopes that at some future stage the international carriage will be drawn by a mighty communist mare dragging behind it a capitalist weakling. But to be astonished by Mr Khrushchev's communist convictions is as absurd as it would be for the Russians to show surprise that Mr Kennedy is not a party card-holder. The two possessors of ultimate weapons have met, agreed temporarily to disagree, and, probably, to meet again before either embarks on a road that could lead to the irreparable.

SOVIET strategy is no secret. Its immediate aim is to freeze territorial positions in Europe and to outflank the western powers in Asia, Africa and Latin America. Progress on disarmament seems to be linked, in the Russians' view, to the allies' willingness to come to a suitable arrangement over Europe. The Russians seem in no large hurry. They have put their money on the erosive powers of time, and Mr Khrushchev seems to have convinced himself that with each successive meeting the odds are shifting slightly in his favour. But he, too, must also be worried by the risks of the arms race and of the part played in it by Germany. After the Viennese preliminaries, he will certainly try to make an attempt at more real negotiation with President Kennedy, either alone or in limited company. Should he be able to announce before his party congress in October that international conferences are gathering to discuss Germany and disarmament, and that the President is coming to Moscow, Mr Khrushchev could parade, if not as a magician, at least as a successful diplomat moving adroitly along his chosen path of co-existence. Mr Kennedy and his allies now have a few months to study the files and decide whether the Russian proposals can serve as a basis, certainly not of agreement, but perhaps at least of discussion. The odds are that Mr Khrushchev will want to call them to a conference before the end of the year.

## A Political Assassination?

**Our Ottawa Correspondent unravels the motives which have led Canada's minister of finance to seek the resignation of the Governor of the Bank of Canada**

THE Canadian Government's unsuccessful attempts to persuade Mr James Coyne to resign immediately from his statutory position as Governor of the Bank of Canada, from which he can be removed only by resolution of both Houses of Parliament until his term expires on December 31st, hit Canada like an atomic bomb. But, as John Bird, a *Toronto Star* columnist, neatly commented, the immediate effects of the explosion are much less serious than those of the following fallout. Most Parliamentary observers have deduced that the fallout will include a "sunshine" budget (to be presented next Tuesday evening) with considerable tax concessions for business, the promise of large expenditures for local improvement and labour training programmes and a huge deficit—all designed to prepare the way for a general election in the autumn.

This interpretation derives from several features of the Coyne-Fleming row which are necessarily conjectural. But on any other supposition they are nonsensical, and the human mind always tries to discover rational explanations, even for Government actions which may be entirely irrational. The most significant feature of the row—and the most extraordinary apart from the almost breathtaking boldness or obstinacy of Mr Coyne—was the bland way in which the finance minister, Mr Fleming, told the House of Commons that Mr Coyne's "public declarations of policy on public issues quite outside the realm of central banking and his rigid and doctrinaire expression of views often and openly incompatible with Government policy" forbade any confidence in future co-operation between the Government and the Bank. This belated discovery of what Mr Coyne has been saying vigorously for at least two years, and more cautiously for at least four, formed the focus of the Opposition attack on Mr Fleming this week. Mr Coyne asserts that the first time Mr Fleming told him that his speeches were embarrassing the Government was on March 18th this year; and, looking back over Mr Fleming's own budgets and other speeches, the Governor must find many passages directly reflecting his views in part, if not in whole.

AGAINST this background, the fact of greatest political significance, as Canadian commentators see it, is that Mr Fleming should have chosen—or perhaps been pushed by his colleagues into choosing—this particular time to try to contrive Mr Coyne's resignation. The clue to this mystery may lie in Mr Fleming's statement that "the main reason" for requesting Mr Coyne's resignation was that he stood in the way of the Government's programme for increasing employment and production in Canada, which is a very odd comment on Mr Coyne's series of speeches and annual reports, all of them directed to these ends. Mr Coyne himself said that Mr Fleming has referred to "mysterious and alarm-

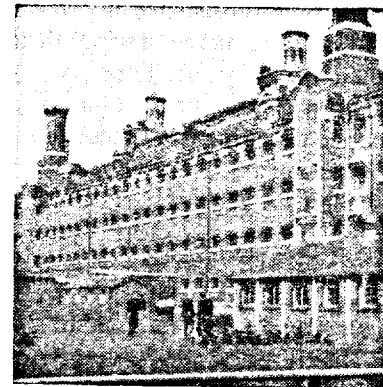
ing measures not yet clarified which it was assumed I would oppose." But he added that the Government has never expressed disagreement with his management of the Central Bank, and the Bank had never failed to co-operate in Government policy.

Searching for something rational in this mess, which may be completely irrational, the next vital clue is the way Mr Fleming described the fundamental differences between the Government and the Bank. He said Government policy was expansionist and Mr Coyne's was restrictionist. If this means anything at all, it must point to a new Budget with a Keynesian deficit running high, wide and handsome, to a disregard of the balance of payments deficit, which has always been the core of Mr Coyne's concern, and to a raft of incentives intended to encourage business. The crowning irony of this is that, until now, Mr Fleming has been the only member of the Cabinet holding out for orthodox finance, worried about the Government's ability to borrow money and acutely aware of the seriousness of the balance of payments problem. The argument between expansionist and restrictionist policies has always been one between Mr Fleming and his ministerial colleagues, not between the Government and the Bank.

The background to the Coyne-Fleming clash was set out in a special section entitled "Canadian Questions" on pages 915 to 919 of *The Economist* on May 27th.

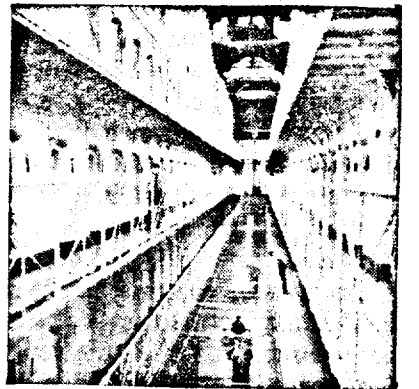
Since Mr Coyne refused to go quietly when asked, and astutely got his statement published first, Government speeches have appeared as a deliberate attempt to smear his good name. There is no other reason for dragging in the pension question, and no justification for blaming Mr Coyne for the decision taken by the directors of the Bank on the recommendation of a foremost insurance man, Mr J. T. Bryden, in February, 1960. But it does serve an electoral purpose to keep referring to Mr Coyne as the man who will get a \$25,000 pension when barely 50. The attack on Mr Coyne may also help Mr Fleming, superficially, to round the corner and come into line with the insistence of Mr Diefenbaker and other ministers on a sunshine budget.

In business circles, where Mr Coyne was far from being a hero, it has been received with shock and deep distaste, and that is the final paradox. For the major part of Mr. Coyne's six and a half years as Governor, it has been possible to argue that his poor relations with the financial community were a major obstacle to successful financial policy. This has been especially true in recent months. But the way the Government has tried to remove him brings down on Mr Fleming's head the very hostility and suspicion formerly reserved for Mr Coyne. If Mr Diefenbaker is not deliberately planning an election, with Mr Coyne as one of the major scapegoats, he may find himself pushed into it anyway by the very burden of the problems that remain unsolved—and on present showing insoluble—by his Government.



## Trouble behind Bars

**A new look at the development of the prison service is urgently needed**



BRITAIN'S prisons are antiquated, overcrowded and understaffed. This has been common knowledge for a long time. Last week a murder at Dartmoor and a threat of working to rule by prison officers at Pentonville drove the dangers home once more. The number of prisoners has risen from a daily average of just over 10,000 before the war to 30,000 today; of these, 7,000 are sleeping three to a cell. The small prewar prison service of 2,300 officers in charge of 40 institutions has been expanded to 4,700 in 80 institutions. But it is still 15 per cent below establishment, and many officers say that the disciplinary problem is getting beyond them. They say that jobs which are necessary to security are being scamped or passed over, simply through shortage of staff. The prison officers not only have to cope with overcrowded conditions, which set tricky problems at the best of times to inexperienced or uncertain staff. They are also supposed to try to implement new policies of prisoner rehabilitation and more congenial prison relationships. These involve longer working hours (including special calls beyond the compulsory overtime introduced, as a temporary measure, during the war) and changed disciplinary methods. Their own doubts about their ability to work the new and promising penological system known as the Norwich experiment (which has now been introduced in other small, local prisons besides) have reached the point where a resolution to abandon the Norwich system was carried unanimously at the annual conference of the Prison Officers' Association last month. No doubt many of the delegates who voted for this were tough eggs expressing a dislike of what they regard as new-fangled and namby-pamby methods, but more of them were simply saying that they could not work so much overtime while the staff shortage persists.

It happens that the latest round of troubles has come when the Home Secretary's prison-building programme is at last getting under way. Mr Butler thereby came off relatively unscathed during question-time in the Commons on Monday. Eight new "secure" prisons, the first to be built since before the first world war, are in the pipeline. One, already completed, is being used as a borstal institution until new borstal accommodation is ready; the second, at Hindley, Lancashire, will be opened later this year; Mr Butler himself laid the foundation stone of the third, at Blundeston, near Lowestoft, a month ago. These institutions may help to reduce overcrowding, but the present programme will be only a first nibble at the major problem of rehousing the existing prison population from its gaunt Victorian barracks, which were designed to serve totally different penological theories and in which workshops and rehabilitation facilities have grown up,

inadequately and piecemeal, through the years. Above all, it is far from clear where Mr Butler and the Prison Commissioners expect to get the men to run their establishments, old and new alike.

RECRUITING for the prison service is now wholly insufficient to maintain the necessary expansion of staff against the wastage caused by resignation and retirement. The net gain through new entry was 270 officers in 1958, 382 in 1959 (partly the result of improved pay scales) and only 8 in 1960. Because of the uninterrupted rise in the prison population the ratio of officers to prisoners has, in fact, fallen during this time. So far in 1961 there has been a net gain of 33 officers, but the recruitment of women officers, always difficult, is now causing particularly serious concern. Staff can be shifted into the trouble spots (both Pentonville and Wandsworth are to get 10 officers apiece from Brixton this month), but the opportunity for such redeployments is strictly limited. Dartmoor, despite its disturbance, will still have to send officers to Brixton to help to make up the numbers there. Although Lord Bathurst told the House of Lords on Monday that Dartmoor was up to strength, this was less than the truth: the staff was already 10 below establishment last weekend.

Discipline must eventually be affected by this kind of run-down. In some prisons, prison officers say grumblingly, the Norwich system merely covers a "glorified relaxation of the rules." In others, there are allegations that gang bullying by prisoners of other prisoners—including, especially, it has been alleged, minority groups such as coloured convicts or misfit sex offenders—is rampant and nowadays too little checked. This has added to the doubts about staffing the new institutions: all the 46 Pentonville officers who applied for transfer to the new prison at Ashford have been told that they cannot be spared.

It is dangerous to be too dogmatic in diagnosing the recruiting failure. Pay has some effect, particularly as the prison service and the police recruit from much the same sources. The prison officers' basic scale of £10 16s. 6d. a week, rising to £15 3s. in nine annual increments, introduced on January 1st, is clearly at a disadvantage against current police rates. But overtime earnings are regular (some 20 hours a fortnight at present), and pay is not regarded as an outstanding grievance. Conditions of work, particularly in the big prisons, are open to much more criticism. There are plenty of officers who are prepared to staff open prisons, where they can enjoy country life; even Dartmoor (although the Prison Officers' Association has been stoutly opposed to Princetown) has its defenders.



The chief sources of discontent are two: the long and uncertain hours; and the absence of staff accommodation on or near the job so that men are separated from their families and may have to keep up two homes.

The average prison officer's day (for those not on night guard) begins at 7 a.m. It involves all the routine unpleasantnesses of institutional life, requires keeping discipline over as many as a hundred men at a time in a workshop, and makes special demands in guard duties, censoring letters and supervising visits from prisoners' families. (It is very possible, incidentally, that some of these duties are unnecessary and are included in the schedule out of custom; a more scientific job analysis of a prison officer's day might be useful, and enable staff to be more efficiently used.) Normal duty ends at 5.30 p.m., but is frequently extended as a result of the liberalisation of prison routine (including evening classes) to 9 p.m. or later. Special stand-by calls and the absence of social life are drawbacks in securing young officers and women officers. If staff were brought up to establishment, there would be a better prospect of introducing a regular shift system.

The Prison Commissioners have done reasonably well in providing staff accommodation where they can. The main difficulties are the absence of suitable sites near town prisons (Strangeways in Manchester is an exception) and soaring land values which eclipse the small budget available. To assist recruiting, the Wynn-Parry committee, which reported in

1958, recommended the payment of a subsistence allowance to officers who have to live away from home during their initial training. This was turned down by the Treasury.

One device to get new staff may be the introduction of a cadet service, inspired by the police experiment on these lines. This could have advantages in securing a new type of recruit; an educational qualification of three or four passes at "O" level GCE might be imposed. There is a clear need to get away from the image of the old-style warder. But men of this kind are not likely to be attracted by present wage rates. There is also the obvious danger, in present circumstances, that raw recruits may simply be handed a bunch of keys, on the quiet, and told to get on with it. The atmosphere of prison life brings its own contamination unless experiments of this type are closely supervised.

The problems of the prison service are by no means unique. But the service is a small one still, and its difficulties have a claim (which the Wynn-Parry committee recognised) to be treated as *sui generis*. The present troubles confirm the case for more purposeful action to improve working conditions. Above all, there is a need to take a hard look at the kind of service that ought to be built up, in keeping with new ideas on prison treatment. The service that was suitable for floggings and death-cell duties is by now as obsolete as the buildings which still enshrine the principles, and not a few of the practices, of a century ago.

## NOTES OF THE WEEK

### DISARMAMENT

#### Pressing on Rewardless

ON Wednesday Mr Dean Rusk told a Senate subcommittee that he felt "deeply discouraged" by the lack of progress in disarmament negotiations with the Russians. Simultaneously, Sir Michael Wright and Mr Arthur Dean, the British and American negotiators in the Geneva talks on nuclear tests, were once again pointing out to Mr Tsarapkin that the Soviet government had in effect shut the door to further negotiation by insisting that its latest terms must be accepted as they stood, and as a whole. The Russians have not only gone back on their earlier agreements by demanding a "troika" set-up which would make the control of a test ban unworkable by giving them a veto over virtually all its operations; they have now also proposed that the banning of tests, after being discussed at 318 meetings at Geneva over a period of thirty-two months, should be put back into the framework of general disarmament—for which there is not even an agreed negotiating body.

It is certainly a discouraging picture, and it is hardly surprising that President Kennedy is being urged—by the chairman of the Congressional Joint Atomic Energy Committee, Mr Hollifield, for one—to permit a resumption of test explosions, albeit in underground cavities. Public pressure

for a resumption of testing in America is now likely to monopolise much of the world's attention. It will be a pity if this controversy leads to a neglect of the broader disarmament issues. On Monday Mr Zorin, the Soviet deputy foreign minister, is going to Washington at the invitation of Mr McCloy, the head of the President's disarmament administration, to discuss ways and means of relaunching general disarmament negotiations in August. This is only a preliminary encounter, but when one recalls the bleak record of the year that has passed since the Russians suddenly stamped out of the ten-power conference at Geneva last June, there is reason to salute Mr Kennedy's readiness to press on rewardless.

Some confusion, however, needs to be cleared away from one item in the McCloy-Zorin agenda. The Russians' proposal for participation by uncommitted countries in the next round on disarmament is not identical with their "troika" demands in regard to nuclear tests or the UN secretariat. Neutral participation here would not involve any risk of the paralysis of working machinery by veto. By championing such participation, Russia has made a shrewd bid for neutral goodwill; by opposing it, the western nations can only lose goodwill. If the objection is that the uncommitted

countries have so little understanding of the real problem of disarmament that they could be easily fooled by Russia's very transparent slogans, the remedy is surely to get them round a table where they will have to look at these matters more carefully.

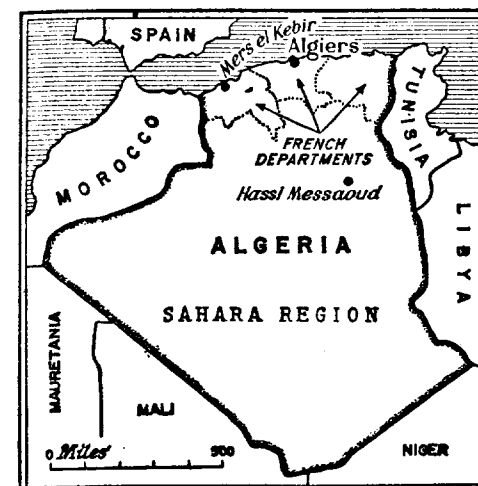
### ALGERIA

#### French Leave

IT is still possible to take a hopeful view of the outcome of the Evian negotiations, in spite of the French government's decision to suspend them for an uncertain period. Parisian rumours speak gloomily of a final break, but it is perhaps too soon to believe them. In spite of the French deafness to Algerian pleas for one more meeting before the interruption, in spite of the bringing forward of the break from June 20th, the time-table's original date, and in spite of the uncertainty about what will happen when, and if, the French end the unilateral truce in Algeria, the outlook is still not wholly black. The basic facts remain: both sides urgently require peace, France even more than the nationalists.

This said, it must be added that the responsibility for the failure of the talks to make any progress hitherto rests largely on General de Gaulle. It is true that the Algerian nationalists could have chosen no worse way of aiding their cause than by

stepping up the terrorist campaign, so that between May 21st and June 8th 133 people were killed and 300 wounded. Neither the French army nor French public opinion can be expected to tolerate this crescendo of murder. But General de Gaulle has instructed his delegates at Evian to ask for too much at too high a price, and given them too little freedom to make concessions. They have sought military bases under French sovereignty on Algerian soil—notably at Mers-el-Kebir; dual citizenship for the European Algerians; a "special



status" for the towns; and they have denied Algerian sovereignty over the Sahara. If General de Gaulle really supposes that the nationalist leaders can concede all this he is deceiving himself, and M. Louis Joxe and M. Belkacem Krim will have to wait until the mists clear away from his vision. Fortunately, the whole history of the general's gradualist approach to Algeria suggests that they need not wait for ever, or too long; he has previously appeared to swerve away from the inevitable, only to accept it, wisely, in the end.

### FRANCE

#### Jacquerie

BRETONS never shall be slaves. The potato-growers of Finistère, who on June 4th smashed the ballot-boxes in use during the local elections, who on June 8th, mounted on lorries and tractors, seized, and for some hours held, the little town of Morlaix, may be said to have proved this. They have also given a striking demonstration of the dissatisfactions of the French farmer, which have for long been worrying the government, and which have led many farmers' federations elsewhere in France to send messages of support and encouragement.

There is a surplus of potatoes, as of other farming products, in France, and also of middlemen, so that the price, in Parisian shops, of potatoes is much higher than that received by the producers. Thus, the farmers were receiving only 0.12 new francs a kilo when they decided to act, while in Paris the price was about 0.35 new francs.

The government's remedy for this situation is to press its partners in the European Economic Community to open up their markets; it has even threatened to hold up the transition to the second phase of the community's development until the common agricultural policy has been introduced, so anxious is it to have access to the German consumer, at present shut away behind high tariff walls designed to protect the German peasant. Unfortunately the federal elections in October make it impossible for the German government to alienate the farming vote. No action can, therefore, be expected until the end of the year. In the meantime the price of potatoes to the French producer has sunk further to 0.08 new francs a kilo.

French agricultural anxieties will be readily understood by the British, contemplating their own plunge into the European pool—in itself a factor which could make a common agricultural policy more difficult to arrive at as soon as France would like. But the loss of impetus to the common market which might result from a failure to clear this hurdle in the near future would be an even more serious matter. The French must be glad to hear that the federation of German industries has spoken of the common agricultural policy as the "test case" of a genuine community.

### LABOUR PARTY

#### All Goes Right

THINGS continue to go almost unbelievably right for Mr Gaitskell. It is now clear that he is likely to secure a majority of two or three million card votes against the unilateralists at the Blackpool conference in October; among the unions that voted against him at Scarborough, the engineers, shopworkers, builders, foundrymen and vehicle builders have already swung over to his side, and there are more to come. In addition, some serious observers are forecasting that 80 per cent of the constituency parties may vote with Mr Gaitskell at Blackpool, a proportion that would have seemed fantastic a short while ago. And this week Mr Padley has formally dropped his sponsorship of the Padley-Crossman compromise on defence, recognising that Mr Gaitskell has won.

How has it happened? Largely, of course, it has been a demonstration that nothing succeeds like success. Ever since Labour's successes in by-elections made it apparent that Mr Gaitskell still had a chance to be Britain's next Prime Minister, party waverers have hastened to scramble back on to his bandwagon; even on issues such as the common market, people like Mr Wilson have hastened to let it be known that opposing Mr Gaitskell was the last thing they ever intended to do. While the earlier policy of making verbal concessions to the Left failed miserably for Mr Gaitskell, the policy of standing up to them (which started with the withdrawal of the whip from Mr Foot) has so far gained him

much more ground than he had expected. But some credit, too, must go to the behind-the-scenes activities of the so-called "Campaign for Democratic Socialism."

This "campaign" has been organising cells of Gaitskellite supporters in key constituency parties and union organisations up and down the country; in the constituencies there are now said to be about 250 local Gaitskellite "whips." These men have shown the same assiduity in converting waverers and in urging Gaitskellites to turn up for important local votes as the Left (including the communist cells) did in organising the swelling of the vote for unilateralism last year. It remains ridiculous that the strategic organisation of a few hundred people to turn out at ill-advertised local party or union meetings should thus alter the "official policy" of a Labour party that represents half the people of the country; but this year, for the first time, this new force of CDS seems in many places to be beating CP and CND at their own game.

### THE PRESS

#### Concentrating Papers and Plant

THE shrinking and shuffling of the national press goes on. The epitaph on the *Sunday Dispatch*, which is being swallowed after over a century and a half of life by the *Sunday Express*, was spoken last Sunday by the Royal Commission on the Press itself. The commission, it was stated, could not recommend any measures "to prevent the possible sale or closing down of any particular publications whose costs of production exceed the revenue they earn." The trend towards concentrating the press stems from two immediate causes: the unprofitability of the cheap popular newspapers with circulations below two millions or more; and the desire of some successful newspaper publishers to furnish full employment over all the week for their own costly printing machinery. The death of the *Sunday Dispatch* was no surprise, because of its large running losses; even the injection of £3-£4 million in the next few years could still have failed to put it on a competitive footing (though on weekdays this is precisely what Mr Hugh Cudlipp is trying to do with what in the *Daily Herald's* own office is familiarly known as "King's cross"). The surprise, perhaps, was the purchase of the *Sunday Dispatch's* title, for merging, by Lord Beaverbrook, who has customarily and characteristically been a builder and not a buyer.

The deal is symptomatic of the busy rivalry that is going on in the "middle-class, middle-brow" Sunday field, where the very different *Sunday Express* (with over 3,500,000 readers of its own) and new *Sunday Telegraph* (with perhaps a fifth of that figure) are both bidding to bridge the gap between high-brow and low-brow readers. Lord Beaverbrook, whose own machines are in fact well occupied, gets from

the deal what proportion he can hold of the *Sunday Dispatch's* 1,500,000 readers together with, by contract with the *Sunday Dispatch's* former owners, extra printing capacity to enlarge the size of the *Sunday Express*.

Even before this purchase, the Beaverbrook newspapers, with the *Sunday Express*, the *Daily Express* and the *Evening Standard*, were the best balanced and most uncomplicated newspaper group. Balance, above all in terms of the continuous use of their own printing capacity, is precisely what other giants in the field lack. This fact is at the core of the speculation, since the *Sunday Dispatch* got its death warrant, about the future of Lord Rothermere's *Daily Mail*. Both Mr Roy Thomson's group and the *News of the World* much need employment for their machines on weekdays. Lord Rothermere has said that he and his family have no intention of "severing their connection" with the *Daily Mail* and the *Evening News*, as well as the grimly struggling *Daily Sketch*. But this form of words has not killed the belief that some further concentration of papers and plant (leaving more old machinery spare) may still be likely.

#### LAOS

### Princely Coincidence

IT is good news that the three princes who sum up Laotian politics are at last meeting. Since long before the present Geneva conference began, a month ago, it has been clear that it would make no real progress so long as Laos did not have a government which all participants could recognise. This fundamental gap accounts for all procedural obstacles: the boycotting of the conference by the right-wing government's delegates, the continuing hostilities in Laos and the inevitable complaints from each side that the other is violating the cease-fire. If the Laotian problem is to be settled by negotiation and not by military power, then only the formation of a government of national unity will get the conference off the ground.

It was Prince Sihanouk of Cambodia who first realised this simple truth, and though the three Laotian princes were slow in responding to his suggestion that they should meet, the time is probably still not fatally late. The neutralist prince, Souvanna Phouma, and his communist half-brother, Souphannouvong, have been waiting in Geneva for the past week; the right-wing prince, Boun Oum, who is not related to the others (he comes from the southern principality of Champassak) and is militarily weaker than they, was understandably reluctant to meet them. Having called on Prince Sihanouk in Nice, he was waiting in the wings in Paris. On reaching Geneva, the other two said they were tired of playing hide and seek and would be ready to meet Boun Oum there. He counter-proposed Aix-les-Bains, and then Prince

#### NOTES OF THE WEEK

Souvanna Phouma sent a message, delivered by Mr Krishna Menon via Prince Sihanouk, that the meeting could take place anywhere in Switzerland. Lausanne was mentioned, then the unanimous choice fell on Zürich, which, a few days earlier, had shown its unimpeachable anti-communism by denying a work permit to the Soviet violinist David Oistrakh. Prince Souphannouvong may, however, have failed to notice this item in the Swiss press.

At this stage it is ironical to hear Mr Gromyko accuse the American delegation of obstructionism—for insisting on a verified cease-fire before discussing matters of substance—and threatening to walk out. After all, communist obstructionism held up the Panmunjom truce talks in Korea for more than two years; and Soviet obstinacy has brought the test ban talks in Geneva to the verge of breakdown.

#### CHINA

### When One is Two

LIKE Lord Copper, Mr Evelyn Waugh's press baron in "Scoop," Mr Mao Tse-tung personally requires from his underlings a steady flow of victories. The Chinese press is as good at producing them as Copper's *Daily Beast*. Its main theme, however grim the situation, is that of new triumphs in production "achieved under the brilliant light of the three red banners." It is not its business to tell its readers of the vast quantities of Canadian and Australian grain newly bought to avert disastrous famine, or of the sharp decline in Sino-Soviet trade (revealed in *Pravda* by the Soviet trade minister) caused by China's failure to keep up deliveries to Russia; or, for that matter, of Russia's failure to relieve China's present hunger. But Chinese who just happen to know that they are hungry and hard pressed can probably read between the lines of their ever-buoyant newspapers.

With farm work repeatedly described as "on a crash basis," still more men, women and children have been shipped out of the towns, sometimes under the control of armed militia, to work on the land. A Yugoslav correspondent in Peking, totting up Chinese figures, recently reported that over 20 million townsfolk had been sent to farm work in three months. The Chinese press itself reports that, where there have been serious losses of draught animals, the relieving manpower has been used in their stead in ploughing and harrowing; that many schools have closed, and in some areas over half the farm labour consists of children. Ten-year-olds are officially recommended as fit to clear weeds, rear pigs and tend oxen. Children hoping to go to middle schools are told to "surrender to the needs of the fatherland" and work on farms instead, and reminded that "in all countries, at all times" only a minority of youth can study instead of working.

Agonised reappraisals about the incentives needed to get China's vast but wearying work force to work harder are being made.

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The *Chiehfang Daily* of Shanghai, admitting in unusually humbled language that "our standard of farm production is still very low; we still rely on our backward manual labour; our harvests largely depend on nature," demands fairer allocation of farm earnings "to promote enthusiasm." And there is great official emphasis on "investigation," on finding out the facts behind the false statistics reported by zealous officials. But as long as Lord Mao and the *People's Beast* demand victories for publication, the painting of rosy pictures to please the powers that be is bound to continue, with all its confusing consequences. The *Chiehfang* itself has revealed the dilemma neatly in an article which began: "It is wrong to regard one as two. . . . To recognise and reform things, it is necessary to take one as one and two as two"—but prudently covered itself by adding: "What was one yesterday may become two today, and possibly three tomorrow."

#### TEACHERS' PAY

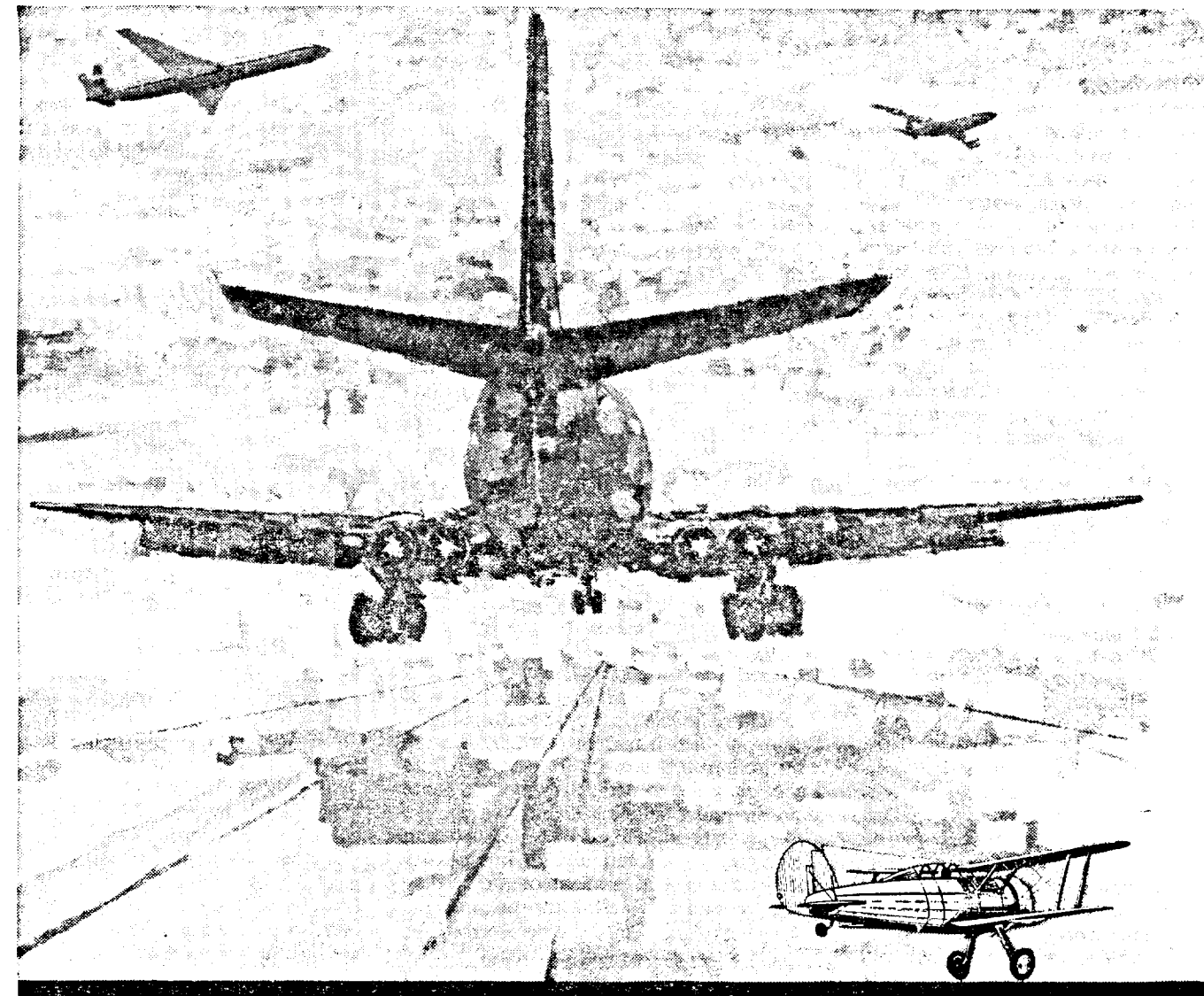
### News From The North

MR MACLAY'S second offer to the Scottish teachers will be read with interest and concern by teachers south of the border as an indication of official thinking on the pay issue. The Secretary of State for Scotland has increased his offer of a rise from 12½ per cent to 14 per cent, which would add £6.6 million a year to Scotland's education bill. This rise is still just below the Burnham committee's recommendation of an additional 15 per cent in England—which the National Union of Teachers has rejected as too little, and about which the Government has made no pronouncement yet. Mr MacLay has, however, offered a bird in the hand by proposing to date his increase from July 1st, while Burnham sticks (in accordance with the existing agreement) to next January 1st.

The details of Mr MacLay's offer are interesting. Direct comparisons between England and Scotland are difficult, particularly in the light of the Scots' insistence on graduate male teachers in secondary schools; but even a cursory glance should make the English teachers pause before contending that they are outrageously done by on the basic scale as distinct from too small differentials for honours graduates. The Scottish non-graduates are now offered a basic scale of £560-£1,070 in 14 annual increments. The Burnham proposal is for £600-£1,200 in 16 years: the English teacher would thus be £40 a year better off than the Scot at the start, then £5 worse off than the Scot after 14 years, but at that stage he (or, more probably, she) still has two considerable salary "steps" to come. Much the same is true of the ordinary graduate. The Scot is offered £680-£1,240 in 12 years, the Englishman £705-£1,330 in 16. (The English disadvantage after 12 years is £105, but is soon more than made up.) Mr MacLay has rightly given greater

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preference to his honours graduates: £840-£1,600 in 10 years. The Burnham agreement merely gives the good English honours graduate who has had four years of study and training a scale of £835-£1,460 in 16 years. But so far hardly a cheep has come from the NUT about this treatment of the profession's best-qualified members.

It is true that Mr Maclay's proposals have promptly been rejected by the Educational Institute of Scotland, with the complaint that its non-graduates are far less favourably treated than their English colleagues. It is true, too, that comparisons are vitiated because the Scots are living in a country with lower wage and salary rates and lower living costs, not least in rents. But there is clear evidence here of the clash between the English NUT's obsession with the rewards for those of its members who have a minimum of training and are in easy supply, and the Government's desire to encourage the honours graduate entry into the profession. As the following note shows, it is special sorts of honours graduates who are now most badly needed.

#### MATHEMATICS TEACHERS

##### *Necessary Multiplication*

SIR DAVID ECCLES told the Commons on Tuesday that he intends to arrange a conference shortly with the universities to tackle the present shortage of mathematics teachers. A white paper may be on the way. No official figures have apparently been compiled of the precise extent of the shortage: most headmasters, however, are prepared to make up for this statistical deficiency in determinedly hair-raising terms, and their views are occasionally echoed in the universities themselves. Dr Bryan Thwaites, the new professor of theoretical mechanics at Southampton, declared in his inaugural lecture at the end of last month that the quality of the student entry may already have started on an irretrievable decline because of inadequate teaching in school. He estimated that to give the grammar schools their necessary mathematics establishment the entire output of mathematics graduates from every university for three years would have to go into school-teaching. Last year there was a turnover of nearly 50 per cent in the mathematical staff in 800 grammar schools.

The recruitment of mathematics masters has been assisted in the past by the grant of deferment from national service, which brought 612 more mathematics and science graduates into the schools in 1959. But this instrument has now disappeared, and at the same time the demands of industry and accountancy have grown markedly. Sir David Eccles told the Commons that the output of mathematics teachers from the training colleges had doubled in the past five years, reaching 1,650 in 1960-61. The new three-year course should help to improve quality, but these are not the teachers that the dons are thinking about when they want to raise sixth-form standards.

#### NOTES OF THE WEEK

This new crisis has blown up at the moment when, as an OEEC report\* has just shown, there is a growing academic awareness of a need to reform the school mathematics curriculum—in order to keep pace with rapid advances in the subject itself and in its relation to modern science and technology. The OEEC study group calls for a more unified approach to all mathematical subjects, advocates the drastic downgrading of Euclidian plane geometry (which, it claims, can be explained to mature minds in "two or three hours"), and proposes the teaching of elementary probability and statistical inference in secondary schools. If teachers of sufficient calibre for this are to be attracted here, it will be necessary to be much bolder about salary differentials.

\*New Thinking in School Mathematics. Organisation for European Economic Co-operation. 246 pages. 15s.

#### THE RHODESIAS

##### *Sandys's Paper*

DARINGLY, the Commonwealth Relations Secretary has met the problem of white rule in Southern Rhodesia by persuading its prime minister to accept a constitution that many people believe he wanted in the first place. Even more daringly, Mr Sandys has done his best to let it appear as a personal triumph: a concession wrung out of an unwilling settler government in exchange for the dropping of redundant British reserve powers. But the constitution set out in Tuesday's White Paper concedes to African opinion no more than Sir Edgar Whitehead thinks he can get past his nearly all-white Southern Rhodesian electorate in a referendum. It is a charter based on a cool assessment of the relative strengths of black and white pressures in the colony.

In other colonies, the pressure of African opinion has been assisted by the Colonial Office; in Southern Rhodesia the Africans are on their own. It is their realisation of this that has made them, rightly or wrongly, choose the path of obstruction rather than co-operation in their pursuit of majority rule. From afar, 15 black faces in a previously all-white legislature, plus a bill of rights and a widened franchise, seem like a considerable advance. This is so only because what has been agreed (but not yet assented to in a referendum) is an advance on virtually nothing.

Nevertheless, if the constitution is agreed to and put into operation, a sensible government could work it in such a way that some African pressures are channeled through the constitutional machine. If this happens, Southern Rhodesia's transfer of power could come about in no less peaceful a manner than the transfer of power in other British African territories. This would require a willing white government and enough non-obstructive Africans to keep it willing. It is a dream Mr Sandys hopes will be evoked by his paper; the more likely course of events is a continuation of stormy black

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attacks on white attempts to retain power. Nor will going back on Mr Macleod's original proposals for Northern Rhodesia make things any easier. Suspicion that this is likely to happen is increasing; if the new constitutional arrangements now being assiduously worked out in London, Lusaka and Salisbury do not point straight to the end of settler control, then they will certainly mean the end of all black faith in negotiation and co-operation as a means to political advance in the Rhodesias. Only a very daring government would risk that.

#### ANGOLA

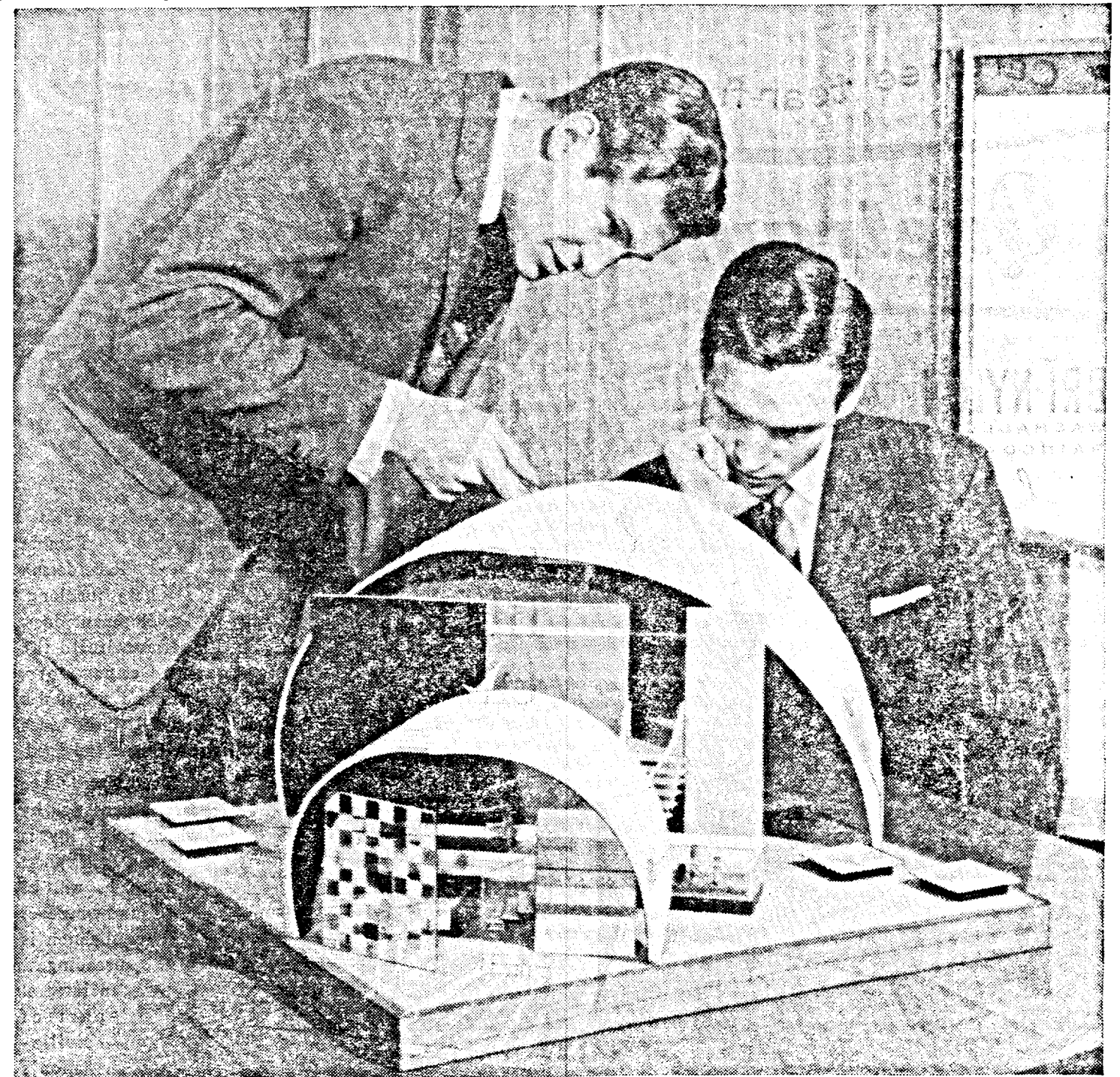
##### *Gone with the Wind*

SIR PATRICK DEAN, speaking on behalf of the British Government in the Security Council, no doubt thought it statesmanlike to attack the resolution condemning Portugal's repressive measures in Angola as illegal interference in a member state's internal affairs, and to abstain from the vote which carried it, with only France for company. Perhaps he had forgotten what happened to the similar policy pursued with regard to South Africa until Mr Macmillan's "wind of change" speech. Britain's fundamental mistake then, as now, was to assume that the best way to influence a misbehaving associate was to be unconditionally loyal to it in public debate. In their different ways Dr Verwoerd and General de Gaulle have both proved that this is not so; do we really need another lesson, this time from Dr Salazar?

Not only is such conduct ineffective; its alternative is apparent. The Ghanaian delegate in the Security Council said that "Portuguese colonialism would collapse the next day if Portugal were to be expelled from Nato." But there is no need or reason even to threaten anything so drastic. For Dr Salazar will have to recognise soon that he cannot afford to wage a long and quite possibly losing war in Angola. His one undeniable achievement has been to keep his country solvent and at peace for thirty years. The Angolan crisis threatens to destroy this achievement at a blow. Probably nothing but a prompt and liberal settlement can save the day; yet, at present, Dr Salazar dare not attempt it, for his destruction, by his disappointed followers in both Angola and Portugal, would then be certain, and be followed by the overturning of the settlement.

If (it is, admittedly, a big if) he is to descend from the limb where he finds himself, he will need a parachute. Only the West, by conditional offers of economic assistance, can rescue Portugal and Angola from the social and economic ruin that threatens them, and from the stagnation that has characterised them for so long. If such inducements are to be effective, the West must be united in showing Dr Salazar that, if he continues on his present course, he will do so with no one but Dr Verwoerd for company. Sir Patrick's quibbles are the surest means of diverting the West from its

#### THE ECONOMIST JUNE 17, 1961



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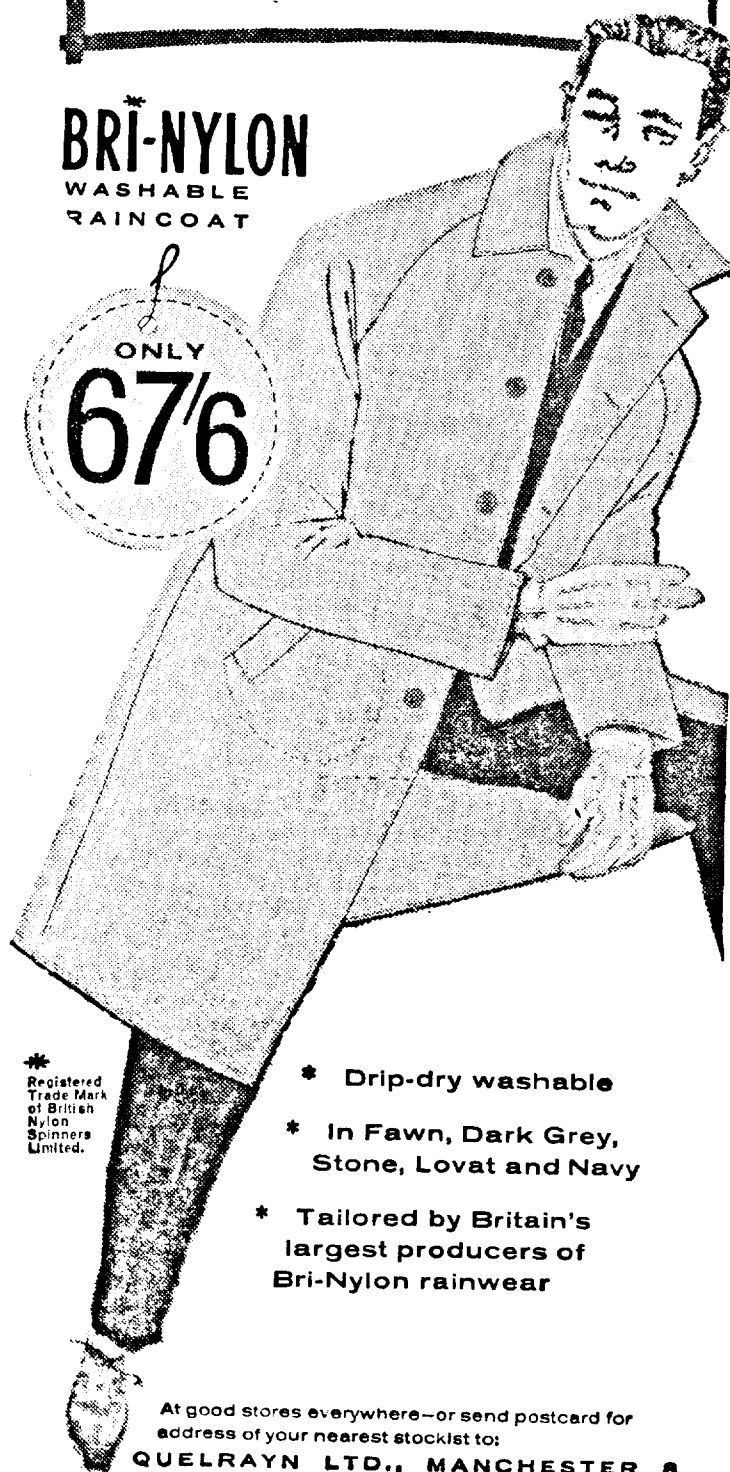


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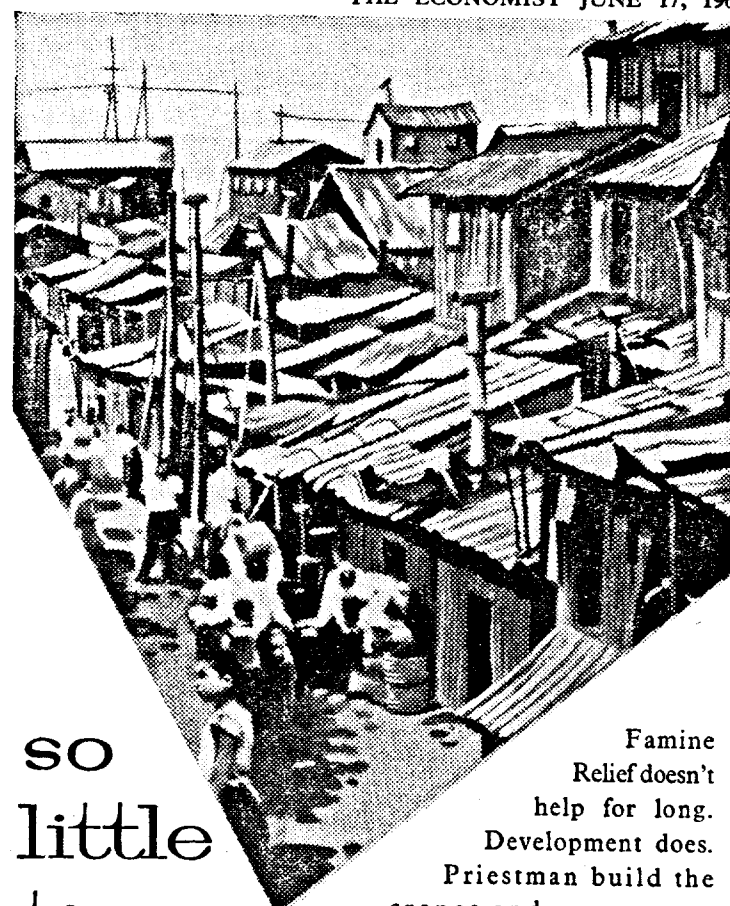


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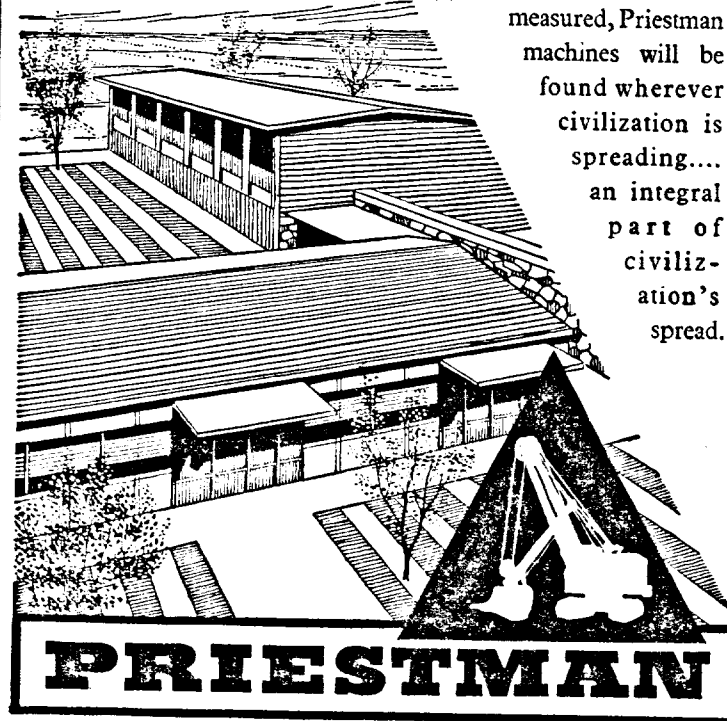
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## TURKEY

### Generals Divided

THE divisions among the military men who a year ago united to overthrow Mr Menderes have again become distressingly apparent, although they have been at pains to hide their discords. The trouble came to light on June 9th when General Cemal Madanoğlu, one of the most forceful and important members of the National Unity Committee, resigned both as commander of the Ankara garrison and from the NUC; the first resignation was accepted, but so far not the second. The general's



General Gürsel: still helmsman

gesture seems to have been the sequel to a row inside the NUC over the appointment, announced on June 5th, of General Irfan Tansel, commander-in-chief of the air force, to be the chief Turkish military adviser in Washington; General Tansel's reinstatement as head of the air force was announced on June 8th and was followed by the purge of some 25 senior air force officers.

At the moment one can only speculate on the significance of these events. High-ranking officers outside the NUC have apparently been increasingly critical of its policies. It looks as if an attempt was made by the committee (or some of it) to get rid of one of them, General Tansel, and that when the attempt failed General Madanoğlu resigned. Like General Gürsel, the head of state, General Madanoğlu wants to hand power back to the politicians as soon as possible; he is opposed to the more radical and revolutionary ideas of the Turkes group whose expulsion from the NUC last November he strongly supported. If, therefore, his resignation was provoked by General Tansel's reinstatement, and not by some so far unrevealed disagreement, he presumably believes the head of the air force's ideas to be opposed to his own.

The clash of policies is not yet resolved. The latest crisis could be a prelude to the

return of Colonel Turkes and his thirteen supporters now in exile; it is rumoured that some members of the NUC have been advocating their return for some time. But so far the committee is refusing to budge from its charted course; last Sunday it announced that elections would be held "on time" and a referendum on the new constitution on July 9th. General Gürsel, however, will need to keep a very firm hand on the tiller.

## ADMIRALTY

### Blind Man's Buff

THE series of human failures which made it possible for the Lonsdale-Kruger spy ring to tap naval secrets at the Portland underwater detection establishment, over a period of years, now stands revealed in the Romer committee's report as more than astonishing. Whatever efficiency or initiative is normally expected of a "junior civil servant" (Mr Macmillan's description of Petty Officer Houghton's immediate superior) the senior officers concerned have earned more than the severe rebuke that the committee bestowed on them. While there is cause for satisfaction at the speed with which MI5 did its job in finally rounding up the spy ring, the country needs to be reassured that the ordinary security officers in official establishments are of a superior calibre to the men who have come out of this affair so badly. Officers have been cashiered for much less.

It is a natural conclusion, both from the Romer report and the Prime Minister's

comments on Tuesday, that an extraordinary laxity pervaded the Admiralty from top to bottom in its attitude to security. Mr Macmillan declared, in a phrase that speaks volumes, that even now liaison with the security service is "better in some departments than in others." On the Admiralty's record, it is most fervently to be hoped so. Whatever their novel means of high-speed transmission of information to Moscow, Lonsdale and the Krugers employed no new tricks in getting the material they wanted out of Portland. The documents were regularly and laboriously carried out of the base to be photographed. It is too late to ask what kind of a world the naval authorities imagined they were living in five years ago, but the Radcliffe inquiry will certainly have to be given evidence of a very different state of mind now if confidence is to be restored. It is thoroughly desirable to avoid witch-hunting throughout the public service, but crass stupidity and negligence are the surest means of inviting precisely this kind of unwelcome surveillance.

## RAILWAY VANMEN

### Mind Your Backs

TOKEN strikes of a day, a week, or even a few hours, are the normal thing on the Continent, where trade unions rarely have the money or the tight organisation needed to maintain a longer effort. Recently, this patchy demonstration technique has spread here; this week it was taken up by railway van drivers who have

## The Economist

JUNE 15, 1861

### THE CENSUS AND FREE TRADE

There are some people who always wish to be set right. They are continually on the look-out for new principles of action, new fundamental ideas, new notions of revolutionary importance in morals and in politics. To persons of this class the facts which have just been communicated as to the late Census will afford no practical aid and will provide no intellectual data. We do not say that subsidiary suggestions and incidental anomalies may not be discovered; but we are convinced that the main conclusion from these authentic details beyond dispute is, that our present national policy is the right policy, and that no other can even for a moment bear argumentative competition or practical contrast with it. What is the present *home* policy of England, stated in a single sentence and disencumbered of any unnecessary and subordinate details? "It is the policy of free trade. It requires that the prosperity of the great seats of industry should be fostered—that the growth of the great pursuits of industry should be developed—whatever may be the consequences and the cost. There is, indeed, no reason to suppose that the agricultural interest has suffered from the legislation of late years. . . . But, be this as it may, the free-trade policy, which the national opinion of England, after years of argument and

a perhaps unnecessary accumulation of conclusive discussion, selected as the true policy, assumes that our manufacturing industry must increase,—that our large towns must enlarge,—that in them, and not elsewhere, must be found adequate employment and an increasing fund of support for the augmenting numbers of the English people. Has this been so or no? . . . It appears that speaking broadly, generally, and in those plain words which alone can be remembered, that the great seats of industry, the metropolis included, which is a far greater sort of manufacturing industry than most people are aware of,—together with their immediate neighbourhoods, carry off the superfluous augmentations of increasing population which would also accumulate in out-of-the-way parishes. . . . No one will venture to say that the increasing accumulation of population at certain fixed centres is an unmitigated good; no one will say it has not its peculiar risks and dangers; no one will say it does not bring with it accompanying responsibilities and appropriate duties. But, at all events, the fact must be clearly seen and plainly acknowledged. . . . We must confess that the commercial policy of recent years has been (as far as human sagacity can judge) essential to the national salvation.



been on what was at first advertised as a one-week unofficial strike in various parts of the country. The drivers are at present ranged in four grades for pay purposes: the lowest grade, driving loads under 5 tons, get £9 3s. basic pay a week, and the highest, driving 12-tonners and above, get £9 18s. Average earnings are probably something like £3 a week higher. The men's claim is that they should all be paid at the top basic level—which would mean a rise of 15s. for the vast majority of drivers. The National Union of Railwaymen put up their claim to the transport commission; despite the stoppage, it was turned down on Wednesday. The strike, taking place during the negotiations, was properly disapproved by the union, which now has to decide what its next move will be.

Obviously a rise given to the van drivers would lead to interminable claims from other grades of railwaymen who believe themselves to have been badly done by under the Guillebaud settlement (when the vanmen got the minimum rise of 8 per cent). The drivers have some reason to feel aggrieved, when they see drivers for private firms making considerably more than they do. The transport commission's answer is that their vanmen have advantages, in the form of security of employment and pension rights, which drivers for private companies very rarely enjoy. In any case, the effectiveness of the drivers' strike has been vastly reduced by the proof that firms are mostly perfectly well able to collect their own goods for a while, using their own drivers.

#### LATIN AMERICA

### Helping Brazil's Flatheads

MR ADLAI STEVENSON's trip to Brazil last weekend may have convinced him of two things: the urgency of President Kennedy's programme for social change in Latin America, and the implausibility, in most of the major republics, of the idea that this can be combined with collec-

#### NOTES OF THE WEEK

tive action against Cuba. While Mr Stevenson and President Quadros talked in São Paulo, Brazilian military units were helping the police to control student riots at Recife, the capital of the state of Pernambuco in the north-east. The immediate cause of the riots was a university ban on a meeting at which the mother of Cuba's minister of industry, Dr Guevara, was to speak. Students all over Latin America are vociferous supporters of the Cuban revolution; Brazil's north-eastern states have other reasons, besides the revolutionary image of Dr Castro, for unrest.

Brazil's north-east is the vast area, mainly of semi-desert scrubland, that bulges into the Atlantic. Left behind in Brazil's thrust towards development, its 19 million people have an average income less than a third of that in the centre and south of the country. And in the north-east, even more than elsewhere, this calculation is misleading since the money is largely in the pockets of a few large landowners; most of the people live on subsistence farming, and during the periodic droughts they cannot even do this. But the *nordestinos*, called "flatheads" by other Brazilians, are tough characters; although they move south during the droughts, when the rains come they return. They have the highest birth rate in the country, and also, by far, the highest infant mortality.

Last year there were two developments in the north-east. A member of the Pernambuco chamber of deputies, Senhor Francisco Julião, started organising Peasants' Leagues. These, according to how the situation develops, could become the nucleus of a responsible agrarian reform party—or the nucleus of revolution. On a different level, a number of unsuccessful and contradictory plans for developing the north-east were co-ordinated into a central agency called Sudene. The Brazilian congress approved the establishment of Sudene, but stalled over a request for 5,000 million cruzeiros to finance it.

On May 28th, President Quadros met the governors of the north-eastern states and promised to let them have 2,000 million cruzeiros (worth about \$8 million) for industry, farming, housing, and education. In addition the Brazilian bank of economic development is advancing money for a synthetic rubber plant, and the United States, under its surplus food programme, is providing money for the establishment of three hospitals in Pernambuco. President Quadros, trying to steer his country out of a tangled economic maze, is hard pressed to find adequate funds. But these parched and troubled lands of the north-east are crying out for help that is poured, not dripped.

### —and Bolivia's Miners

WITHOUT so much as a blink at the Brazilian trade missions returning heavy laden from their tours of east Europe and Russia, the United States is contribut-

#### THE ECONOMIST JUNE 17, 1961

ing lavishly to the bail that Brazil needs to extricate itself from its short-term foreign debts. Bolivia still has to pull off this double. But when Mr Adlai Stevenson arrived in La Paz on Thursday, his welcome from President Paz Estenssoro was warmed by Washington's decision, taken a few weeks ago, to reverse a cardinal principle and provide money for Bolivia's nationalised tin mines and state-owned oil industry. As part of a three-pronged project, the United States, the west German government and the Inter-American Development Bank are providing more than \$40 million for the rehabilitation of Bolivia's run-down tin mines.

Since the revolution in 1952, Bolivia has been kept going by American aid. But the country has not been able to move forward. The tin mines, on which Bolivia depends for three-quarters of its export earnings, have been steadily deteriorating. The depletion of the better deposits, and the general weakening of an industry that has seen no new investment for years, have resulted in uneconomic production and in deplorable, and dangerous, working conditions. Most Bolivians are believed to be slightly better



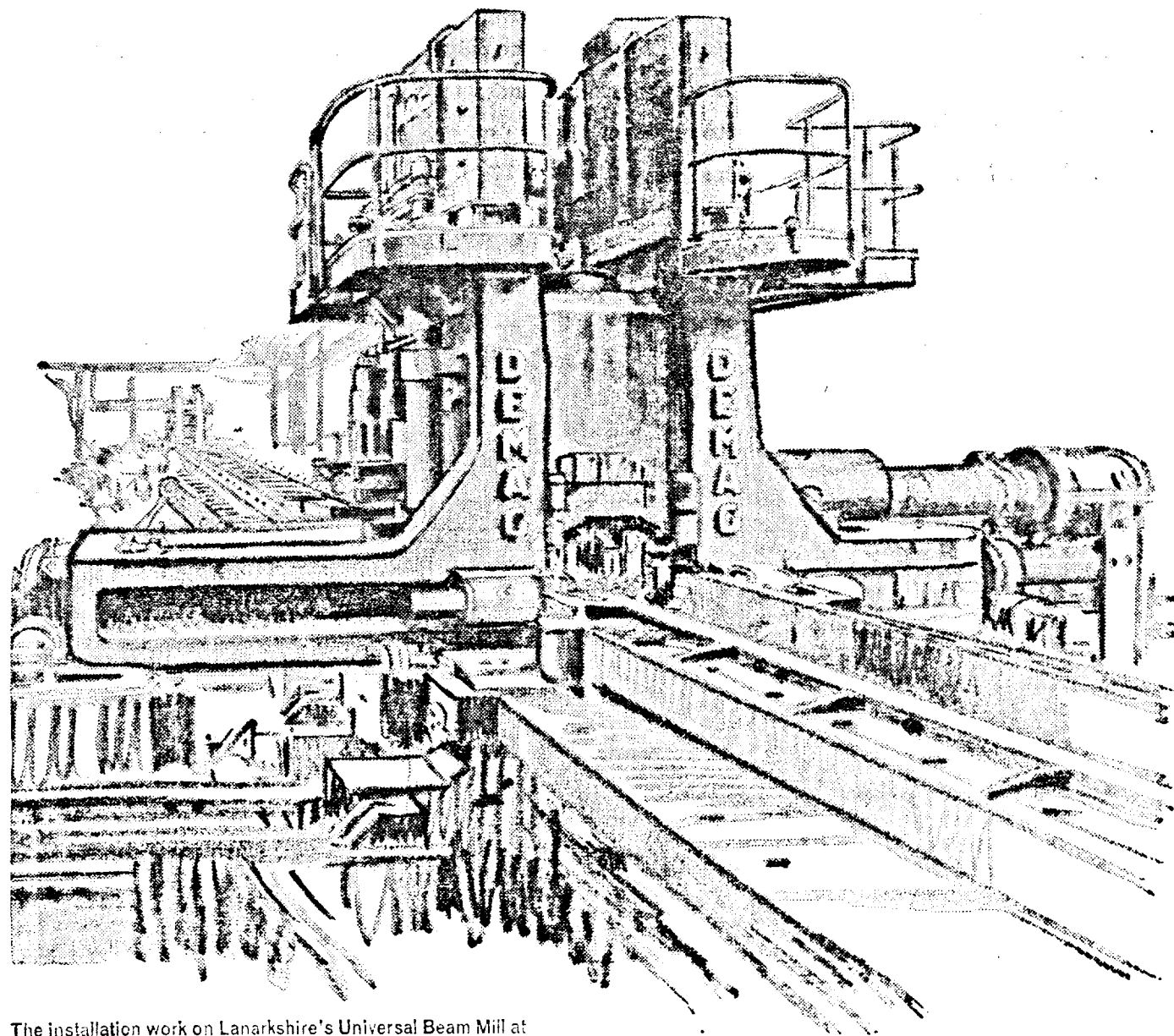
Paz in Quiescence

off than before the revolution; the miners are worse off. Communist agitators find their work made easy for them, and in the last few weeks there have been a series of strikes that threatened serious trouble. But the miners, although a powerful pressure group, are few in numbers, and their protest was brought under control in time for Mr Stevenson's visit.

Towards the end of last year, the Soviet Union offered to supply Bolivia with a tin smelter and, rather more vaguely, credits worth \$150 million. The trouble about the first part of the Russian offer is that the Bolivian tin industry is, at present, in no condition to contemplate refining its ore. The priorities are, first, to modernise the mines and, second, to increase the tin content of the ore. But the Bolivians and the Russians are now discussing various other projects where Soviet help might be more to the point; it would be a sad throw-back to less sophisticated days if American caution made these negotiations even more difficult than they already promise to be.

#### THE ECONOMIST JUNE 17, 1961

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## Wanted: A Foreign Policy

WASHINGTON, DC

TEN days after President Kennedy broadcast his "sombre" report to the nation on his mission to Paris, Vienna and London the American public finds itself in two moods. To begin with the visit cheered people up and this euphoria has not quite evaporated. The personable young President and his wife had a personal success in Europe. There were encouraging stories that he had made a very favourable impression on General de Gaulle and a firm one on Mr Khrushchev. A poignant chord in the national pride was touched by European homage to Mrs Kennedy as an American Queen of Hearts. The Cuban humiliation was erased and the more sophisticated commentators discoursed on the psychological benefits of the trip for Mr Kennedy's maturing presidential personality.

On the other hand, it has begun to emerge that the President used a very mild word—"sombre" was not the one chosen by his speech writers—to describe the impact on him of Mr Khrushchev's unforthcoming approach and doctrinaire inflexibility. Either Mr Kennedy felt that it was necessary to tone down his reaction lest the crumb of comfort contained in the agreement over getting a cease-fire in Laos (even on humiliating terms) should be lost, or else he felt that his American audience would question whether their champion had scored if he conveyed the full force of the uncompromising Russian *aide-memoire* on Berlin, of Mr Khrushchev's insistence on the *troika* system for giving the Russians a veto on enforcement of the ban on atomic tests, in the United Nations and in every other international procedure and of his supreme confidence that the West would cave in. This would have made Mr Kennedy look as if he had travelled to Vienna merely to be told what was going to happen in all these matters, and in the world at large, whatever the United States said or did to divert the locomotive of history. But the story that Mr Kennedy did indeed find the Russian leader even harder to talk to than he had expected (though more mercurial and less clever) and that he did not report fully on the meeting has now damped American spirits.

This hardly suits Mr Kennedy's political book at a time when the public is in any case showing signs of impatience that the Administration is still producing words rather than deeds. The President's difficulty, however, is that a great deal more talking has to be done and that this is a necessary forerunner of action—unless there is to be disaster. But perhaps the first phase of educating the American public to face the prospect of a "long and difficult" struggle with Communism, with few short cuts, many setbacks, some nerve-wracking brink-walking and little of what the average American would call "action" has been completed.

The President, back in his White House rocking chair, now faces three sets of problems. In the first place, he knows that even as he digests his European trip he may be interrupted by a new crisis—in Iran, in the Caribbean, in south-east Asia—at any time. Yet, secondly, he knows that while the Berlin situation is still

only in the warming-up stage, and while talks continue in Geneva, it is urgent to define policy in advance. If there is an American answer to Mr Khrushchev's alternatives for Berlin, it is still a secret and there has not yet been time to formulate an American response to the Russian ultimatum on the inspection of atomic tests and on disarmament. Possibly the response may take the form of a gradual backing out of futile negotiations in a way that would not lose world sympathy, and a slow approach to a resumption of atomic testing, beginning with a "peaceful" nuclear explosion. The Russian move and growing domestic pressure for tests of atomic weapons come when policy is still unsettled.

Thirdly, the President realises that the very success which he achieved in Europe has proved obsolete his idea that the conduct of foreign affairs could be returned to "normal" diplomatic channels, with the President and Secretary of State anchored at the receiving end in Washington. There will be more summits—certainly more sub-summits. For example, one result of the Paris talks is that the Americans have accepted, at least partially, General de Gaulle's demand for tripartite policy-making by the United States, France and Britain (others being co-opted at need). As the General is even more his own Foreign Minister than the President is his own Secretary of State, this points to further western meetings. Above all, though the President took care not to accept any invitation from Mr Khrushchev, care was also taken not to create an atmosphere that would have made a further meeting on Berlin impossible; the main problem was to ensure that if such a meeting were held, as world opinion would expect should a head-on clash seem imminent, it would not be the Munich that Russian self-confidence seems to anticipate.

URGENT as it is to decide policy despite these pressures, unfortunately the machinery of policy-making is still in bits and pieces. At the top, American foreign policy turns on the relations between the President, the Secretary of State and the Secretary of Defence; this in turn requires effective interaction between the White House and the departments lower down. But in fact relations at the top are unclear, and lower down they are unsatisfactory. Originally, the group of clever men with whom Mr Kennedy surrounded himself to run the Presidency agreed that the State Department must be restored to efficiency after its long eclipse under Mr Dulles's personal rule, the witch-hunting of Senator McCarthy and the vacuum that was Mr Herter. Yet it is still uncertain where policy is being made. It was natural that the military-type organisation of General Eisenhower should be ignored, since it produced no policy. It was to be expected that the new President would be more his own Secretary of State than his predecessors had been. And it is fair to say that Mr Rusk, the Secretary of State, is probably the President's principal adviser and agent in foreign policy. But he is so by only a small margin: policy is plainly often made or deeply influenced, not only by the dozen assistants in the White House who specialise in it, but also by some of the President's other confidants.

Mr Rusk often seems engaged in elaborate manoeuvres with all these gentry, cautiously awaiting the moment when he can safely assert his rights. These preoccupations, and his inevitable calls abroad, have prevented him organising his own department, the morale of which has risen scarcely at all. Mr Rusk did not



choose all his own subordinates; many of the jobs in the department were handed round to party men before he took full charge; but in the event he works, close-lipped, more with the White House policy makers than with his own lieutenants. The result is confusion.

Up to the time of Cuba the White House itself was in such intellectual anarchy that it was said that either the President would have to select a chief of staff from among his professors or else advertise for one. Now responsibilities are fairly well defined under a *de facto* duumvirate of Mr McGeorge Bundy and Mr Walt Rostow. A system of "task forces" (*ad hoc*, non-permanent interdepartmental committees), consisting of State Department experts working with a White House aide to represent the President's point of view, is designed not only to achieve forward planning on "urgent" (e.g. Laos) and "upcoming" (e.g. Berlin) problems, but also to work out longer-range policy (e.g. on President Nasser). From each of these task forces the President is supposed to get not only a highly practical position paper on a preselected problem, but a briefing on the decisions that he must take and their implications for himself (e.g. in Congress).

All this should ensure that events cannot take the President by surprise. But some lack of assurance that this has been achieved is suggested by the creation of a special "crisis" task force, headed by a career diplomat (Mr Achilles) and Mr Stephen Smith, the President's brother-in-law, to watch over "hot" situations (such as the Trujillo affair). This indicates no great trust in the State Department's own ability to carry out its normal functions of planning and executing policy.

Between the summits the President and Mr Rusk need to clear up this muddle. Mr Kennedy's attempts to deal with every issue personally will either threaten his health further or force him to leave some of his essential functions undone. Already, for example, members of Congress complain of lack of consultation, and say that the vital preliminary political work on the education Bill and, still worse, on foreign aid was scamped. A President's functions are multifarious—they can be discharged only if he has an efficient machine under him. He must certainly carry Congress as well as his foreign allies with him. The spectacle of an obviously harassed President, unable quite to keep up with his job, would alarm American public opinion more than anything else. This situation has not arrived yet, but the problems grow and the danger is there.

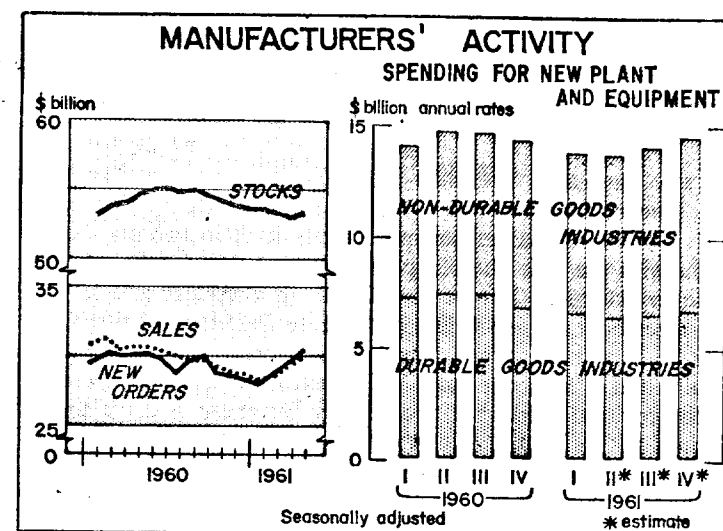
## Better But....?

WHILE the latest economic indicators confirm that the recession is over, there is little in them to support the view that a boom will be racing up the charts before the end of the year. Yet many observers believe that it will and some of them expect it to be accompanied by galloping inflation. This, it is held, will be mainly the result of increased government spending and of the consequent deficit in the federal Budget. Certainly there is little sign as yet that capital spending by businessmen will be exerting as much upward pressure on the economy as it has in other recent recoveries.

In the first quarter of this year these outlays for new plant and equipment were even lower than had been forecast, largely because of the exceptionally bad weather, but they are coming up to expectations in the current quarter. The latest survey of plans for the rest of the year, made just over a month ago, when the recession was already over, shows little change since the last survey at the end of January in the total capital spending—\$34.5 billion—expected this year, although there have been a number of shifts in the plans of individual industries. The total for the year, from present indications, will be down by 3 per cent from 1960, but the trend in the

last two quarters will be upward, largely as the result of increased capital outlays by manufacturers of non-durable goods. They plan to spend 3 per cent more on expansion and improvement than they did in 1960 while spending of this type by manufacturers of durable goods—cars, machinery, etc.—is going down by 10 per cent.

This decline is greater than was forecast at the beginning of the year and businessmen of all kinds are obviously still in a cautious mood. But their plans may be revised upward again as profits improve; the earnings of many companies are now beginning to look better. A number of businessmen may also be waiting to see



what Congress does about the President's request for tax concessions to stimulate industrial growth. But in general there is far more than enough capacity available to meet demand—an excess of 20 per cent, according to one estimate—and until this gap closes there is unlikely to be any very widespread interest in further expansion.

That the gap is beginning to close, however, was suggested by the encouraging April statistics for manufacturing activity; the preliminary figures for both industrial output and retail trade in May, helped particularly by the improvement in the automobile industry, have added to this optimism. In April stocks of goods and raw materials went up because manufacturers were accumulating instead of reducing their supplies for the first time since last August. This is one of the reasons why the latest official news is that gross national product is likely to be up by \$10 billion, on an annual basis, in the current quarter and to reach a rate of \$530 billion by the end of the year. The value of new orders received by manufacturers has also been going up very satisfactorily for several months and their backlog of unfilled orders is higher than it has been since last October.

## Silencing the Communists

FROM A SPECIAL CORRESPONDENT

FREEDOM of speech for everyone but members of the Communist party: putting aside the niceties, that is the effect of the Supreme Court's decisions last week sustaining the constitutionality of two pieces of legislation aimed at the party with which the courts—including the Supreme Court—have been struggling for many years. One is the membership clause of the Smith Act of 1940, which makes it a crime to belong to an organisation advocating the violent overthrow of the government; the courts sustained the conviction of a former communist leader under this clause. The other legislation is the Internal Security Act of 1950, which



## It's an old Swedish custom

A foreign visitor to one of the big Swedish shipyards once asked, not altogether innocently: "Do you dust the steel plates every morning?" At Svenska Metallverken you won't see us dusting steel plates, because we don't have any (although quite a lot of our aluminium does go into ships). But you will see the same general tidiness that impressed the visitor to the shipyard. In nonferrous metal manufacturing it is highly important to prevent impurities from entering the product — which is one of the reasons why we install automatic machinery, and why we insist on clean floors and clean machines. The wage agreement we have with our workers does, in fact, include a stipulation that they shall spend the last *paid* hour of the week cleaning their machines. It pays all around.

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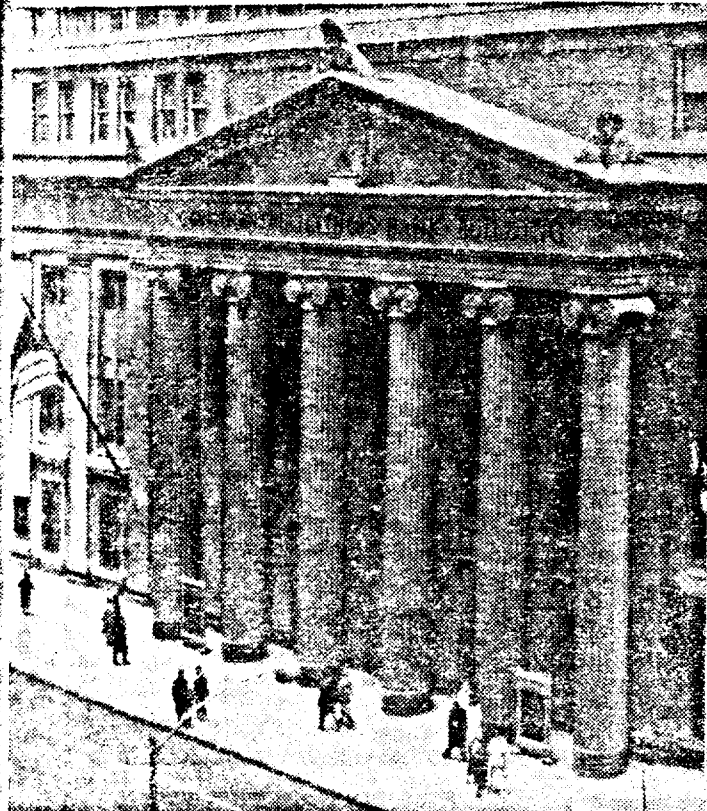


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## CONTINENTAL BANK

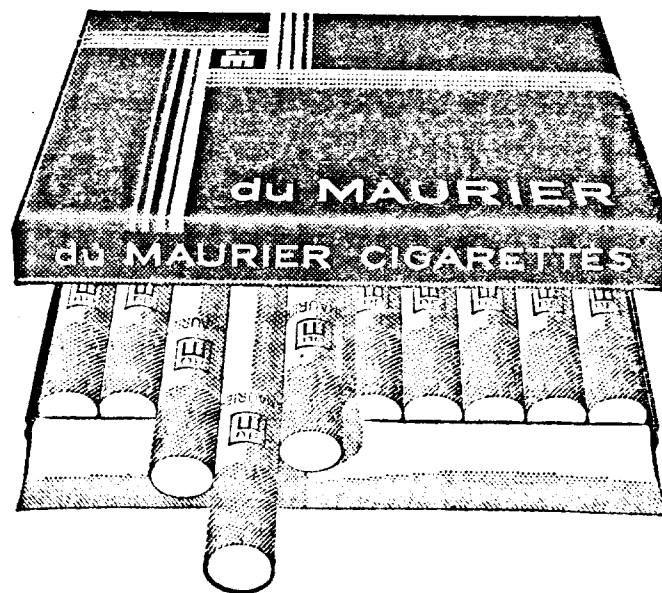


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requires "communist action" and "communist front" groups to register with the government. Once it has registered, an organisation suffers from numerous penalties; it loses its tax exemptions, for one, and must stamp all its post: "Disseminated by —, a communist organisation." Its members are barred from government jobs and it is a crime for them to use, or even to apply for, a passport. The Supreme Court sustained a finding of the Subversive Activities Control Board that the Communist party is an "action" organisation under the Act and that it is required to register and to list the names of all its officers and members. But the Court refused to pass now on the constitutionality of the penalties, saying such questions were premature.

The decision on the membership clause departs from the classic statements by Justices Holmes and Brandeis of the meaning of the guarantee of free speech in the First Amendment to the Constitution. Their view was that the government could stop speech only when it threatened "immediately" to produce dangerous, illegal acts. Justice Holmes heavily underlined the requirement of immediacy when he wrote in 1919 that the government could not

check the expression of opinions that we loathe and believe to be fraught with death unless they so imminently threaten immediate interference with the lawful and pressing purposes of the law that an immediate check is required to save the country. . . . Only the emergency that makes it immediately dangerous to leave the correction of evil counsels to time warrants making any exception to the sweeping command, "Congress shall make no law . . . abridging the freedom of speech."

The Holmes-Brandeis view was rejected, so far as Communists are concerned, in 1951 when the Supreme Court upheld the conviction of party leaders under the Smith Act for conspiring to advocate the overthrow of the government. The latest decision simply extended the crime to knowing, active membership in the party. In his opinion for the Court Justice Harlan made explicit the abandonment of the Holmes-Brandeis doctrine. He wrote—and the italics are his—that recent cases

have definitely laid at rest any doubt but that present advocacy of future action for violent overthrow satisfies statutory and constitutional requirements equally with advocacy of immediate action to that end.

The justification given for stopping communist talk before it is "immediately dangerous" is that the Communist party is something special. Justice Frankfurter, writing for the majority in the registration case, cited findings by Congress that the Communist party is controlled from abroad and uses "methods of infiltration and secretive and coercive tactics," that "a communist network exists in the United States" and that communist agents practice sabotage and espionage. Justice Frankfurter concluded that "it is not for the courts to re-examine the validity of these legislative findings and reject them."

It is no secret that Communists use espionage, sabotage and the like to achieve their end—world-wide communist domination. But such methods are not covered by the Smith Act and were not charged in this case; the crime was speaking. In his dissenting opinion Justice Douglas argued

Of course government can move against those who take up arms against it. Of course the constituted authority has the right of self-preservation. But we deal in this prosecution with the legality of ideas and beliefs, not with overt acts.

The question was whether communist speeches advocating overthrow of the government at some indefinite future date came close enough to bringing about this—or some other substantive evil—to be punishable. Few observers consider American Communists to be as persuasive as this in real life. (The number of members of the party has shrunk to 10,000—the party's own estimate—and its influence in trade union affairs, which was once notable, is now slight.) But legally, the majority of the Supreme Court was convinced. It was a 5-4 decision, two of the dissenters relying on the Constitution and two on statutory grounds.

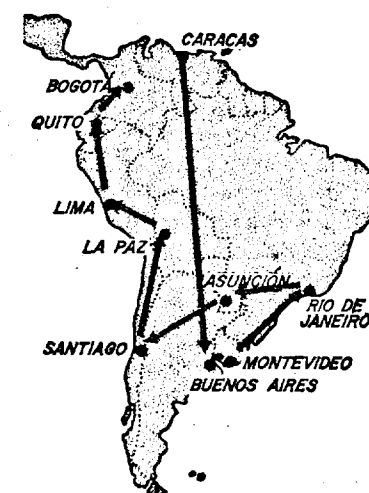
As for making the party register and disclose the names of its members, only Justice Black found that this would violate the First Amendment's guarantee of rights of association and belief. Even his redoubtable libertarian companion, Justice Douglas, said the secretiveness and the subversive nature of the Communist party "establish that more than debate, discourse, argumentation, propaganda and other aspects of free speech and association are involved." In short, the government had the right to open the party's activities to the light of publicity, just as it was allowed, years ago, to unmask the Ku Klux Klan. Justice Douglas and the two other members of the Court dissented because of their concern that this might amount to forcing party officers or members to incriminate themselves in violation of the Fifth Amendment.

The point is that identification of anyone as an officer or member of the Communist party may make him subject to prosecution under the Smith Act. This difficulty will arise in acute form if the Communist party refuses to register on the last day for compliance, August 9th, as it threatens to do. At that stage the internal Security Act puts the burden on the officers, and later on the members, to register themselves; the Act provides a fine of \$10,000 and five years in gaol for each day a member or officer fails to comply. Communists then will be caught between punishment for not registering and prosecution under the Smith Act if they do register. The Supreme Court promised to consider that dilemma if and when it arose.

## Stevenson's Progress

MR ADLAI STEVENSON, now United States Ambassador to the United Nations, is touring the ten South American countries to prepare for next month's hemispheric economic conference in Uruguay and to test the atmosphere before President Kennedy finally decides to visit that conference. It is to launch his Alliance for Progress; if he wishes the voyage to start well it seems essential that he himself should perform the ceremony, to emphasise the effort which the United States is putting into a scheme for social development that will mean sacrifices as well as benefits for many Latin Americans, and to wipe out the memory of United States bungling in Cuba.

If Mr Stevenson hoped to organise some sort of united front to cope with Cuba, he has been disappointed; all he has found is a feeling among Latin Americans that the United States is worrying too much about Cuba and not enough about them, although Dr Castro's handling of the exchange of prisoners for tractors has done his reputation harm and that of the United States good—in the other American republics, at least. The United States has, however, dealt impeccably with the trouble in the Dominican Republic, leaving it to the Organisation of American States to decide what action, if any, is needed as a result of the Trujillo murder. Mr Stevenson, too, has managed to sidestep criticism of his visit to the military dictator of Paraguay by making his last words in Asunción a strong condemnation of the political climate in that country. The first half of Mr Stevenson's tour has gone off well, particularly when compared with Vice President Nixon's unpleasant passage, and if his hosts were disappointed that he could not make any definite promises they were flattered and com-





forted by his distinction, his knowledge of their problems and his sympathy for their aspirations.

But what would in fact do Latin Americans most good in Washington would be some assurance that their interests were being looked after efficiently in the State Department. This can hardly be done as long as the post of Assistant Secretary of State for Inter-American Affairs remains unfilled. Some twenty candidates have been considered and the job was turned down once again this week, largely, it is said, because no assurance was given that it carried with it undivided responsibility for dealing with Latin America. So far under the Kennedy Administration the area has been in the charge of a special task force led by Mr Adolf Berle, working in the State Department but under the President, and of various White House aides. The Cuban fiasco is only the most obvious evidence that this confusion is not satisfactory. The delay in rectifying it undoes the good achieved by the President's imaginative appointments to the various Latin American embassies. The latest of these is that of Mr de Lesseps Morrison to be Ambassador to the OAS. As a dynamic mayor of New Orleans he has had dealings with Latin America for many years.

## Electrical Faults

BY the end of this week the General Electric Company—and perhaps four other big manufacturers of heavy electrical equipment—seem likely to face a civil suit arising out of their conviction earlier this year on criminal charges of price-fixing and allocation of markets. A criminal suit is designed to punish offences, a civil one to prevent their repetition. The alternative to standing trial is to sign a consent decree drawn up by the Department of Justice promising to eschew certain practices. Ironically, the provision at which GE jibs concerns not conspiracies to raise prices but a promise not to sell at unreasonably low ones when this is likely to injure competition. GE considers the phrase “unreasonably low” dangerously vague, but it is prepared to promise not to sell at low prices with the purpose of stifling competition. But this does not suit the Department of Justice because it would then be up to the government to prove intent, which is never easy.

The hint of the department that it might try to break up GE if it refuses to sign—a move that would be unprecedented in a price-fixing case—probably worries GE less than the prospect of long court proceedings in which evidence about its past misdeeds and those of other firms would be spread upon the record. It was to avoid this that most of the 29 defendants pleaded guilty or no contest to the criminal charges. Their customers (who have, so far, filed suits for damages totalling \$65 million in alleged overcharges) and their critics in Congress would be glad to read the details which are at present locked away in the records of the grand jury.

The Senate Antitrust Subcommittee, under Senator Kefauver, has just completed nearly six weeks of largely fruitless hearings held primarily to discover whether top executives of the electrical

“Good Gracious, You Mean To Say Something’s Been Going On Here For Fifty Years?”



firms were really unaware of the extensive price-fixing being carried on by their underlings. Such men as Mr Cordiner, the head of GE, and Mr Cresap, the head of the Westinghouse Electric Corporation, swore that they had no inkling of what was going on under their noses, though the effect was to admit their own astounding inefficiency. Neither could the committee shake the contention of Mr Cresap that identical bids are proof not of collusion but of the purest competition—even when the bids are sealed. The items, he said, come out of stock and catalogue prices are always cut to meet those of competitors. Such identical bids are still being received by government agencies in spite of President Kennedy's order that they should be reported to the Department of Justice if they are for sums over \$10,000. Westinghouse has engaged four highly reputable outside experts to supervise its reformation but even so the subcommittee, beside recommending changes in the anti-trust law, seems unlikely to lose interest in the electrical business.

## Skills for the Job

JUNE—when school-leavers swell the numbers who are out of work—is a good month in which to ask Congress to tackle the problem of unemployment from new angles. Although college graduates are still being snapped up by employers, less fortunate young people suffer acutely from their lack of training; at the beginning of this year nearly 17 per cent of those between 16 and 20 years of age were out of work, compared with 7.7 per cent for the labour force as a whole. Last week the President sent Congress the draft of legislation for an experimental scheme to help such young people; it involves on-the-job training, both in private and public employment—a sort of apprenticeship with the federal government paying part of the wages—and the creation of a Youth Corps to do land conservation work for state and federal agencies. During its three-year trial the scheme is expected to cost about \$275 million; about 50,000 youths will be trained in the first year and more in the later years.

The week before the President had sent Congress a proposal to train or re-train older workers who cannot find jobs because they are unskilled or have skills which are no longer needed in today's fast-changing labour market. There were signs, in May, chiefly in the continued lengthening of the work-week, that industrial recovery is about to make inroads on the number of unemployed. This fell, though only in tune with seasonal expectations, to 4.8 million. But the hard-core of those out of work for 15 weeks or more rose to a new postwar peak for this time of year of 1.9 million. Obviously it would be better—for the jobless, for the government and for the economy—to spend money on training such people for productive work than on unemployment assistance.

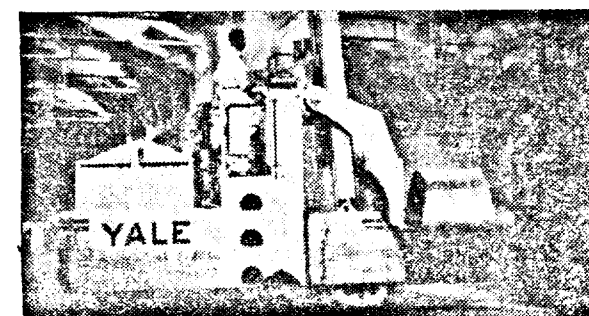
Some are too old, too ill-educated or too apathetic to be helped, but for those willing and qualified—perhaps as many as 800,000—the President proposes up to a year of vocational training, either at schools run by the states or by private institutions, or on-the-job, with living allowances subsidised by the federal government. Workers who need to improve their skills to meet future technological changes would have the right to attend training courses and the federal government would pay half the cost of these. Finally the government would pay half what it takes for an unemployed man to move himself and his family to a place where his skills are needed. Over four years the whole programme is expected to require about \$700 million. This sum—for a good cause—is not expected to worry members of Congress unduly, but there have already been complaints that helping workers to move will suck the remaining life-blood from ailing communities. And even Senator Clark, the Bill's sponsor in the Upper House,



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wonders whether there will really be enough jobs waiting for the workers who submit to re-training. Teaching people new skills is also a small part of the \$451 million Area Redevelopment Act, which the President signed last month.

## Labour's Best Friend

THE Eisenhower Administration did its best (though it did not always succeed) to avoid interfering in industrial disputes but the new Secretary of Labour, Mr Goldberg, has no patience with a "hands off" policy when the public interest is affected. It certainly is by the costly and time-consuming strikes which have become endemic at missile and space bases and some members of Congress have favoured legislation to outlaw these. But Mr Goldberg, moving rapidly to avoid a compulsion which would have embittered the trade unions, has extracted no-strike and no-lockout pledges from both sides. To settle disputes at an early stage, labour relations committees are to be established at each base; when such mediation fails the issues can be referred to the new Missile Sites Labour Commission headed by Mr Goldberg. Its decisions will not be binding but both the trade unions and the main contractors have agreed to co-operate with it.

Many disputes at missile bases arise because of the obstinate rivalry between trade unions over who should do certain work. A similar issue provoked the six-day walk-out of flight engineers in February which caused the worst tie-up in history of air traffic and cost the airlines many millions of dollars. The engineers feared that the need to have three men with pilot training in the cockpits of jet aircraft meant that they would lose their jobs and their union its reason for existence. Rather than risk further interruptions several of the big airlines agreed to carry a flight engineer as well as three pilots. A presidential commission which has just reported

thinks that this was a mistake; it proposes that the number of men in the cockpit should be reduced to three, although only by attrition of the flight engineers—or their willingness to undertake training as pilots. The commission also suggests that the engineers' union should merge with that of the pilots. It was precisely to avoid this merger and the engineers' consequent loss of seniority that the men walked out. President Kennedy insists, however, that "he cannot have further strikes over these disputed issues."

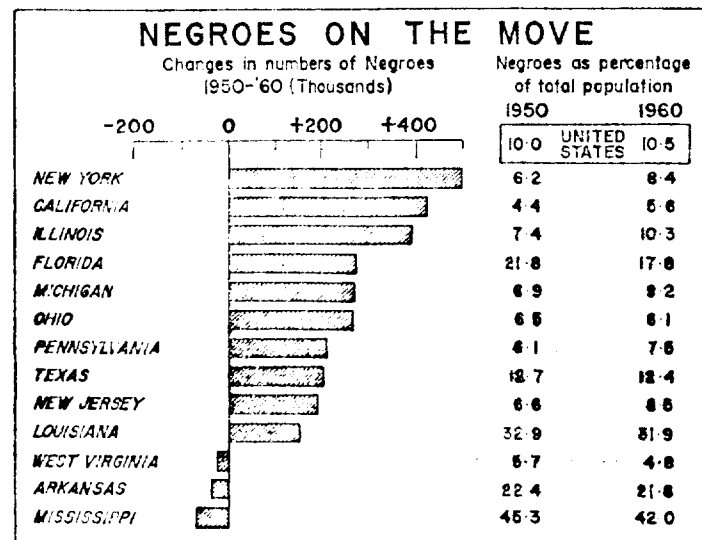
Mr Goldberg is not confining himself to the thorny question of jurisdictional strikes, even though these are particularly annoying to the public. On a recent trip to Detroit he assured the manufacturers of motor cars and the automobile workers' union (whose contract expires in August) that the government does not mean to interfere in their negotiations but that an automobile strike, just as the economy is emerging from a recession, would be the "height of folly." His hearers concluded that if a strike seems likely Mr Goldberg will have no difficulty in swallowing his scruples about intervening.

## Hobson's Choice in New York

LAST week the Republicans chose their candidates for this year's elections in New York City: Mr Lefkowitz for Mayor, Mr Fino for President of the City Council and Mr Gilbooley for Controller. This balanced mixture is an old recipe for political success in polyglot New York. But the Republicans are hiding a broken heart. Their first love—wooed urgently but in vain by Governor Rockefeller of New York and by Mr Nixon—was Senator Javits, a crusader with a notable ability to win votes, who has close links with New York's Liberal party. The support of this group, which disposes of 15 to 20 per cent of the total vote in the city, is vital to the Republicans who by themselves have not won as much as 30 per cent of the votes since 1937 when Fiorello La Guardia was their candidate for Mayor.

Mr Rockefeller has tried hard to bring about an alliance (known as fusion) with the Liberals and dissident Democrats; a Republican victory in New York City would be a great feather in the cap of a man who is almost certain to stand for re-election next year as Governor of the State and who probably still cherishes presidential ambitions for 1964. But the Republicans conceded failure—and a defeat for Mr Rockefeller—when they issued a call for "people's fusion"—a poor substitute. The Republican candidates are worthy men, but they are not sufficiently well known or politically magnetic to persuade either the Liberals or the reform Democrats, who are at outs with the party organisation in the city, to desert a highly seaworthy ship. This is a pity; to be well governed New York needs vigorous political competition.

Four years ago Mr Wagner, the Democratic Mayor, won re-election by a margin of nearly a million votes. Since then his official—though not his personal—reputation has been tarnished by scandals and the voters, after eight years, may be growing weary of him. But if he decides to stand again (which is almost certain) and if he can hold his allies together (which is less certain) his re-election is almost a foregone conclusion. The great test of Mr Wagner's adroitness and courage is what he does about his running-mates. The ones he had in 1957 are not acceptable to his friends among the Liberals and reform Democrats. But are their successors to be chosen by such outside allies or by the Democratic machine politicians? After long temporising Mr Wagner decided to take the part of the reform Democrats, led by Senator Lehman, against Mr De Sapio, the leader of the party organisation in Manhattan. But Mr Wagner may well hesitate before alienating other powerful political figures. All nominations must be confirmed at party elections in September. Conceivably, Mr Wagner might be opposed and the resulting party split might let the Republicans in. It is the only thing that would.



Between 1950 and 1960 the Negro population of the United States rose by 3.8 million to 18.9 million, an increase of 25 per cent, compared with one of 17.5 per cent for the white population. But in the 11 southern states there were only 800,000 more Negroes; about 1.5 million moved out of the South during the decade. The only southern states where the numbers of Negroes increased substantially were Florida, Texas and Louisiana where the white populations rose even faster. Almost half of all Negroes live outside the South, compared with a third ten years ago. New York is now the state with the most Negroes (1.4 million) although four southern states and one other northern one, Illinois, each have over a million. Negroes are becoming highly urban; every big city outside the South has a larger proportion of Negroes than it had in 1950.

# LETTERS

## Canadian Questions

SIR—Your special correspondent's report of May 27th exposes some of the raw nerves which have made it so difficult to get either reasonable or reasoned discussion of Canada's economic prospects. And the questions which he chose to discuss are probably a fair sample of the perplexity that afflicts much Canadian economic thinking at present.

The failure to harness monetary and fiscal policies, to bring together the public and private sectors, are as much symptoms as they are causes of the current economic drift. I think the phrase which your correspondent uses to describe the current mood in Canada ("make-believe") would have provided him with an even better starting point for his analysis. In its broadest sense the delusion is the feeling that the world cannot get by without Canada although Canada can get by without the rest of the world.

There are signs that thoughtful Canadians have already begun to realise the danger. The existence of a high rate of unemployment, and evidence correlating unemployment with lack of skills, has jolted public opinion. Hence a new emphasis on crash programmes for vocational training and technical education. Similarly, in the field of commercial policy there is growing realisation that the long-cherished principle of multilateral trade is giving place to regionalisation.

Canadian secondary manufacturing industry, however, is still obsessed by fears of economic impotence that lead to irrational outbursts against foreign competition. Tariff and import quotas are still regarded as the *sine qua non* of important sectors including, latterly, textiles and electronics.

To its credit the Diefenbaker Government has resisted the more extreme protectionist measures. Its oil policy, calling on the major international companies to expand their exports of Canadian crude among other things, rejected the protectionist solution of building a pipeline to Montreal in order to make that market a captive of Western Canadian crude. Yet measures that are being taken to reduce the employment slack include such hoary stand-bys as subsidies for the immensely high-cost ship-building industry, and the use of administrative powers to raise tariffs on goods deemed of a class or kind made in Canada.

But none of this is evidence that autarkic ideas will shape Canada's economic future. A clue should be next week's Budget. The general expectation is that it will contain expansionist policies aimed at stimulating exports rather than restrictionist policies aimed further at reducing imports. This may in fact provide the answer to your

correspondent's warning about the outrageous cost of ultra-nationalism.—Yours faithfully,  
DAVID GRENIER  
Toronto

## Britain and Europe

SIR—Free trade is again in fashion: progressives dream of Gatt achieving a measure of global free trade; "Europeans" and liberal economists content themselves with urging Britain to sign the Rome Treaty and join the Common Market. Arguments of economic scale are persuasive—they always have been. The variants are subtle, but the theme is constant: the larger the area in which goods, capital and men may move freely, the greater the overall prosperity.

Those who accept this style of reasoning as dogma see Britain's system of tariffs and agricultural subsidies as barriers to a higher standard of living, while fuddy-duddies who persist in finding permanent value in such forms of protection are dismissed as narrow nationalists. It may well be that if Frenchmen grew only wheat, Germans stuck to making cars and workers here to producing plastics, then, eventually, the people of Europe would grow richer and richer. But what sort of people would they become? Tariffs are nationalistic: they nurture an infant industry or protect a well-established sector of the economy from foreign competition. They offend against the logic of large supra-national markets; and they do so for reasons largely non-economic.

For subsidies and tariffs are two of the most effective instruments a Government has to preserve a balanced, yet diverse society like ours. We have a varied economy. We grow wheat, make cars and produce plastics. And if people engaged in these diverse occupations care to take a short bus ride, they can probably talk and drink together in the same pub. The prospect of a prosperous and united Europe with no trade barriers breaking the skyline and no subsidies blocking the view may be attractive to some. To others the vision will be depressing: a dreary place where distinctive and valuable ways of life are needlessly submerged in the anarchy of a free market.—Yours faithfully,  
C. J. NICHOLSON  
London, SE9

SIR—There is an even more, powerful reason than those mentioned in your article of May 20th why British farmers should be anxious for Britain to join the European Economic Community. There is a strong, and perhaps accelerating, tendency for the supply of farm products on the Continent to grow more quickly than demand, and it is unlikely that farm policies will be sufficiently modified there to achieve a balance.

Before long, Europe may have large surpluses. Does the National Farmers' Union wish Britain to be the agricultural dumping ground of the Continent? The union does not have much political bargaining power to prevent this, if surpluses emerge.—Yours faithfully,  
GEORGE ALLEN  
University of California

## Alarms and Incursions

SIR—The opening paragraph of the article in your issue of June 3rd has unfortunately been read by some to infer that the figure of up to £1.5 million annually for the breaking-and-entering loot (at least in London) refers to the losses experienced by banks alone. In actual fact the banks' losses over the whole country, through raids on their strongrooms, amount to only a comparatively small fraction of this figure.—Yours faithfully,  
J. A. HUNSWORTH,  
Banking Information Service, EC3

## Nyasaland

SIR—Is your wandering correspondent quite sure that the coming elections in Nyasaland will give that country an African government? The Executive Council is to consist of three *ex-officio* members, two nominated, two elected on a higher and three on a lower franchise. Only of the last three can one predict with any confidence that they will be Africans. Some United Federal Party supporters are confident that they will be the only Africans. All kinds of speculations are possible about the four other non-official members.—Yours faithfully,  
LUCY MAIR  
London, SW5

## Ulster

SIR—While most of the article in your issue of May 13th leaves an impression of fair and sound comment, the statement that "there is no meat-canning plant in Ulster" is not in accordance with the facts. Two meat canneries exist, one on the outskirts of Belfast and the other at Aforey, near Portadown. There is every reason to believe that, with some official encouragement from the authorities at Stormont, one or both these plants could have made a successful bid for at least part of the recent contract for the British forces which, as you say, was placed in Eire.

Unfortunately, it seems to be the policy of the Northern Ireland government to concentrate on attracting new firms whose products (chemicals, nylon hosiery, artificial fibres, oil-drilling equipment, etc.) are evidently preferred to manufactures based on indigenous raw materials, such as beef and flax.

To illustrate: Until about three years ago, a large meat-canning and quick-freezing plant, owned by a Scottish company, was a well-known landmark, just outside Belfast. The proprietors were, at one time, prepared



to enlarge this plant, which would not only have created greater local employment, but which would also have served to avoid the weight and quality losses on cattle exported on the hoof, to which you refer. However, no financial support could be obtained from the Ulster government. As a result, the entire meat-canning and freezing venture was concentrated in Scotland.—Yours faithfully,  
PETER KAUFMAN  
Caterham, Surrey

### The Faceless Ones

SIR—Reading the first article in your last issue under the heading "Britain into Europe," I am puzzled once again as to the meaning of the expression "to face up to." I quite understand facing up to the stars, the Empire State Building or even the Nelson Column, but how does one face up to the need to budge or to a delicate matter? Would I be right in assuming that it means that we are to take the whole affair lying down?—Yours faithfully,  
G. W. ANDREWS  
London, W.C2

### Bernstein and Triffin

SIR—Mr Bernstein is unfair on the Triffin plan. Mr Triffin does not propose that the official dollar and sterling holdings transferred to the IMF should automatically be bought back by the US and UK over 20 years. The 5 per cent per annum rate that he mentions is suggested as a *maximum* rate at which the Fund may require their repurchase. He implies that the purpose of this provision is to allow for an excessive lust for gold by holders of that limited share of IMF deposits which under his scheme would be convertible into gold. Such a demand for conversion to gold might not arise, and if it did there seems to be no special reason why (as Mr Bernstein assumes) the IMF would use its discretion in a deflationary direction, why it would in other words deliberately make the US or UK payments position difficult. If it requires them to buy back their liabilities for gold, it can presumably restore their reserve position by overdrafts no more onerous to them than the debts they would be cancelling. Britain's position would be no worse in this respect than at present, and it would be more secure both because of the purchase by the fund of its liabilities and because of the guarantee of a steadily increasing world total of reliable reserve media.

At the same time, Britain's general payments difficulties are not likely to be solved in the long term except by some form of sacrifice. The Stamp plan (which could be grafted on to either of the others) provides for the most pleasant and useful form of sacrifice: an increase in export demand.—Yours faithfully,

ANTHONY CLUNIES ROSS  
Pembroke College, Cambridge

## BOOKS

### An Essay in Kremlinology

Power and Policy in the USSR

By R. Conquest.

Macmillan. 495 pages. 35s.

CONTEMPORARY events are full of pitfalls for the historian. Current Soviet history is a particularly perilous field because of the gaps and shifts in the evidence. Mr Conquest must have concluded that the best possible way of tackling the problem is to sift the available evidence and marshal it into a coherent story. His book is essentially the story of the struggle for Stalin's succession. It goes back to the last years of Stalin's rule in search of elements which throw light on following events. Georgian purges, for instance, help one to grasp the mechanics of struggle as well as Beria's special position. The notorious Doctors' Plot shows that the struggle for power had already begun before Stalin's departure.

Yet it was only after Stalin's death that his heirs had to fill the gap or rather had to adapt the Soviet system of government to new conditions. Mr Conquest tries to reproduce this unfinished story, the highlights of which are well known. They include the fall of Beria, the premiership and collapse of Malenkov, the famous 20th congress of 1956 and the elimination of the "anti-party group" in the following year. The last chapters are more concerned with the rise of Nikita Khrushchev and an assessment of his power. But the book is not limited to the most striking episodes and to the struggle among the protagonists. It provides a great deal of information on minor figures and throws some light on such mysterious, though relevant, episodes as the Leningrad affair or the case of comrade Voznessensky.

Although the author gladly accepts the title of Kremlinologist, he should not be confused with the more popular brand of the species. He does not pretend to have been hidden in one of the Kremlin's cupboards. On the contrary, he proceeds with scholarly restraint. He takes the reader into his workshop. Indeed, a great deal of the actual narrative is taken up with documents and other source material usually found in footnotes or appendices. Having diligently and publicly performed his detective work, the author assumes the part of an impartial judge summing up the evidence. He produces data against his own hypothesis as well as in favour of it, and precludes all his tentative conclusions with restrictive statements, such as "it seems . . ." or "it is not inconceivable . . ."

For all these careful precautions, Mr Conquest, naturally enough, will not get agreement from his fellow Kremlinologists on all his points. Not all the experts will agree that there was a link between the Soviet leader Zhdanov and Titoism. The attempt, even a tentative one, to divide the current central committee of the Soviet communist party into supporters or opponents of Mr Khrushchev and independents will be regarded as the sort of guess that the author himself so rightly condemns. But these are minor points that only emphasise how, elsewhere, Mr Conquest has managed to tread safely on shifting ground. More disturbing is the slight feeling of bewilderment with which one leaves the book. All the available pieces of the puzzle have apparently been put together, and yet no general picture of Soviet rule seems to emerge. Is it because the whole struggle for power cannot be explained merely in terms of personalities or, even, of institutions?

Mr Conquest has chosen his method deliberately. He admits in the preface that Soviet leaders "do not live in a vacuum" but warns us that his study is only accidentally concerned with the working of social forces. He quotes as precedents for his approach to history names as impressive as those of Suetonius or Saint-Simon. The snag is that the amount of available information on recent Soviet events does not allow for impressionism and colour. Indeed, Mr Conquest, though writing current history, mostly does so like a detached scholar deciphering ancient documents.

Some weaknesses inherent in the personal approach appear in the course of the book. Controversies over such issues as agricultural policy or Mr Khrushchev's managerial revolution sound rather abstract when not set against the background of Russia's economic development. In general, the great political changes that have occurred in the Soviet Union since Stalin's death cannot be explained entirely in terms of a Byzantine struggle for power. The pace of change after his death would seem to indicate that the Stalinist political structure was no longer suited to Russia's conditions and was only preserved artificially by the conditioned reflexes of an aged ruler. Combining the skill of a scholar and of a detective, Mr Conquest has very ably summarised the changes that have since taken place at the top. He has deliberately limited his scope. The very excellence of his limited work confirms that Kremlinology is only a part—some will say a minor part—in the study of Soviet history.

### Frankenstein Looks Back

Headlines all my Life

By Arthur Christiansen.

Heinemann. 306 pages. 25s.

THIS lively anecdotal book, written in the simple, tell-it-terse, gossip way that Mr Christiansen used to command from the bright young men he picked so well and drilled so hard, has had all the wide attention due to the one-man milestone in the progress of popular journalism that Mr Christiansen was when he edited the *Daily Express*. What do we remember of the *Express* of the thirties and forties? We remember not what the paper said, but how it said and presented it; we remember, not Lord Beaverbrook the soothsayer, but Mr Christiansen the projector.

The cheap popular press is only sixty-odd years old. In that time it has seen three revolutions. The first was Lord Northcliffe's invention of cheap newspapers for many readers, to catch the diverse interests and curiosity of anybody who could read. The second, a generation ago, was Mr Christiansen's *Daily Express* with its brilliant use of type and brevity (and good writers) to catch the eye and give the message with a minimum of solid reading; it was a revolution in presentation. The third was the revolution in communication with millions of mainly young readers achieved by the tabloid *Daily Mirror*: it wrote, and writes, about the things its readers are interested in in the language that they most easily understand.

The risk in all this, which Mr Christiansen sees, is that the trivial can be made important and the important trivial. Perhaps now we are seeing a fourth and different revolution. What were once papers for the few have themselves become popular, with circulations climbing to, and passing, the million or more: the *Daily Telegraph* on weekdays, the *Sunday Times*, the *Observer*, and now, perhaps, the *Sunday Telegraph* at the weekend, they have to communicate with the many while still keeping the balance better between the important and the trivial; and this trend is having its effect on the big cheap populars, too—on the *Mail*, the *Express* and the *Mirror* as well.

Mr Christiansen, to judge both from this book and from his other thoughtful sayings since his premature retirement, will be glad about this. He has no apologies for what he so single-mindedly created; Frankenstein is properly proud of his monster. But he does tend to think that the whole deft process of professional presentation and personal news collection and commentary gossip may, by becoming an end in itself, have gone too far. Last week in the *New Statesman* he gave as the three qualities of good and successful newspapers that they "must have something to say; must say it attractively for the public they are aiming at; and must back the message with the

most exhaustive newsgathering they can afford, skilfully projected." When he was himself an editor he abjured the first quality altogether; he was, he says, a "technician without passionate political conviction": outstanding in his generation at "saying it attractively for the public he was aiming at," at exhaustive news-gathering and skilful projection; a news editor and chief sub-editor raised to the *n*th power, but with nothing to say—he left that to Lord Beaverbrook.

Now one wonders very much whether Mr Christiansen would not have been a still better editor, if very likely a less famous one, had he not spent his days in the chair doing only a superb technician's job with his editorial right hand kept behind his back. The best editor he looks back upon, he said not long ago, was A. P. Wadsworth of the *Guardian*, the greatest of our time to many newspapermen; there, indeed, was a professional, if idiosyncratic, journalist, but always with something to say, to argue, to assert, to deny or to deflate, never mistaking the skills of journalism for its substance. It is Mr Christiansen's engaging quality that after having played all those tunes upon the pipes in his famous paper, he does frankly, and modestly, perceive the lost horizon.

### Disarmers' Dilemma

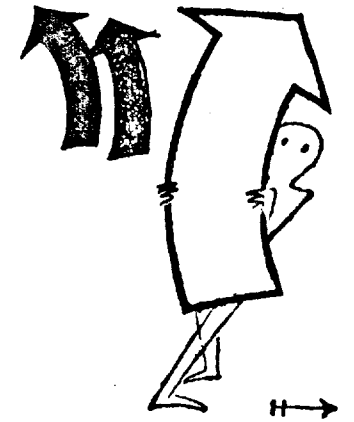
The Control of the Arms Race

By Hedley Bull.

Weidenfeld & Nicolson. 229 pages. 12s. 6d.

THIS is the second considerable publication to come from the Institute of Strategic Studies under a slightly uncomfortable formula: a personal analysis, assisted (or impeded) by a study group and complemented by a brief, dissentient note—this time from Mr John Strachey. Mr Bull has, as it happens, produced an admirably comprehensive and reasoned survey of the major issues of disarmament. His particular contribution to the discussion is twofold: the recognition that the balance of power is the least evil of existing international relationships, and the awareness (which has now overtaken the nuclear test ban negotiations) that the pace of scientific development in the armaments field threatens to by-pass even those sophisticated systems of control which seemed perfectly practicable as little as three years ago.

The disarmers' dilemma is not an unfamiliar one, but it is deepening with every new weapons system that appears. In situations where political rivalries and tension persist, the pragmatist naturally welcomes the emergence of those new weapons which contribute to a stable balance of power. This is the essential service provided by a missile like Polaris. It could be equally true of missile sites established by both



## Advance, trend, and be recognised

THERE ARE two common ways of looking at history, and both of them oversimplify. The first sees it as though it were all favourites and mistresses, Bad Kings and surfeits. The other sees only trends and movements: the characters are the price of corn, adult suffrage and double entry book-keeping. Neither gives human beings their proper dignity and importance.

In dealing with the history that is being made today, newspapers often seem to be parodying one or other of these approaches.

One of the things I like about *The Observer* is the nice balance it strikes—and helps me strike. For the people who write for it, impersonal forces take their proper place as tools to help understanding, not final explanations. These writers have a knack of stripping off the slogans to show trends for what they really are—the sum of countless acts of individual responsibility. They know that to understand the world it is necessary to understand people, and some people more than others—but in terms a little more profound than who's escorting whom.

### Human faces

Hence, among other things, *The Observer Profile*—a weekly word portrait, every phrase as telling and considered as a Cézanne brush stroke, of somebody who matters in some way, whether it's President Kekkonen or Danny Blanchflower.

Hence, too, Mammon's column, "Something in the City", in which you meet the men behind the merger, and bulls and bears assume human faces. As far as I know, Mammon was the first in this country to use the techniques of skilled journalism to penetrate the traditional anonymity of big business. The results are fascinating.

In much the same way, "A London Diary" persuades me that Politics is after all worth paying attention to. And you will find other examples wherever you open *The Observer*. Why not try, this Sunday? ADVT. J.B.L.

power blocks on the moon and the planets—for their likely deterrent effect on the existing strategic arguments for pre-emptive nuclear strikes by earth-sited weapons against earthbound targets might be considered welcome. But these build-ups, however reassuring in terms of mutual deterrence, are not steps to disarmament. The idealist, on the other hand, looks ultimately to a world authority, capable of exercising full control, but this presupposes either the solution of existing political differences or a denial that they exist.

It is now open to question whether what looked like a middle way, in which a minimum of scientific controls could remove the most dangerous aspects of the nuclear arms race without requiring large-scale political concessions by either side, is really workable. It certainly will not be unless the methods of monitoring and detection keep up with the devices for concealment. This is Mr Bull's chief new point, and it is a valid one. For the rest, he does not, in adherence to the logic of his thesis, go much beyond the more obvious palliatives of a test ban, the demilitarisation of outer space and the preservation of what differences remain between nuclear and conventional warfare. His book is by no means an argument against disarmament, but it is a tough and necessary demonstration of what progress towards disarmament involves. There has been a need for such a study on this side of the Atlantic.

## Literary Symposium

**The Writer's Dilemma.** Essays first published in the *Times Literary Supplement*.

Introduction by Stephen Spender.

Oxford University Press. 109 pages. 12s. 6d.

THE republication of this series of articles provokes doubts about the value of any symposium that is journalistically engineered. Ten so-called "representative authors" were approached by the editor of the *Times Literary Supplement*. What they were representative of is difficult to say; some wrote fiction, others history; not all were English, none was primarily a poet. To them he put the question: "What are the limits beyond his own control that threaten a modern writer?"

Since writers in all ages have been threatened by such limitations as personal catastrophes, indifferent or uncomprehending readers, poverty and the attrition of the creative impulse, the emphasis in the question had to fall on the word "modern." Consequently there are many references in these articles to brain-washing, the stupefying effects of mass media and the threat of "the two cultures." But the total effect is of a scrappy miscellany. In his introduction Mr Spender recognises that some of the contributors have been concerned with the future of literature and others with the future of authors; but though he tries to impose some kind of coherence on the collection, it resists any such attempt.

"A modern writer," "a representative author"—these phrases give the game away at the start. What such disembodied entities would do when threatened by the progress of technology and the decay of institutional religion is anybody's guess, and really it does not matter. As long as men remain recognisably human, as long as society does not utterly disintegrate (and of course that may not be very long), poets will from time to time be born. A man who has his own word to say will say it, regardless of who may or may not be listening. These people, who in any age are rare, are the only ones who ultimately count. But it does seem rather a pity to distract people even of minor talent from getting on with their novels or plays or whatever, by asking them to contribute to an ill-assorted symposium.

## Decipherment

**Voices in Stone**

By Ernst Doblhofer.

Souvenir Press. 327 pages. 30s.

THE reader will be well advised to start by throwing away the dustjacket, which contains a rather misleading blurb. It starts accurately enough with the words "Here, told vividly and simply for the lay reader, is the whole fascinating story of how the last remaining fragments of scripts and

symbols from vanished civilisations came to be deciphered." Leave out the word "whole," and you have a fair description of the book. But when the blurb goes on to use the word "research" about a book that does not pretend to be based on any original work, to give a long list of acknowledged experts who have "advised in the preparation of this book," and to quote one of them as calling it "un chef-d'oeuvre de probité scientifique," it gives it an air of pondered authority which it neither deserves nor needs. Herr Doblhofer does not seem to be terribly learned: there are several false transcriptions, which hardly matter in a book of this kind, though they do not clarify the argument; and it is clear that his knowledge has fairly sharp limits—witness the astonishing statement, in a book on this subject, that Ogham is the extinct Cornish language.

Never mind; once the dustjacket is off and learned criticism is disarmed, it is a rattling good book for the layman on an exciting subject: the decipherment of several of the forgotten alphabets of the ancient world, including hieroglyphics, cuneiform, Hittite, Ugaritic, Cypriote, Linear B and the old Turkish alphabet. It is vivid and simple as claimed; and it is highly personalised, with little biographies of the characters concerned. As they were mostly strong and interesting ones, this approach is worthwhile. There is, in fact, about as much about the discoverers as about the things discovered and the method of the discovery. The book is written with bubbling enthusiasm, and even a jaded reader shares the author's excitement at a bunch of very fascinating stories. It can be warmly recommended to schoolboys of all ages, but not to students in search of a text-book, for whom it is not designed.

The translation is exceptionally good; there are lots of clear and relevant line-drawings in the right places; and there are some pretty plates which do not do much to illuminate the text.

## The Church before Islam

**The Early Christians**

By Michael Gough.

Thames and Hudson. Ancient Peoples and Places Series. 268 pages. 30s.

THE lasting conquests made by Islam in the seventh century often mask the fact that Christianity belongs equally to the east and the west. The greater good luck of western Christendom, which has led to a greater wealth of early Christian monuments in Rome than in, say, Antioch or Alexandria, adds to the unbalance of our impressions. So does the present parlous state of some of the eastern churches. Mr Gough, in a book that is both well written and beautifully produced and illustrated, helps to put things right.

He divides his story into three periods.

The first covers the first three centuries of intermittent persecution and necessary secrecy. The second deals with the two following centuries during which men could worship in security and revel in controversy over dogma. These famous quarrels he sees not as "disgraceful squabbles over minutiae" but as evidence of liveliness and desire to build on sure foundations; did they not happen at a time when the Church was spreading from Ireland to India, and Armenia to Ethiopia? His last period is the golden age of the sixth century that survives for us in great monuments such as S. Sophia in Istanbul and S. Vitale in Ravenna.

Early Christianity is wonderfully well documented. Archaeology's role is, more often than not, simply to confirm literary or historical tradition. Yet confirmation is in itself impressive, and Mr Gough, who is an archaeologist, excites interest and speculation when he discusses the art-forms and architecture of his three periods, with their evidence of borrowings from earlier cults, of the problems of daily life, and of missionary enterprise. He has lately been appointed director of the British Institute of Archaeology at Ankara. Southern Asia Minor is full of unexplored Christian sites which he could uncover to the benefit of our knowledge and of Turkey's tourist traffic. As it stands, his book is a good Hellenic traveller's companion, or senior form scripture prize.

## Racing Driver

**Sir Henry Segrave**

By Cyril Posthumus.

Batsford. 227 pages. 21s.

TODAY the racing drivers taking part in important motor races are professionals, who accept large fees in the form of appearance money as an essential adjunct to their role of modern gladiator. In the decade following the first world war this was not the case, at least in this country, where amateurs drove in motor races in the same way and for much the same reasons as they followed hounds and rode in point-to-points.

Segrave, son of wealthy parents, educated at Eton, might have been expected to follow this code. But he was more ambitious and, on leaving the Royal Air Force, decided to join the small band of professional racing motorists on the continent. This well written and illustrated book traces Segrave's career from childhood through his war service, when, apart from the brief ownership of a fierce 120 h.p. Itala car, he displayed small liking for fast cars, to that fatal attempt on the water speed record at Lake Windermere. There, Segrave, who had been knighted in 1929 for his services to British prestige in the form of absolute speed records on land and water, lost his life.

The book gives a clear picture of the

tenacity, thoroughness and drive of the man who, in 1923, was the first to bring a British car home to victory in the classic French Grand Prix and who three times broke the motor car speed record, leaving it at 231.44 mph in 1929 after having exceeded 200 mph on land for the first time, in 1927, at Daytona in America. In 1961 motor racing is a popular sport and the land speed record stands at nearly 400 mph, but when Segrave made his career among racing cars, there were far more unknown risks, and the cars he had to tame were crude and under-tyred. The qualities that enabled Segrave to surmount the difficulties are clearly brought out in this biography.

## Unpromising Dawn

**The Dawn of African History**

Edited by R. Oliver.

Oxford University Press. 103 pages. 10s. 6d. boards, 5s. 6d. limp.

THE introduction to a lay public of a subject so remote and unexpected as African history is bound to be a difficult exercise. Only with skilful presentation and great care for the reader can it hope, at this early stage, to win the sympathy and understanding it deserves. Yet here is a more or less random collection of broadcast talks and essays by authors who show, with one

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or two partial exceptions, no talent at all for journalism and the arts of popular presentation, and precious little respect for the rights of the intelligent but uninformed reader. Moreover, these papers were written nearly three years ago, and already bear signs of age.

The best of the papers, perhaps, is that of Mr Hodgkin, who tries repeatedly to bring his lay listener-reader into focus with the history of the Western Sudan by offering a series of comparisons with well-known European dates, such as the battles of Crécy and Flodden. M. Vansina has an excellent essay on the southern Congo peoples, though once again one wonders how much his words can mean to the uninitiated. Dr Arkell is unexceptional on Meroe and Axum. So is Dr Kwapong on Carthage, Greece and Rome. Dr Oliver's description of the Zimbabwe culture has the vigour and polish that are to be expected of him, but oddly makes no more than passing reference to the mining element in that hinterland civilisation, and regrettably uses the word riddle in the title, although Zimbabwe is no longer a riddle in the sense that the uninformed reader will interpret the word here.

It is hard, furthermore, to see in what way Dr Oliver may be said to have edited this collection. He writes a brilliant little tail-piece, but there are no linking passages between essays that jump up and down the continent, and no notes on authors of whom most are unknown to a wide public. The maps are good, but the introduction is not. This, strangely, is by Sir Mortimer Wheeler; he dismisses the medieval cities of the east coast as merely "peripheral" to Africa although Dr Mathew, genuinely an expert in this field, accepts them later in the book as a valid part of African history. If this belated publication really represents the dawn of African history, the day is going to be damp and foggy.

## Village Society

Joseph Ashby of Tysoe, 1859-1919

By M. K. Ashby.

Cambridge University Press. 317 pages. 25s.

THIS is a delightful and absorbing book, of a kind that must be reckoned rare on three separate counts. In the first place it is a biography written by the subject's daughter that has complete clarity of sight and avoids all sentimentality. Secondly, it tells the story of a self-made man, again without false heroics or tedious over-emphasis on the struggles his life involved. Thirdly, and most remarkable of all, it offers an account of English village society in the second half of the nineteenth century that is candid and searching yet never at any point either meretricious or dull. Mr Robertson Scott, in his foreword, compares it to the Hammonds' work "The Village Labourer." Miss Ashby's book lays no claim to scholarship, as the Hammonds'

certainly does; yet it can stand the comparison, for though it has a distinct point of view it is not—like the Hammonds' work—doctrinaire. It is as true a piece of history as a biography can be.

Joseph Ashby was an illegitimate child, born in 1859 and reared in the Edgehill country, a few miles to the north-west of Banbury. He became a stout undeviating Radical, a supporter of Joseph Arch, a writer on agricultural economics (father of a professor of that subject), a justice of the peace and in the end a substantial farmer.

Miss Ashby has a most striking gift of vivid description and of catching in cold print the inflections of rural speech. Take the account in her fourth chapter of the Town Lands of Tysoe and the controversy over the disposal of the revenue from them. It is brilliant reporting and sound history. It ends with the words of Joseph Ashby's mother, a trifle wry but not in the least bitter, answering his question why the village folk acquiesced in the wrongful withholding of their dues: "Tis in their blood to expect fairness. I don't know why, but it is so."

With very unusual skill Miss Ashby succeeds in presenting her father's life sympathetically—indeed, pretty plainly, from a point of view that approximates to his own—and yet in doing spontaneous and unforced justice to those on the other side: the authoritarian old vicar, for example, and Lord Willoughby de Broke, the high Tory landowner. There is truth in every line of this biography, and it generously enlarges our understanding of Victorian England.

## OTHER BOOKS

ENGLISH OVERSEAS TRADE STATISTICS, 1697-1808. By Elizabeth Schumpeter. Oxford University Press (1960). 79 pages. 45s.

When Mrs Schumpeter died in 1955 she left a series of tables on the English commercial statistics of the eighteenth century compiled from the records of the office of the Inspector-General of Imports and Exports. As Mrs Gilboy explains in a short but moving memoir, Mrs Schumpeter's last years were devoted to completing her husband's "History of Economic Analysis," and as a result she could not complete her own work for publication. The tables have now been edited by Professor Ashton, who also, in a masterly introduction, discusses the provenance and character of the figures and suggests some of the broad conclusions that can safely be drawn from them. Besides total exports and imports, broken down by destination and country of origin, the tables included an analysis by value and volume of the principal goods exported, for selected years between 1697 and 1780 and continuously thereafter, and similar information for imports. For some imports the series is continuous from 1700 to 1808, and for certain exports there is a breakdown by destination as well as product. The tables are the product of immense labour and they make a major contribution to economic history.

THE LOGIC OF PERSONAL KNOWLEDGE. Essays presented to Michael Polanyi on his seventieth birthday. Routledge. 259 pages. 40s.

These essays, like similar collections for similar occasions, range over a wide variety of apparently unrelated subjects: some historical, some purely scientific, some philosophical. But in this case the wide range is justified by the

wide range of Professor Polanyi's own mind. Qualified as a medical practitioner before the first world war, he later became professor of physical chemistry at Manchester, then professor of social studies in the same university.

INTERNATIONAL ECONOMIC PAPERS, No. 10. Translations prepared for the International Economic Association. Macmillan. 193 pages. 21s.

These papers bring together a wide range of writings mainly by continental authors on macro-economic subjects. Although some of the articles are rather old, with one dating back to 1886, they retain a relevance to current problems. There are some famous names on famous topics—Ohlin on inflation and Lindahl on fiscal policy—as well such divergent interests as marginal utility, development aid and pricing policies in a communist economy. The collection provides an accessible source of information for English speaking economists who might otherwise be denied useful foreign opinions.

THE CHINA BIRD. The History of Captain Killick and One Hundred Years of Sail and Steam. By David R. MacGregor. Chatto and Windus. 383 pages. 42s.

Published to celebrate the centenary of Killick Martin & Co., this book is mostly concerned with the firm's shipowning period. For twenty-five years it ran tea clippers, and besides giving a factual account of the cargoes carried, the freight rates, routes and dates of voyages and so on, the book has many illustrations of these beautiful ships. There are plans of some of them, and a diagrammatic sail plan of a typical clipper, which should appeal to the nautically minded.

THE ART OF THE ANCIENT NEAR EAST. By Seton Lloyd. Thames and Hudson. 303 pages. 30s.

The 'ancient' of this book's title is ancient proper for it ends at the sixth century BC. Mr Seton Lloyd gives newcomers to the subject a good idea of the sudden spurt with which the scene in the ancient world changes, after perhaps twenty centuries of unambitious monotony, from a simple tribal economy to a flowering in cities whose inhabitants can write and carve and leave us lasting monuments. He also shows how this happened in two places at once and seemingly independently. Egypt and Mesopotamia, and the amazing evidence of artistic endowment that we see in the surviving fragments of their output, are the subject of the bulk of his book. But it also covers Persia's "distinguished and important" contribution, as well as the more derivative arts of Anatolia and Syria.

The illustrations are of Messrs Thames and Hudson's usual high quality, and are excellently captioned, although more of the captions should have given an indication of size. Without this, one is in for shocks when one visits the museum. The book is good value for money.

SOCIAL SECURITY STATISTICS. Guides to Official Sources: No. 5. Interdepartmental Committee on Social and Economic Research. Her Majesty's Stationery Office. 179 pages. 8s.

This booklet makes a comprehensive survey of the wide range of information collected by the Ministry of Pensions and National Insurance and by the National Assistance Board; it includes, as background to the statistics, an account of the various schemes and benefits. A useful appendix summarises the principal changes in the law relating to national insurance benefits and family allowances.

With an ever-growing number of people using official statistics, there is an obvious need for guides of this kind. But they are appearing pitifully slowly—at an average rate of one every two years.

THE AEROPLANE DIRECTORY OF BRITISH AVIATION 1961. Temple Press. 547 pages. 35s.

This is the first edition to incorporate all the changes in the industry's structure and in the method of licensing air services.

# HOME REPORT

In HOME REPORT members of the editorial staff and local correspondents report on life and happenings in and around Britain.

## Melting Down in Rotherham

FROM OUR SPECIAL CORRESPONDENT

THE sun shines on Rotherham by grace of Messrs Steel, Peech and Tozer. Their steelworks, stretching for a mile and a half into the borough from its frontier with Sheffield, belches smoke over the iron-grey town; 9,000 men work in the giant plant, out of Rotherham's total population of 59,000. Steel has brought prosperity and parking problems to the grim streets; but Steel, Peech's latest progressive venture—which may, incidentally, allow the real sun to penetrate more easily to the town—will give the first real jolt for years to the wealth of these men, among Britain's highest paid workers. By the end of 1965 the twenty-one open-hearth furnaces in which scrap is rendered down into ingots will be replaced by six German electric arc furnaces; the new plant will produce 30,000 tons of ingot steel a week, compared with the present capacity of 25,000 tons. Once the electric furnaces are working the plant will be employing 1,100 fewer men.

The result will not be unemployment and misery: the Sheffield area, however physically depressing, has an acute labour shortage. Steel workers, however, are exceptional people. Starting as labourers, they hope to end up as first-hand operatives, with a regular income of around £35 a week, and occasionally much more. They are good at a specific job, with specific equipment, in a specific team. But once the equipment and the team are broken up they are no more highly qualified than a general labourer. The bricklayers, electricians and other craftsmen who work on the furnaces have at least a skilled trade to offer on the labour market, although they would certainly not find wages on a building site comparable to those paid for three-shift working in the cavernous heat of the melting shop.

The personnel for the new plant is being selected from those working the old furnaces—but the company, with the full agreement of the unions, is insisting that those who have charge of



its valuable new equipment should pass examinations to prove their capabilities. The majority who will not get work in the new melting shops are to be offered jobs elsewhere in the works. Most of these men will lose between £3 and £6 a week by the change: some will lose up to £20. The company has announced that it will pay compensation, based on the reduction of earnings, length of service and age of the person concerned. The maximum payment will be £300, which will certainly not save those involved from a drastic reduction in their standard of living, but will at least help to bridge the gap between the new standard and the old.

THE company reiterates that this is an entirely exceptional measure and not likely to be repeated. But the Iron and Steel Trades Confederation, the men's canny union, sees it rather differently. It would naturally like to see a national redundancy compensation scheme for the industry, but its leaders realise that the employers would never agree among themselves on this, let alone agree with the union.

But when the South Wales tinplate industry was transformed by the building of a vast works to replace the scattered small ones a special levy was made to pay compensation: Rotherham provides another precedent for such payment. The union never succeeded in getting a national pensions scheme established for the industry—but the setting up of such a scheme by some companies soon led the others to follow. Now it looks as though the steel industry will have to accept some of the social consequences of transformations in industrial methods: perhaps Rotherham's sorrow may lead to better things for steelworkers elsewhere—and thus help to continue the fervent co-operation from the unions in the modernisation of the industry which has done so much to preserve the best labour relations in the country.

## Training the New Élite

BY OUR SPECIAL CORRESPONDENT

TRADITIONALLY, the path to management is from the bottom, whence, by exceptional ability, the lowliest may promote themselves to the direction of great concerns; and recently it has been possible for the well-educated to begin in the middle and thence to climb to the heights of administrative glory. Neither path is entirely satisfactory, for on each the ultimate skills of management have to be picked up as one goes, and the pilgrimage is itself so difficult that the pilgrim is little minded to pluck flowers between pitfalls. Thus the new manager comes all too often to his

promotion arrayed splendidly in quite irrelevant skills.

Past efforts to improve on this have not been altogether successful: the professional institutes, many technical colleges and some universities tried to include in their curricula tangential "management studies" in such forms as accountancy and office organisation courses. By their nature, such individually treated "subjects" do little to forward the art of management, which is essentially the co-ordination of diverse activities. Many improved institutions now exist, however, most of them based on the report of a Ministry of Education committee in 1947: the schemes

operated by the British Institute of Management and independent schools such as the Administrative Staff College at Henley, for instance, are admirable—as far as they go.

A further Ministry working party, reporting last year, thought they did not go far enough; and on its recommendations Hatfield College of Technology has based a new course in management studies, "new" in that it is designed to train young men at the beginning of their careers rather than those already partly experienced in management, and to train by group methods in a single co-ordinated programme instead of teaching and examining in separate subjects. High educational standards (degree, Dip.

Tech., Higher National Certificate or a professional qualification) will be demanded of candidates, none of whom may be below the age of 23; in addition the criterion of their acceptance for the course will be "their ability to benefit from it"—which means, simply, that the college believes that no one can be taught to be a manager unless he is already in possession of certain (deliberately undefined) qualities of mind and character. The course will be in two stages: in the first, instruction in various humanistic and technological aspects of management will supplement an intensive analysis of management, complete with case histories; and in the second, theory and practice will overshadow the acquisition of further ancillary skills. The course will last for 18 weeks, spread over three years, two years or one and a half years depending on the wishes of the industry concerned.

The costs will be borne, it seems, by the Ministry, for fees are fixed by the authority at what someone at Hatfield describes as "derisory" rates—from £5 a year part-time to £9 a term full-time. Henley charges £250 for its twelve-week course, and even Hatfield, in its management development scheme (for older men promoted from shop floor or junior office), charges £80 for just over three weeks. The new course begins in October.

Industry, as represented at a preparatory conference at Hatfield, is not universally amenable, although the idea is approved of in principle. Its reservations are not unreasonable. With the acknowledgment already made that "managers are born," there is a distinct possibility of the cultivation of a rigidly exclusive manager type or organisation man.

Those delegates who thought the age-group too low and the entrance qualifications too high were also, perhaps, right to be cautious. Management may well demand qualities not possessed by the *hoi polloi*. It is still essential that it remains an integral part of the economic organism, and signs of its increasing esotericism (including a jargon of its own) are to be greeted with mitigated enthusiasm.

## Span in the Works

FROM OUR SPECIAL CORRESPONDENT

THE possibility of a complaint to the Council of Tribunals by some Blackheath residents raises again some of the issues which attracted attention in the Essex chalk pit case. The occasion is Mr Brooke's decision that Span Developments' application to develop a site in Blackheath Park should be allowed, despite the contrary conclusions of his inspector who conducted the public inquiry.

Local residents contend that the Minister has not overruled his inspector on a question of policy, but on a re-evaluation of the technical evidence produced at the inquiry. The Minister opines that the development would not injure the day-lighting and outlook of the adjoining house, although the inspector decided that it would do so. If an inspector's conclusion about a small question of local observation is rejected, say the local objectors, where is the point or justice of having an inquiry? In the chalk pit case, it could at least be said that the technical issues were complex.

However, this point was probably a minor element in the Minister's decision, which seems to have been guided by broader considerations. Mr Brooke has declared his belief in the blending of new and old architectural styles, as well as his desire to see denser middle-class residential development



within easy reach of central London offices. Both aims are laudable in principle. In objecting to the housing of ten families where previously there had been one family and a large garden, the residents of Blackheath do not deserve support. On the other hand, Blackheath already contains a large admixture of contemporary design and development; and it is possible to argue that too much of its new contemporary housing is of the Span type (perhaps because a director of Span lives in the very road now in dispute). On architectural grounds, it is now other districts equally near London, but without Blackheath's rapidly diminishing heritage, which would benefit most from Span's attentions.

The trouble behind many of these planning disputes is that because inspectors at inquiries have not been sufficiently educated about the objectives of (and economic facts behind) public policy, ministers have grown too accustomed to disregarding other aspects of their reports as well. The proper course is to see that inspectors are more highly trained in economics, and then to agree that ministerial rejection of their recommendations should be very rare occurrences indeed.

the Presbyterian Church in Belfast last week. The assembly expressed "really serious concern at the danger of religious discrimination in these times of serious unemployment."

This discrimination has always had something of a political, as well as an economic, aspect in Northern Ireland. Just as the church was discussing the problem, the Nationalists in the House of Commons at Stormont—and the Nationalists in the main represent the Roman Catholics who comprise one-third of Northern Ireland's population—were questioning the Minister of Home Affairs about a municipal election leaflet in which the Unionist Party's candidates said they did not employ Roman Catholics and had no intention of doing so.

Despite these rumblings of an under-

lying intolerance, there is evidence that more people, in all political parties, take a more mature view of their fellow-Ulstermen. The Churches Industrial Council, which represents all the churches including the Roman Catholic, has denounced discrimination. When, a few months ago, a young, potentially public figure in the Unionist Party suggested a "register of loyalist workers" who would be given first choice of available jobs he was openly repudiated by Government spokesmen.

The question now is whether tolerance can be maintained, or whether unemployment will be seized on as an excuse for employers—and workers' organisations—to weed out those of different religious beliefs. It will be deplorable if Ulster lurches back into the past.

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## Ulster's Test

FROM A CORRESPONDENT IN BELFAST

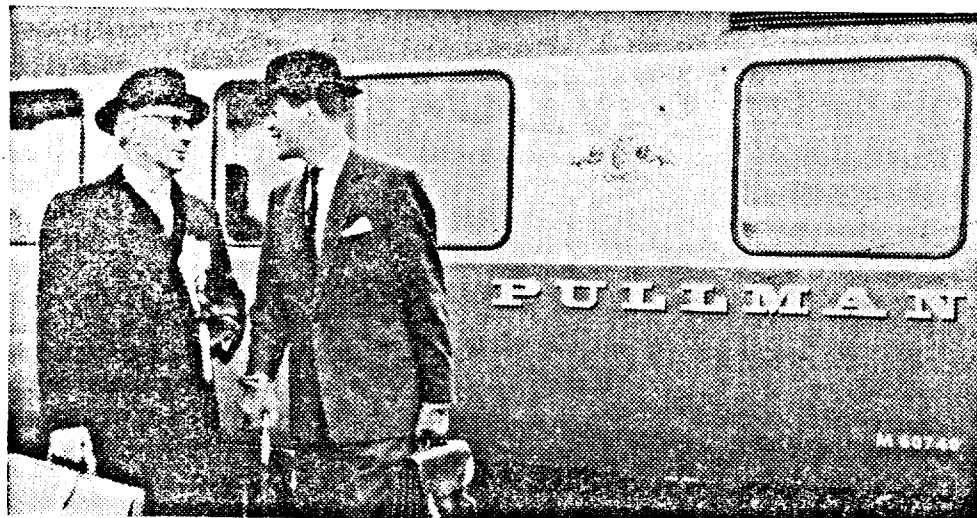
RELIGIOUS discrimination in employment is a problem that is never far below the surface in Northern Ireland. Even during the years of comparatively full employment, occasional advertisements in the Belfast newspapers have still advised applicants for positions to "state religion."

Now that unemployment in the Belfast shipyards has become a major problem—6,000 men have lost their jobs since Easter and another 3,000 will go before the autumn—discrimination begins to loom large again. A sign of the times has been the reaction of the General Assembly of



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## THE WORLD OVERSEAS

### Confusing German Omens

FROM OUR BONN CORRESPONDENT

THE publication of the memorandum on Germany and Berlin that Mr Khrushchev gave to Mr Kennedy in Vienna has collided irresistibly with the immovable testimony of the "week of German freedom". If words mean what they say, the week's utterances and demonstrations sweep irrevocably from sight Mr Khrushchev's prospect of representatives of the two parts of Germany meeting within six months "to agree in any way acceptable to them on the questions concerning a peace treaty and reunification."

On the morning on which the German public read in their newspapers that the Soviet Union considered it "necessary, for preserving the peace, to fix the situation left in Europe by the war and to formulate and confirm *de jure* the immutability of the existing German frontiers," they read also of 150,000 Silesians (300,000 through some spectacles) assembling in Hanover in order to reaffirm their right to return home, and of the comforting presence among them of the leaders of the four parties represented in the Bundestag—Dr Adenauer of the Christian Democratic Union, Herr Brandt of the Social Democrats, Herr Mend of the Free Democrats, and Herr Seilboth of the All-German party. They also learned that the demonstrators' chairman, Herr Schellhaus, who is minister for refugees in the state of Lower Saxony, had perorated to the effect that the Silesians would never agree to the separation of Silesia from Germany: "We shall not only bitterly oppose any treaty sacrificing Silesia but also regard it as null and void."

The week of German freedom is ending with the observance throughout the Federal Republic of the day of German unity—the anniversary of the abortive rising in east Germany on June 17, 1953. While Dr Adenauer addresses the Bundestag in Bonn, east and west German flags that have been carried since June 1st by some 40,000 youngsters running and cycling in relays from various points on the west German frontiers will be converging on the zonal border, where they are to be set up and illuminated after dark by a galaxy of bonfires. And in response to an appeal by the all-party organisation, Germany Indivisible, millions of west Germans are buying a new edition of the Brandenburg Gate button-hole badge. Schools, bookshops, newspapers and broadcasting stations are all helping in various ways to reassert the German people's claim to the right of self-determination. Some 1,700 commemorative ceremonies ("not longer than 90 minutes," Indivisible Germany soberly recommends) are being held up and down the country. In some towns and villages, streets and squares are being renamed "Berliner Freiheit." Reassuring messages have been coming all week of Washington's, London's, and Paris's unhesitating rejection of the Khrushchev memorandum. Yet at the same time there have been reports of "official spokesmen" in the same capitals conceding warily that the time may well be ripe to hold yet another four-power conference on the future of Germany. It is all rather confusing, but the Germans are getting used to it.

With the Bundestag elections no more than three months away, some loud patriotic oratory is to be expected from prominent party men. More obscure and less inhibited commentators are inclined to believe that the Khrushchev memorandum will bring about a four-power conference before winter, in consequence of

which the two parts of Germany will be avuncularly counselled to meet round a conference table. But Mr Khrushchev is badly informed if he really believes that there is some hope in the foreseeable future of a government taking office in west Germany that would be ready to make vital political concessions to the east German regime. (Territorial concessions are another matter, whatever the Silesians say). Only some dire economic setback could effect such a change of heart, and there is no sign of the likelihood of any such disastrous turn in the Federal Republic's expanding economy.

The Federation of German Industries held its annual meeting at Nuremberg this week in an atmosphere of confident well-being and awareness of industry's political responsibilities. Over the past ten years, it was pointed out, real wages had risen by 78 per cent in west Germany, compared with rises of 50 per cent in France, 27 per cent in the USA, and 11 per cent in Britain. Herr Erhard, the minister of economics, observed the occasion by publishing another of his remarkable two-column personal advertisements in the press, championing free enterprise against collectivisation. "A home of one's own," he declared,

travel, opportunities for professional and cultural education, furniture and better household equipment, good clothes, rising pensions, millions of cars and television sets—prosperity through performance, that is to say—these are the fruits of our work in the spirit of a competitive social economy. With increasing general prosperity, the last in the land will also share in the common progress.

It is possible that Mr Khrushchev and Herr Ulbricht are trusting that the west Germans, obsessed with gaining and enjoying the chattels of the good life as catalogued by Herr Erhard, will gradually tire of the demands of the cold war. The danger has been recognised by several native Cassandras, who have been criticising the light-hearted election pledges of the two major parties, particularly their promises of lighter taxation just when Germany is being asked to do more for the undeveloped countries and western defence. Have the Germans, they are asking, the stamina required to turn the words of the week of German freedom into deeds?

### Nigeria Takes Shape

BY OUR SPECIAL CORRESPONDENT

NINE months independent, Nigeria is still a long way from bringing forth its necessary revolution. The body of the nation is slowly taking shape: a soul has yet to be acquired. Perhaps, because it is an African country, guidance should be sought from a father—but the Nigerian prime minister, Alhaji Sir. Abubakar Tafawa Balewa, is little more than the head of the



Badge of indivisibility

government, and the Governor-General, Dr Nnamdi Azikiwe, is the correctly reticent representative of a constitutional monarch. Behind his desk in Lagos Sir Abubakar is enveloped in white Northern robes: from the antique folds the visitor sees a black wrist, encircled by a gold watch, emerge for a handshake. The gentle voice is imbued with the wisdom of the British 20th century and confident in the strength of the medieval emirs who put him in control of a country that straddles time. "We are past the stage where breaking up is possible," says the strength. "We are still in the process of building a Nigerian nation," acknowledges the wisdom.

There is more commendable insight from Sir Abubakar, spoken in Macmillan English. Europe did not divide Africa—it united squabbling villages and made nations of them. These may join together now if their peoples wish it—but the pan-African state is not for this generation. Unexpectedly, the prime minister asserts that too much aid is not necessarily a good thing, for a country must grow and develop by its own sweat or the people will become lazy. The outsider wonders how, with this moderation of tone, the sweat is to be generated. Sir Abubakar speaks of a "period of excitement" following independence, but the Nigerian nation does not appear to be excited. Nevertheless, the prime minister has gained in stature since independence.

When South Africa left the Commonwealth many Nigerians gave the credit to Sir Abubakar. He gained immeasurably from the conference of twenty African states at Monrovia last month and can expect to achieve further acclaim from Nigerians when the conference is resumed in Lagos later this year. But his shrewdest domestic political move was to appoint Dr K. O. Mbadiwe as personal adviser on African affairs to the prime minister. Dr Mbadiwe has, in his time, been a firebrand in Nigerian politics and in 1958 he caused a national sensation by breaking with Dr Azikiwe on the grounds that Zik's nationalism was too moderate. Sir Abubakar can now appear to be listening to the extreme nationalists without needing to take their advice.

**B**UT Sir Abubakar cannot easily deny the advice of his own political father, the strong man of the Northern Region, Alhaji Sir Ahmadu Bello, the Sardauna of Sokoto, direct descendant of Othman dan Fodio, the founder of a feudal empire the British did not disturb. The Nigerian revolution must begin in the Sardauna's Northern Region. Life for the region's 19 million people has not become noticeably more modern since independence. But a combination of numerical superiority (the Eastern and Western Regions have only 15 million people between them) and ancient political craft has enabled the Northern Peoples' Congress to lead the federation. The NPC seems in all cases to be the senior partner in its alliance with the East's National Council of Nigeria and the Cameroons, founded by Zik and curbed by the coalition now in power.

The radicals are to be found among the young university men of all parties and throughout the opposition Action Group, which, with more verve and efficiency than anyone else in Nigeria, governs the Western Region. But there is danger in the increasing frustration experienced by the Action Group in its attempt to win seats in the North—the only practical route to federal power. In the Northern region elections six weeks ago the opposition parties, already small enough to be insignificant, were practically liquidated. The Sardauna was so certain of the result that he did not bother to campaign. The people obligingly voted the way their emirs told them to.

The Action Group has since accused the North of foul play. It complains that the district heads, responsible to the NPC, did not allow opposition meetings in many constituencies; that candidates were arrested or beaten up or threatened; that administration and NPC officials intimidated opposition voters. The

hotter heads in the Action Group say that if evolution does not right these wrongs in the North there will have to be a forceful revolution. Another Action Group solution for the problem of the North is the creation of a new region out of the area occupied by minority tribes in the "middle belt"—the southern part of the region.

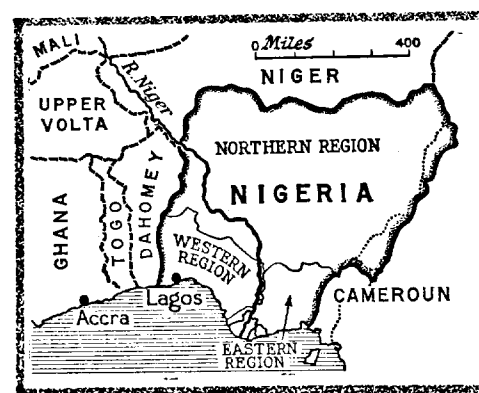
This the NPC is unlikely to do, but it has neatly outmanoeuvred the Action Group in the matter of new regions. The Action Group has long called for a re-division of the country "in such a way that no region or state will feel dominated by another." This would mean new regions carved out of the East and the West as well as the North. The federal government, a coalition of the NPC of the North and the NCNC of the East, has agreed to meet the Action Group a third of the way—by making a mid-west state out of the easternmost portion of the Action Group's Western Region. This state may well vote the Action Group into opposition in yet a further portion of Nigeria, but the party, having called for new states for years, would be seriously embarrassed if it opposed the mid-west plan.

Politics are bitter in West Africa and there have been other attacks on the Action Group, not all of them inspired by jealousy of the Western Region's go-ahead look. The Lagos boundary is being extended—a matter agreed long ago, but young Western Regioners regard it as another federal cut into their territory. Most dramatically of all, the federal government has ordered an inquiry into the affairs of the National Bank, which is associated in Nigerian minds with the Action Group and the Western Region. That this move was not free of politics is shown by the comments of the Nigerian newspapers when it was announced last month. Most commentators remembered the famous inquiry into Zik's African Continental Bank in 1956; then the condemnation was for "imperialism."

But the danger that the Action Group will take desperate action is minute. The federal government is too strong and the party leader, Chief Obafemi Awolowo, too sensible. When, during the northern elections, Dr A. Doherty of the Action Group threatened secession from the federation by the Western Region he was rebuked by Chief Awolowo as well as by almost every other Nigerian leader. Some optimists see an eventual solution in a realignment of parties, with, say, the NCNC and the Action Group in coalition against the North. The NPC is too well represented in Parliament for this to be possible at present, however, and the great Nigerian question remains what Zik would do if pressure for a Republic became irresistible and he was transformed from a passive governor-general into an active president.

For the present the three regions must continue to squabble and to seek status; the East to buy a television station if the West has one; the North to think about following suit. Status-seeking is perhaps as expensive an item in West African budgets as corruption. The difficulty, for visiting economic missions, is to cost them. The Western Region has introduced "universal primary education"; the East is thinking of spending nearly half its budget to do the same.

Plenty of money is going to be needed. Within a very few months independent Nigeria's first five-year plan will probably be announced; it is expected to cost somewhat more than twice



the current £170 million plan. Four economists provided by the Ford Foundation and one Indian from the World Bank are helping with the planning. This alone is awkward, for there may well be accusations that the Americans are having too much to do with it. But Nigeria is neutral in a very western direction and the Americans are probably going to have a lot more to do with its economy. It will be surprising if Nigeria does not receive a very large amount of American aid.

This will have to be spent on many things. The Niger Dam, which will provide power for Kano and Lagos and the beginning of an inland waterway system that could reach right up the Niger to Mali, will cost £68 million in its first stage. Lagos harbour needs new berths; £20 million is being spoken of. Railway extension and conversion to diesels, a bridge at Onitsha and new roads would take another £50 million; agricultural extension services at least £40 million. The list is long and most of it is infrastructure money, with little immediate return.

A Nigerian trade mission is touring the world to drum up business; there is talk of a development corporation to squeeze private money into the country; there is hope from oil and natural gas in the area around Port Harcourt. But Nigeria still depends primarily on agricultural commodity prices, which are not in sight of returning to their earlier high levels. A Chinese trade

mission sadly acknowledged in April that while the Chinese People's Republic desired to trade beneficially with Nigeria, the Chinese drink tea, not cocoa, and are one of the largest producers of coal in the world. It was also expensive to assuage national pride by rejecting Mr Macleod's offer to pay the extra cost of European civil servants.

But production of cocoa, palm oil and groundnuts is increasing, although not always fast enough. Tin and columbite are bringing in useful money. Income tax, however, is too little and too low: 90 per cent of the taxation is indirect. This is partly to curb imports and partly to get round the difficulty of collecting taxes at all. But the luxury of high life in Nigerian cities is obvious to the freshest visitor. The country cannot afford it.

Most of all, Nigeria must spend money on education. The Ashby Report, which calls for a rapid acceleration of educational expenditure, would involve, if put into practice, capital expenditure of £56 million in the next ten years. During this period recurrent spending by the federation on education would rise from £28 million in 1962-63 to £60 million in 1969-70. Nigeria has to contemplate educational spending on this scale, although the present annual budget is around £160 million for the four governments. Only when this money has been found and spent can the true Nigerian revolution go ahead.

## Seaside Treasure Hunt

FROM A CORRESPONDENT IN ITALY

**O**NE of the most popular ways of gambling in Italy at the moment is to try to guess whereabouts on the coast the very rich are going to spend their summer holidays. Then you buy some land there, watch the value multiply, say, ten times in two years, and sell out to a speculative builder. Or, for an even higher percentage profit, you can do the building yourself: build hotels and night-clubs and restaurants and villas, and hope that the world and his mistress will come and stay. What was a fishing-village last year can become a Portofino next year, and in the translation from one to the other there is a thousand per cent profit to be made.

There are no sure guides to a safe gamble; studying the form-book of other successful resorts leaves you as bewildered as ever. No natural splendour ensures success, no dullness of nature precludes it: the accolade of smartness is capriciously bestowed. Viareggio has never been smart, for example, whilst Forte dei Marmi, which is quite as dull, has. The Adriatic belongs to the Germans, the gulf of Sorrento to the English (booming out the cricket scores to each other across the stony little beaches) and the Riviera to everyone. All have been exploited and sucked dry; none is smart.

In fact the whole coast of Italy has been more or less sucked dry by the locusts of speculation; nowhere, except in the far south, can coast-land be bought for its agricultural value (which is practically

nothing, except where it has been terraced for vineyards). Now Sardinia is all the go. Swiss business men ship their Cadillacs to Cagliari and drive round the island in homburg hats, knocking on cottage doors. They get a lot of surprises. If you knock on a peasant's door in Italy, and ask to whom a certain beach belongs, he always says, "To me." It doesn't, of course (beaches in Italy all belong to the government, from which it is possible to buy a concession for a certain number of years). Even the land behind the beach is certain to belong to a whole family who have been conducting an internecine lawsuit over its ownership for 20 years.

Even if you finally acquire the land, the immediate entanglement in local politics, which owning anything in Italy involves, is trying for orderly minds. The syndicate who last year built a night-club at Porto Santo Stefano, on the Tyrrhenian Sea near Orbetello, for example, although they had known the place and its officials for 20 years, had a battle for power for a year: with the mayor (sure that a night-club would undermine the innocence of the villagers); with the Fine Arts Commission for Tuscany (the guardians of natural beauty) who would arrive in motor cars from Siena and order the roof to be lowered until only dwarfs could get in, or even, in fits of pique, forbid the project altogether. But the club was finally built, and Porto Santo Stefano was suddenly fashionable. Its streets and bays echo with Italy's virility-symbol, the hotted-up

exhausts of cars and speedboats; its name is dropped as carefully in Rome as the names of palaces and princes (and is picked up as carefully by the Roman scandal magazine *Lo Specchio*). The money that backed the night-club there (La Strega Del Mare) must have quadrupled itself in 18 months.

From the spectacular success of Santo Stefano one lesson is to be learned by would-be dabblers in this speculation: if you want to catch sophisticated customers, bait your hook with simplicity. Fish for wise old trout with worms, not with spent olives on a "ooo" hook. Sophistication and simplicity are not opposite poles of experience, but extremely close together; an artificially created simplicity is the last refuge of an over-sophisticated society against boredom. Hence the stone walls and lush ceilings at La Strega del Mare, which have at times trapped a roomful of the most sophisticated old trout in Europe.

Inside every Count Robert de Montesquieu, it seems, there is an embryonic Rousseau, who only gets out for the summer holidays; this is a Rousseau to be nourished and pampered, because his pockets are still the pockets of Montesquieu. Set him at a rough table under a vine, with a view of the mountains and the far-off sea; bewilder him with discomfort—and you can charge him £1 for a Planters Punch made of lemon juice and crushed ice. "It's amusing," they say in their tired voices. The phrase is a golden chaplet set on the brows of investors and managers who have schemed to attract those long white cars that howl out of Rome on Thursday evenings in the summer.



## Brighter Outlook for Kenya's African Farmers

FROM OUR CORRESPONDENT IN NAIROBI

**I**N the middle of all the uncertainty, economic and political, in present-day Kenya, Silas Gathunguri spoke reassuring words. He stood at the head of his 12-acre farm in the Kikuyu district of Kiambu and looked down on his banana trees, his maize, his coffee trees and his beds of asparagus. He fondled a Jersey calf that was tumbling around an almost Alpine little meadow, and said: "I think I cannot fail to make money."

One of the proudest achievements of the Kenya government is that, mainly through enclosure and land consolidation, it has given thousands of African farmers the near-certainty of handsome profits. Last year the gross revenue of African farmers for marketed crops and livestock was 15 per cent more than in 1959, and Mr Bruce Mackenzie, the former minister of agriculture, believes that this present total revenue of £9.6 million will increase by £2 million or more every year. Although the revenue of African farmers amounts at present to only one-fifth of Kenya's total agricultural revenue, this proportion will grow rapidly and provide the broadest and soundest foundation for Kenya's economy.

It is a sound foundation because it is being widely spread over several crops. This year African-grown coffee will make up nearly a quarter of this principal Kenyan crop; so fast has Kenya moved that it seems absurd



Prosperity from the land

to remember how ten years ago the Kikuyu were forbidden to grow coffee and how this ban, imposed by the government at the settlers' behest, drove men like ex-Senior Chief Koinange to side with Mau Mau. In five years' time the acreage of African-grown tea will, according to present plans, have multiplied fivefold to 11,000 acres. Last year the revenue from both rice and pyrethrum grown by Africans doubled. African livestock sales climb steadily, if more slowly. For those who are jaded by Kenya's politics, these are cheering figures.

Undoubtedly some of this progress would have come anyway without land consolidation and enclosure. The introduction of new crops was not dependent upon the teams of clerks who for the last six years have been walking up and down the ridges and valleys of Central Province measuring with chains the fragmented little inheritances of thousands of Kikuyu and redrawing maps to gather each man's fragments together. But land consolidation must be given all credit for three improvements. In the Kiambu district the 38,000 landowners had an average of eight fragments each. By concentrating the fragments, a farmer's work also became concentrated and therefore more productive. He then had a large enough holding to plan properly for terracing and crop rotation. And more than 150,000 farmers in Central Province have now a registered title to their farms, which is security for a commercial bank loan to develop their land. In the last eight months banks have lent £100,000 to farmers in Kiambu alone.

The process is by no means finished. The Kikuyu areas were tackled first, both because population pressures (in places as high

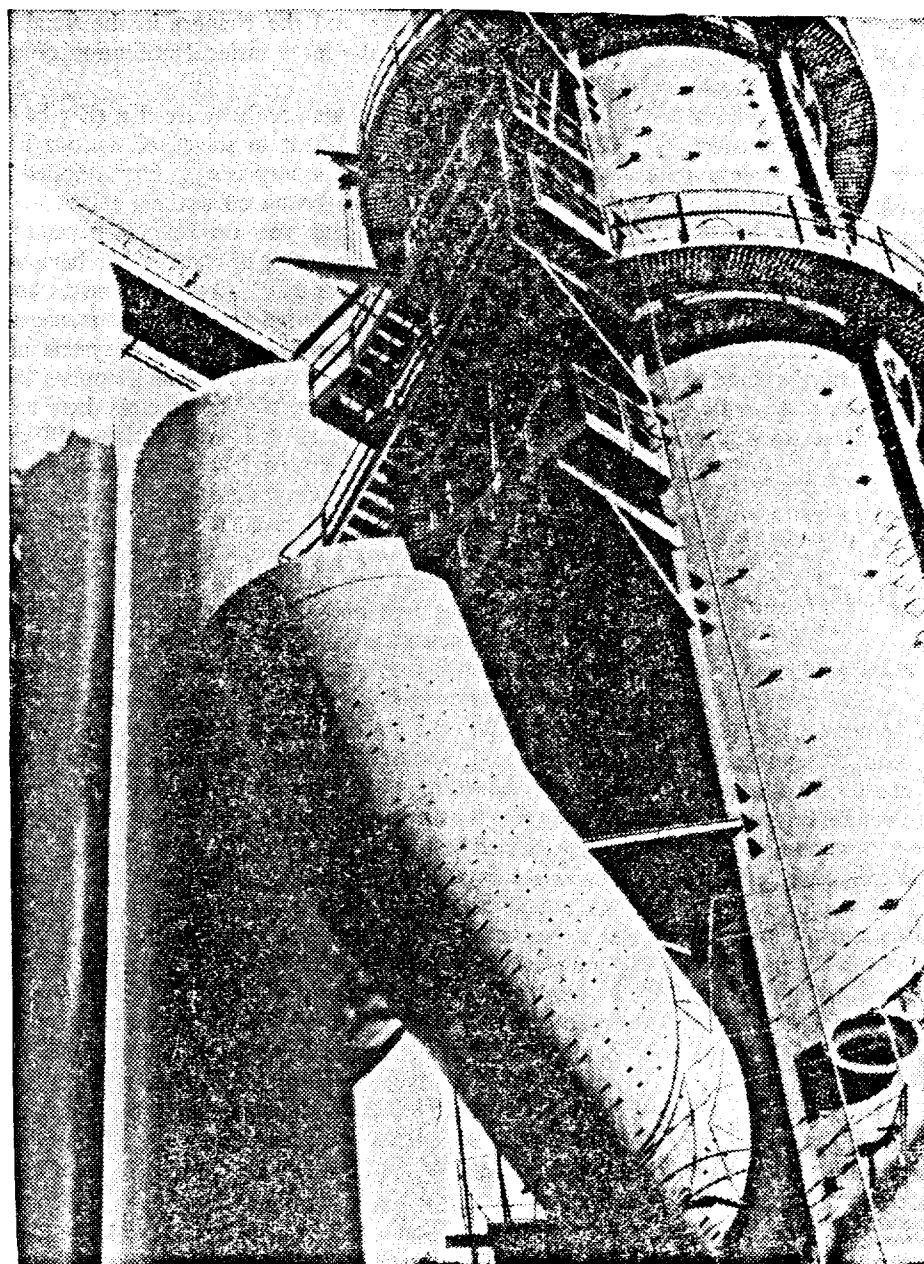
as 1,000 to the square mile) would not permit inefficient farming and because the Emergency gave officials powers to take administrative short cuts. More than £1 million has been spent on land consolidation so far; yet in Meru, the largest and probably the richest district in Central Province, only a quarter of its 800,000 arable acres have been surveyed for consolidation. In Nyanza Province the offering of registered titles will begin next year; officials, however, expect comparative lethargy among the Luo in contrast to the competitiveness of the Kikuyu to benefit from bank loans.

Only in Fort Hall, the largest of the three Kikuyu districts, has this agrarian revolution badly misfired. Last August it was discovered that there had been wholesale corruption by junior clerks who sold farmers extra and often imaginary acres. This touched off a long quarrel between the government and local Kenya African National Union politicians. Dr Gikonyo Kiano, the Legislative Council member for Fort Hall, has asked for a complete revision of the whole area; he claims that the government has only detected corruption in the areas where the clerks' total differs widely from the total acreage calculated by aerial survey, and that it is ignoring the areas where clerks deprived one farmer of land for another's sake and made the totals tally. The administration, anxious to save money and to complete revision as soon as possible so that farmers can qualify for loans, is tackling revision piecemeal. Officials say that farmers who believed themselves deprived had time earlier to object. Even so, they have found it necessary, having checked only half of Fort Hall's 120 consolidation schemes, to remeasure holdings in 44 of them.

**B**ESIDES Fort Hall politicians, many people are prepared to point out imperfections in the practice of land consolidation while endorsing its principle. Recently Mr Jomo Kenyatta said he had heard of many ex-detainees who had been released to find their farm fragments absorbed by "loyalists." District Officers usually deny this, and say the consolidation committees of tribal elders were particularly careful to safeguard the land rights of the 77,000 detainees. But it is clear that some injustice occurred in this way, and it is only sensible to offer such men the consolation prize of first opportunity to take land in the resettled areas of the former White Highlands.

Another imperfection is that land consolidation, like the Land Husbandry Act in Southern Rhodesia, creates a group of legally landless people; there is the family who "squatted" on an unregarded fragment of someone else's farm, and there are the younger sons of the landowner who has insufficient acres for subdivision. Secondary industry may share in agricultural prosperity sufficiently to absorb all these landless, but it is unlikely. The African political leaders repeat the blithe slogan "Land for the landless," but so far have not defined who qualifies as "landless" for their bounty, nor where and how new lands will be found for them. It may be possible to accommodate them all. It would be wise to consider setting up producers' co-operatives for these poorer countrymen; at present Kenya possesses only marketing co-operatives. Silas Gathunguri, the careful Kikuyu, intends to prosper enough to buy up neighbours' holdings for his five sons. But this policy leaves the hindmost farmer for the Devil to take.

A wider criticism still can be levelled at land consolidation officials. They have become immersed in details, and believe results will speak for themselves without presentation to dubious African politicians or interested, if ignorant, foreign investors. An economic survey of the Central Province is urgently needed to provide statistics that would show how these enormous agricultural changes are magnifying opportunities for commercial investment. It would also serve to impress the African politicians who, like Mr Kenyatta, sometimes speak of the registered titles as "mere scraps of paper."



A new £10 million blast furnace at Port Kembla, N.S.W. which has produced well over 2,000 tons of pig iron in a day—a record in the British Commonwealth.

Below: Hot dip tinplate production running at 90,000 tons a year. A new electrolytic tinplate plant of 150,000 tons capacity will commence production in 1964.

## AUSTRALIAN STEEL FORGES AHEAD

10,000,000 Australians use steel at almost the same per capita level as do Britons, Canadians and West Germans. Today, Australia is producing very nearly all the steel she consumes—and is, in fact, a net exporter of steel. It is an exciting story of massive expansion—backed by a capital investment of some £A200 m. since 1948. Ingot production has doubled in the last 7 years to a current output of 3.3 m. tons. With the advent of tinplate manufacture in 1957 and cold roll stainless steel from a Sendzimir mill in 1959, new steel products are diversifying Australia's manufacturing scene. Yet large scale expansion still continues. More than £A100 m. will be expended over the next few years. Such is the confidence that Australia's steel makers place in their country's continuing vigorous growth.

Australia's fully-integrated steel works, situated on the coast with coalfields adjacent, enable her to produce one of the cheapest high grade steels in the world.

Australia looks forward to a continuing trading, manufacturing and financial partnership with Britain. Any information about trade, investment or migration will be gladly supplied by Australian government representatives in the United Kingdom. They are located at Australia House and also at the offices of the Agents General for each State.



At present the District Officer or the agricultural official tends to look on land consolidation with proprietary pride; he gazes from his Landrover across the valleys to the neatly reorganised ridges—an administrator's dream come true. The divisional and provincial boards, which keep the machine running by approving transfers, sponsoring loans, hearing appeals and laying down the minimum acreage for subdivision, are manned by officials and trusty Africans of the old school. KANU branches have asked, possibly for the wrong motives, to have representation on these boards. Frosty replies come from the administration. Yet it seems important to associate the younger generation of African leaders with the running of the scheme through membership of these boards. Otherwise there is considerable danger that, when they shortly come to full political power nationally, they may in ignorance make radical and harmful changes. And land consolidation deserves to survive undamaged into the new regime.

## Jugoslav Economic Experiments

BY A CORRESPONDENT LATELY IN BELGRADE

"If Mr Selwyn Lloyd were to come here tomorrow he would probably grasp better the meaning of the changes in our economy than his Soviet counterpart." This remark by a member of the government is characteristic of the way in which the economic reforms introduced in Yugoslavia during recent months are being discussed. For the first time in the history of a communist country the Yugoslav government has initiated a general overhaul of the economic system, which involves a process of readjustment to the world economy and a decisive shift of emphasis from state administrative controls to market mechanism as well as to monetary and fiscal policy.

One of the main features of the new economic model is the introduction of a new foreign exchange and trade system. The multiple rates of exchange and the coefficients for imports and exports have been replaced by a single fixed clearing rate of 2,100 dinars to the pound sterling (the new tourist rate is 1,680 dinars to £1) and a provisional general customs tariff. Some 30 per cent of imports have been freed from administrative controls, the rest being regulated by quotas and general and restrictive licences. Thus Yugoslavia has become the only communist country that allows any currency convertibility or free trade.

Side by side with the foreign exchange and trade reform, new impetus has been given to the free formation of prices; administrative interference in the activities of factories and firms run by workers' councils has been reduced; the degree of featherbedding given to inefficient industries has been cut; and a new system of payments that will provide effective incentives to increase productivity and eliminate surplus labour has been introduced.

One of the most interesting measures concerns a new rate of taxation for company profits. Under the previous system, the profits remaining after costs, depreciation, interest and communal and turnover taxes, were taxed at a highly progressive rate taking an average of about 24 per cent of the net income. The restrictive effects of the old regulations have now been largely, albeit not completely, eliminated. A new uniform rate of taxation on company profits has been fixed at 15 per cent. At the same time an excess profits tax will be imposed if the annual net profits of a company surpasses 6 per cent of its total assets. The new tax, which will take 25 per cent of these surplus profits, has been widely criticised as a discriminatory measure hitting the "growth industries" and weakening the advantages of the general tax concessions. Nonetheless, the enterprises have been given more say in the formation

of prices and earnings, and the changes in the fiscal system are expected to stimulate the more rational utilisation of labour, productivity and capital.

The Yugoslav planners are keenly aware that they have considerable problems of readjustment to solve and serious handicaps to overcome. But they have a surprisingly open-minded attitude to their task. "We want to create an optimal relationship between decentralised planning and the market mechanism," said Mr Gligorov, the economic secretary of state. "We have no dogmatic prejudices, none whatsoever..." Control of prices and wages as well as direct state intervention in economic management have, in fact, been reduced to a minimum. A new system of wage and salary payments has been worked out which applies the principle of sharing the profits in practice. Nevertheless there are fears that the new era of profitability and competition will create great inequalities within and between factories, affecting whole industrial branches as well as such underdeveloped areas as Macedonia and Montenegro. A crucial problem is how to define and safeguard sectional and federal interests without reverting to administrative intervention.

Inevitably, the free play of market forces will have to remain within the framework of a planned economy. It is the investments that keep the frame together. The key role is assigned to the Federal Investment Bank which allocates about 38 per cent of the credits. Thirty per cent of gross fixed investments are financed by enterprises and the rest by the communes (the 800 territorial units of self-government) and the six federal republics.

A thorough reorganisation of the banking system is at the moment being carried out in order to make credit control operate more effectively as an instrument of economic policy. The communal banks will be the bankers for the entire economy in their region and their number will be raised from 120 to 600-700. At the same time the National Bank, which has so far been both a central and a clearing bank, is to remain in operation as a central bank controlling money supply and monetary movements, as well as issuing bonds and Treasury Bills. In marked contrast to the "orthodox" communist countries, the three special banks (foreign trade, agriculture, investments) are entitled to carry out direct transactions with foreign countries.

THE introduction of obligatory reserves to be kept with the National Bank and of a Bank Rate are further measures aimed at securing economic expansion without inflation. With the balance of payments still deeply in the red (1960 closed with a deficit of some £90 million), restrictive measures have been introduced to force companies to transfer from their reserves to their working capital instead of financing "wild investments."

The pressure of the world market and intensified domestic competition have led to sizeable cuts in profit margins (for example in agricultural machinery and textiles) but also to sharp price increases. A previous 10 per cent flat increase in wages and salaries as well as other benefits have, however, more than offset the effects of the price movements. By the middle of May the market had, on the whole, become stabilised and real earnings during the first four months of 1961 are said to have increased by more than 7 per cent.

Though the currency and trade reform could not have been possible without the loans worth \$275 million, granted by the International Monetary Fund, the United States and west European countries, it is also clear that they are the conclusion of a seven-year economic march which is one of the most rapid in Europe. Whatever the final ramifications of the new reforms may be, they are expected to give an even more vigorous impetus to the competitive forces which have already generated, by east European standards, a modest prosperity.



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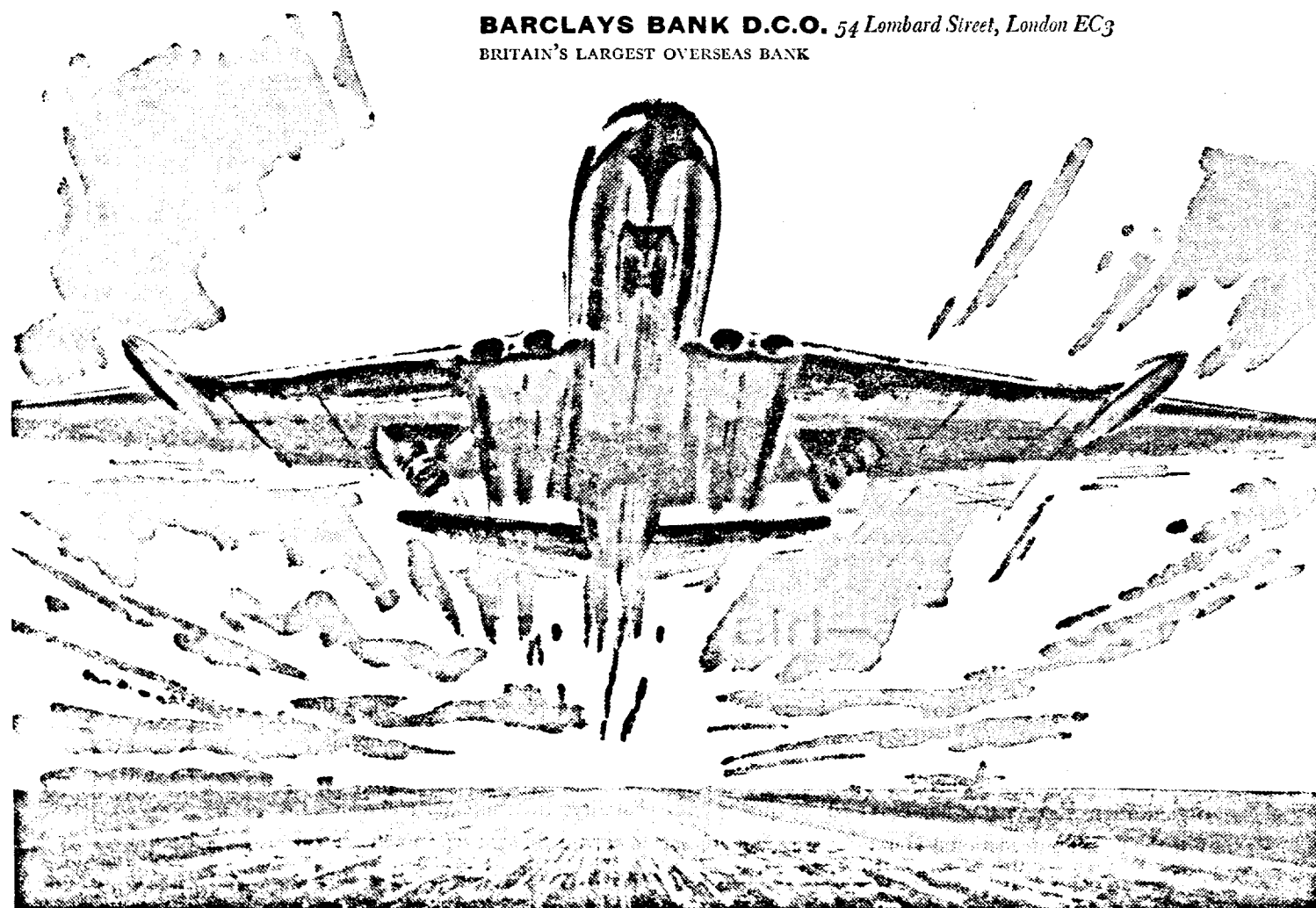
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# THE BUSINESS WORLD

## Trader or Haulier?

**T**WENTY-EIGHT years ago competition between road hauliers was put under restraint by a system of goods vehicle licensing. Ever since, a distinction has been jealously preserved between a public carrier and a private carrier of goods. The professional haulier has been compelled to convince the licensing authority that there is room for him to put more lorries on the road, with evidence and witnesses supporting his claim that they have specific work to do. But Parliament has never put a barrier in the way of anyone, big manufacturer or corner grocer, who chooses to move his own property in his own goods vehicles. The private carrier gets his "C" licence simply by filling in a form. Even the postwar Labour Government pursuing an unattainable "co-ordination of all inland transport" finally ran away from its first idea of confining private carriage "as of right" to retail and wholesale distribution within a 40-mile radius. But the "C" licence operator, free from restriction in moving his own goods, has always been banned from carrying anyone else's. The professional road haulier has been shielded through the licensing system from the pressures of uninhibited competition from other professionals, but this in turn has imposed outside control over the conduct and growth of his own business.

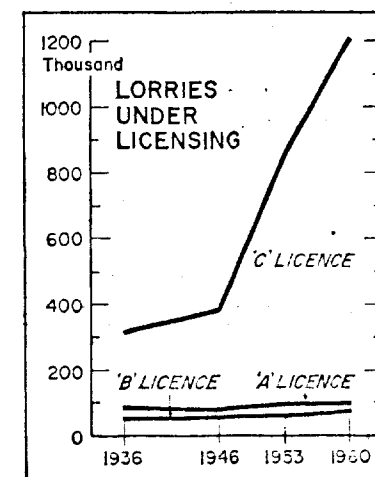
This long-standing division of function and regulation in the carriage of goods on British roads has now been threatened by the Transport Tribunal's endorsement of an appeal by Merchandise Transport, Ltd., from a decision of the Metropolitan Licensing Authority. For the first time, a firm running lorries under a "C" licence has been allowed to transfer its fleet to an "A" licence, the professional hauliers' ticket. Merchandise Transport will thus be free to ply for hire to get return loads—the enforced lack of which has always been the main snag to economical "C" licence operation, and are often enough scarce for professional hauliers too. Merchandise Transport is not yet assured of being able to run the gamut from C to A, for a number of road hauliers are taking the Tribunal's decision to the Court of Appeal. The Tribunal gave a bare oral decision in January, and the haulage industry has been waiting until this week for the Tribunal's reasoned judgment in writing. But the number of applications made in the meantime by other "C" licensees to transfer to "A" licences has already confirmed the hauliers' fears of the epochal importance of the Tribunal's decision.

Indeed, if private firms running transport fleets of their own had wanted to choose a test case, the situation of Merchandise Transport could hardly have been more typical. It is a wholly owned subsidiary of Harris Lebus, the furniture manufacturer who, like a large number of other industrial firms, relied almost entirely upon public hauliers until long-distance road haulage was nationalised in 1949. Harris Lebus then began building up a "C" licence fleet and in 1955 it formed Merchandise Transport as a separate company to take over one of the state-owned road haulage units that were being sold off with a special "A" licence. A few years later, it added to its transport subsidiary's fleet by buying out two small private haulage businesses operated under ordinary "A" licences, but the parent company still ran lorries under "C" licences. The case arose from Harris Lebus's natural desire to simplify its transport arrangements by putting all the vehicles of the group under the management of its subsidiary and to get the best return on its investment in the combined fleet by operating all but a handful under "A" licences. All the parent company's vehicles were used on the group's business and only a minor part of the subsidiary's earnings came from carrying other firm's goods—and that almost entirely on journeys back to base.

**T**HE issue, before the licensing authority in February 1960 and before the Transport Tribunal last November, was whether 112 of the parent company's Luton furniture vans, plus another seven the group wanted to add, should be run by the subsidiary company on "A" licences. The question whether Merchandise Transport should get a "B" licence, instead—the third main category of goods vehicle licence,

authorising the carriage of the owner's and other firms' goods on certain conditions—did not arise. "B" licences were not asked for, and although some of the sixty-four objectors, which included British Railways and British Road Services, suggested this solution, neither the licensing authority nor the Tribunal would consider it.

The Tribunal's judgment has overthrown a precedent set by its predecessor, the Appeals Tribunal, before the war. But it was not wholly unexpected. For the Transport Act of 1953 made a significant change in the criteria for the granting of applications for "A" licences. Instead of considering "the interests of the public generally,



including those of persons requiring, as well as those of persons providing, facilities for transport," as in the original Act of 1933, licensing authorities were instructed to "have regard to the interests of the public generally, including primarily those of persons requiring facilities for transport, and secondly those of persons providing facilities for transport". The needs of a haulier's customers were placed above the interests of his competitors. Parliament's intention in 1953, in making this and certain other changes to the rules for road haulage licensing, was to unloosen by a notch or two the tightness of control over competition in haulage. A number of decisions by the Transport Tribunal since 1953 have reflected this change in emphasis but in ways to which professional hauliers have not taken kindly. Largely, the effect in practice has been to encourage transfers to "A" licences from other licences, rather than to attract any greatly increased number of new entrants to an industry for which the cost of entry, particularly in these days of ready hire purchase, has never represented any real deterrent.

Previously, the Tribunal has allowed C-hiring licences (which permit the hire of lorries, but not drivers, to a single customer) and A-contract licences (which authorise the hire of lorries and their drivers to one customer) to be converted into ordinary "A" licences. It had also declared that, if a customer wanted to change his transport arrangements and employ another haulier, even though the new carrier was a wholly-owned subsidiary of the same customer, then that circumstance by itself would not vitiate the "proof of need" required for the grant of an "A" licence. So an application was bound to come sooner or later from a firm's transport subsidiary to take out "A" licences to carry the freight its parent company had been moving in "C" licence vehicles. And the Tribunal's decision seemed equally predictable. The Metropolitan Licensing Authority considered that to allow the group's Luton vans to bid for return loads would "extract" traffic from existing hauliers and also that the application was "less than genuine." The Tribunal rejected the first point as something the authority was expected to take into consideration but not to regard as the acid test. It rejected the second because Harris Lebus's desire to make the best use of the group's transport facilities was entirely genuine. It now remains for the Court of Appeal to decide whether the grant of these "A" licences correctly interprets the 1953 Act.

WHATEVER the upshot of this further appeal, it has become increasingly clear that the licensing system is not satisfactory. It was shaped in the aftermath of the 1929-31 slump in the hope of restoring some order in road haulage. This infant industry was still characterised by one-man businesses, while the railways were still treated as monopoly carriers. And competition, already intense, turned bitter through sheer lack of business during the pit of the depression. Although the Salter Committee in 1932, which fathered the licensing system, appreciated that it would need to be adapted to changing circumstances, road haulage licensing has never since been made the subject of a full review.

In a sense the principal objective of licensing—to limit the competition facing road hauliers—has failed for the simple reason that restriction was placed on only one part of the carriage of goods by road. The number of lorries run under "A" licences has not markedly changed (though their capacity in annual ton-miles is markedly higher): in 1936 some 25,000

hauliers operated about 85,000 vehicles between them, whereas by 1960 just under 16,000 hauliers, plus the state-owned British Road Services, ran only 91,000 vehicles all told. In contrast, "C" licence fleets have risen four-fold, from a total of some 300,000 in 1936 to more than 1,200,000 at the end of last year. A high proportion of these fleets are vans and light trucks used for local delivery. But over half of the larger lorries of more than 3 tons unladen weight have a "C" licence authorisation. A good three-fifths of the freight moved by road in this country, measured by ton miles, is now carried "on own account" in private lorries—or a third of all road and rail freight traffic together. Private transport is the real competitor for all public carriers, road and rail, and if the Merchandise Transport decision is upheld it can only add to the pressure by affording "C" licensees the chance of cutting the cost of empty return journeys.

The licensing system, considered by itself, has a number of weaknesses. It appears to be not so very hard to get round, by such devices as "buying" goods from other firms to provide "C" licence vehicles with a return load. Enforcement is always difficult. Road hauliers frequently find "pirate" vehicle operators who have put down a deposit on a second-hand truck, but have omitted to apply for a licence, undercutting them for the transport of, say, building materials to a large construction site. Rate competition in long-distance haulage has been fierce ever since the railways won commercial freedom, and for long periods quite uneconomic.

But perhaps the major criticism of haulage licensing is that it appears to have inhibited the growth of large, privately-owned firms able to afford the overheads of efficient transport management and big enough to organise themselves to handle return loads efficiently. Although the Transport Development Group has built up, mainly by buying up other hauliers, a fleet of over a thousand lorries, only one per cent of all hauliers yet run more than forty vehicles and fewer than five per cent operate twenty-five or more. Under licensing, a haulier wishing to add to his fleet has to face the deterrent of countering objections from any of his competitors who are minded to stop him expanding. If the "normal user" of his licence—or the detailed statement of traffic he expects to carry—changes in any significant way during the five years or so that the licence is valid, he has to put in a fresh application to the licensing authority, with all the attendant paper-work and the mobilising of evidence from customers, seeking a change of "normal user." In the last few years the licensing authorities have been looking with a distinctly jaundiced eye on such broad statements of intention as "general goods, Great Britain": they have been forcing hauliers to be a great deal more specific.

In the main, licensing has tended to crystallise the professional part of road haulage into a rigid pattern, and has made adaptation to change too cumbersome. At the same time the private part of goods carriage has been entirely unhindered and shown itself highly dynamic. Whether a different form of licensing for the public carrier, by route and area served, as in the United States, rather than by vehicle, as in Britain, would be more flexible in operation—and could be transplanted here—are questions not easy to answer. Restrictions upon "C" licences, as an alternative, are no more digestible politically now than they ever were. If the arguments for complete abolition of licensing are still not clear, at least a major study of how licensing has worked and how it could be improved is now very much to be desired.

## Report from Harwell

**Our Special Correspondent finds that the Atomic Energy Research Establishment is asking the right questions about itself.**

AN exasperated admirer wrote recently that Miss Marilyn Monroe reminded him of a sloth: "You stick a pin in its belly and three weeks later it says 'ouch'!". He could as easily have been talking about the Atomic Energy Authority which, pricked and goaded by criticism at home and abroad, has finally "ouched" and is beginning to put its house in order. This will be no light task; it is easier to diagnose what is wrong with the authority than to suggest a cure.

The AEA may conceivably be efficient as a producer of nuclear weapons and fuels but it is certainly too large for an efficient research unit and this is specially true of its main research centre at Harwell. This was the cradle of atomic energy in Britain but the child grew incredibly fast. A staff of 600 has grown to 6,000 in ten years. Whatever the optimum size may be for a research station, this is hopelessly too big. It can be argued that a staff of around 1,000 is the most that can be administered efficiently; even if the ceiling were as high as 2,500, Harwell cannot guarantee efficiency and good research with its present numbers.

Elephantiasis at Harwell has many causes, but the principal one is the excitement of a crash programme in which much of the research for the accelerated nuclear power programme and for fusion was carried out in the fifties. It also coincided with a time when Harwell had three directors in quick succession. The consequences are now coming out: faults in nuclear power stations about to be commissioned that ought to have been recognised years ago; doubts about the soundness of the authority's long-term programme of new reactor development; the recasting of research into fusion; and a low esteem for British work in pure nuclear physics. Harwell's once-bright public image has become tarnished.

The Atomic Energy Authority has not been wilfully blind to what was happening—it would have needed to be deaf, too, to ignore complaints coming from Harwell itself, which enjoyed the esteem of being one of the world's major centres of nuclear research and a Mecca for so many foreign scientists. But the authority was unable to bring Harwell under a new regimen when its two major tasks had been completed with the opening of Calder Hall and the explosion of an H-bomb. There were exhortations to Harwell to stop growing, but no one suggested how.

Two steps that are now being taken will not make Harwell any smaller though they may stop it from growing larger still. One is to establish a new division solely responsible for the development of reactors. This is an important change of policy. Until this year Harwell was responsible for new reactor designs in their experimental stages. If the early results looked discouraging, nothing more was heard of them. If they showed promise, they were handed over to the AEA's engineering divisions for scaling up to prototype power station size. This practice started when Harwell was the only atomic laboratory in Britain, and Sir Christopher Hinton kept a drawing office at Risley in Lancashire to prepare blueprints for the big pro-

duction plants. While there was one basic type of reactor in Britain it worked, but as the scientists began to explore other possibilities, the buildings at Harwell became cluttered with baby reactors which had eventually to be moved to Winfrith Heath in Dorset. This eased the pressure on Harwell's accommodation but increased its administrative problems as well as the opportunities for friction with the engineering divisions.

THERE will be further relief when fusion research begins to move from Harwell to new quarters at Culham airfield in Oxfordshire. This move will be significant in several ways for the authority. It has perhaps dealt more ruthlessly with its programme of thermonuclear research since the Zeta fiasco than with any other branch of its activities—possibly because this is one field where it has no outside commitments. The thermonuclear laboratories today present a remarkably different atmosphere compared with three years ago. Now the over-ambitious projects have been cancelled and research is being carried out on a broad front. The aim is no longer to seize control of fusion by one master-stroke but to discover by a series of patient steps (one forward, two back) what tricks of nature make fusion so difficult to achieve in a laboratory when it works so well in the sun (and in H-bombs). Equipment for a single experiment can cost £100,000 and the bill for a whole experiment can run to £250,000, but there is some comfort in the fact that fusion research has led to some striking developments in electrical techniques. These experiments require quantities of power of the order of three megajoules at a time released in fractions of a second; this has led to the design both of unusually high-speed switching devices and of unexpectedly cheap storage condensers.

The authority has re-planned its fusion programme with a determined effort to keep it to a manageable size. The director of the new (and autonomous) thermonuclear research centre at Culham intends to keep the staff down to 750, if he can. The first two stages of the new station (there is a third not yet designed or approved) will cost £4½ million to build and about £2½ million a year to run, against £15 million for Harwell. These are large sums for research that may yield little fruit within the lifetime of anyone reading the figures; but it is questionable whether thermonuclear research on any smaller scale would be worth while.

Harwell has hived off some, but not all, of its research into pure nuclear physics to the new Rutherford research centre at its gates; this comes into business in 1963 when its giant particle accelerator begins work. Here is another example of nuclear research on the multi-millionaire scale. One tool of this kind is essential for pure nuclear research and since it costs several million pounds, several universities and Harwell have clubbed together to pay for it.

These changes will reduce the number and scope of Harwell's responsibilities and swing the emphasis away from the recent preoccupation on engineering development back towards research. But they may not reduce its physical size very much. So long as Harwell remains responsible for much of the basic research into reactor physics and into reactor



materials (especially that intractable fuel, plutonium); so long as it has to keep a watching brief on health and safety in atomic practice; so long as it is pre-occupied with the search for safe and convenient means of disposing of the gallons of lethal radio-active waste from nuclear power stations; and so long as it makes and sells isotopes it is difficult to see how Harwell will be reduced to more reasonable size. Some fields of research are so difficult that several laboratories are needed to cross-check each other's results. This does not necessarily imply duplication—the director, Dr F. A. Vick, explained how the work on graphite to be done at the Central Electricity Generating Board in its new laboratory at Berkeley differs from similar work already under way at Harwell. This sounds less than finally convincing—there may well be scope for transferring more of Harwell's current work to new laboratories.

But something more is needed than reduction in size. Harwell laboratories today give the impression of serving as a maid-of-all-work on whatever jobs come along, applying skill and devotion to a programme that is in some respects arbitrary and haphazard. The laboratories are doing much valuable work on new fuels for new reactors, especially various compounds of plutonium for reactors of the Dounreay type. Plutonium must work as a fuel, and must work in Dounreay because the future British nuclear power programme rests on the assumption that plutonium—produced by the ton in the CEB's nuclear power stations—is a nuclear fuel of considerable commercial value. At the moment it is a nightmare, provoking one scientist to the comment: "Nature never meant us to get at nuclear energy." In less complicated fuels, such as the various ceramic (or sintered) forms of uranium, Harwell's work is probably years behind the French, and for water cooled reactors, it is even further behind the Americans. The reason is that the directors of the authority ordered crash programmes on a narrow front, instead of cautious preliminary investigation along a broad front. Harwell's research began

one-sided and Britain's knowledge of reactors is one-sided in consequence.

At least the need for flexibility and accommodation for new ideas is now recognised at Harwell. Work there, however interesting it may be, should in future be handed on at the appropriate stage for others to develop. Constant exchange of staff with the universities and with other countries is intended to keep ideas freshly flowing. Dr Vick, referring to the 20 per cent of Harwell's effort devoted to pure physics, spoke as the director of a research station whose heart was in research and not in empire building.

But the question remains: can these objective standards be met by a centre with 6,000 workers? Is there any chance of breaking it down into autonomous sub-divisions of more reasonable size, corresponding to the new thermonuclear centre at Culham? Is there anything in the counter argument that the economies of common services provided by Harwell outweigh the administrative difficulties and that these can be met by decentralisation within its boundaries? Another point left unresolved is that Harwell is a relatively small unit in the AEA's empire. It is the centre of the authority, but while it employs 6,000 scientists and costs £15 million a year, the rest of the AEA employs 34,000 and admits to spending £63 million with a further undisclosed sum on weapons. The key to research does not really rest at Harwell, although Harwell gets the blame if it is ill done. The big decisions rest with the new reactor division, and if this chooses to ignore certain lines of development, Harwell can do little to set matters right.

Dr Vick has shown what Harwell does (and what it does not do), what it costs, and the kind of men who do the work. He has explained how he is trying to correct Harwell's middle-aged spread. And he has shown that he accounts for at most a fifth of the authority's huge budget, and less if weapons are taken into account. It is now for the AEA to explain about the rest when the annual accounts are presented next month.

## BUSINESS NOTES

### THE EXCHANGES

#### *A Reassurance in Time*

THE hope that the annual meeting of the Bank for International Settlements last weekend would provide the occasion for calming the exchange markets has been fulfilled. The central bankers themselves were able to keep their traditional silence. It was left to the chief of the International Monetary Fund, Dr Per Jacobsson, who has no qualms about committing himself in public, to provide the public reassurance, in well chosen words.

"I happen to know," Dr Jacobsson told the Basle Economic Society, that in all the major financial centres the monetary authorities are determined to maintain existing parities. There is no foundation whatever for the rumours that there are some new plans under international discussion for currency adjust-

ment whether by revaluation, devaluation, widening of margins, or in any other way.

This is not the first time Dr Jacobsson has put his office and his reputation behind the defence of sterling. He went on to say:

I have been very glad to see in Basle this weekend renewed evidence of the firm attitude of central banks and of the effective co-operation which is going on between them.

Following the recent statement by the German Bundesbank in its annual report that this co-operation "has already worked excellently . . . and is in future to be developed and made still closer," this is a reassuring sign that mutual aid between central banks is more than a temporary expedient.

It immediately reassured the markets. Foreign exchange dealers returned to their telephones on Tuesday morning of one accord, to buy sterling, and the rate on the dollar went up smartly from \$2.79 to \$2.79½. On Wednesday sterling rose to \$2.79¾, and would have gone higher if the Bank of England had not intervened to buy back some of the dollars it had sold at the end of last week. But the amount of sterling that operators have bought is probably smaller than the amount they sold last week. Speculators have been made to pause; those who were running a very short position in sterling have been induced to cover, and some have had to buy back their sterling dearer than they sold it. Speculation has been calmed—and it partly switched to the Canadian dollar after the public dispute between Mr Coyne and Mr Fleming came fully into the open. By Wednesday the Canadian dollar had fallen from 101.17 to 100.45.

But the more general anxieties about

Britain's competitiveness and the course of the domestic economy remain; these could not be expunged by a statement from Dr Jacobsson. The anxieties find their technical reflection in the maintenance of high margins against sterling in the forward exchange market; the discount is equivalent to an annual rate of just over 2 per cent against the dollar and 4 per cent against the Swiss franc. On Thursday the publication of poor trade figures for May—which put exports in March-May together 4½ per cent below those of the three preceding months, still a slightly smaller reduction than that in imports—caused a slight setback in sterling, and the spot rate fell to 2.79¾. The world bankers are providing the credit. It remains for the British Government to provide the policies.

### IN THE MARKETS

#### *Following Sterling*

ONCE again, both sides of the stock market have faithfully reflected the downs followed by the ups in sterling, with gilt-edged and equity prices falling before the week-end, rallying a little later and faltering again on Thursday on the news of the poor trade figures. This reflects quite rational doubts about how the economy will fare in the coming months. The volume of trading has fallen sharply and on Wednesday business was at its lowest level for five months. The fall in gilt-edged prices was checked on Wednesday, when War Loan gained ½ to 55, but there was no evidence of any real resumption in buying. Investors are still shaken by the recent fall and may have been unnerved by some extravagant press comment. Similarly, though a few have had a flutter in newspaper shares, there has not been much buying in the equity market. At the same time, there has been no nervous spasm of selling to shake the market again. Throgmorton Street has much the same appearance as Wall Street with the indices swinging idly—some would say uneasily—below their peaks; this week *The Economist* indicator, reflecting the fall before last week-end, lost 8.4 points to 402.3.

The fall in gilt-edged prices came at an inopportune moment for the offer to stockholders by Rolls-Royce of £12 million 6½ per cent debenture, 1981-86; over 80 per cent was left with underwriters. In view of the terms that have to be offered in the London market to gain investors' support, a few companies have gone abroad for new capital at cheaper rates. British Aluminium, for example, is to make a second loan in Switzerland to raise about £4½ million. Through a banking syndicate, it is offering Sw. Frs. 60 million of a 4½ per cent unsecured loan stock, with a life of 15 years, at par. The opportunity to look abroad is not available to all companies, and some might not be able, or wish, to take on the exchange risk.

### STEEL PRICES

#### *Third of a Loaf*

SINCE the Iron and Steel Board rejected the steel industry's request for higher maximum prices last autumn following the increased cost of coal and coke, the industry has agreed to higher wages, charges for road haulage, pensions and insurance have gone up, and a duty has been put on the oil fuels the industry uses. The steelmasters had already submitted another formal application to the board before the budget added the oil fuel duty to its list of cost increases. This week the board granted the industry an increase of about one per cent, or ten shillings a ton, in permitted maximum prices across the full range of steel products from June 19, 1961. In the event it seems that oil companies have passed on only about half, in some cases slightly more, of the twopenny a gallon impost on oil fuels: on the tar and pitch mixtures that the steel industry produces for itself, the full amount has had to be borne.

The new prices will bring in roughly £9 million a year more, or only just over a third of the industry's own estimate of the total increase in costs since last November. Evidently, the board does not quite see eye to eye with the steelmakers on all the figuring behind this estimate. Doubtless, too, the board is once more using its control over steel prices to exert pressure for further improvements in efficiency in steel making. Next week's increase is an interim measure to bring some quick and remedial relief to profit margins, not one of the full scale price reviews the board conducts every two or three years, taking into account the latest technical advance in steel making. But the decision to allow higher prices, which for the present reverses the trend in steel prices over the last three years, has not been influenced either way by the present slackening of demand for steel. In May steel output was running at only about 87 per cent of capacity—as against 95 per cent a year ago, before several new plants came in, and as against, too, the assumed operating rate of 90 per cent on which the last major review of the steel price structure was based. The rate of home orders has for several months been lower than the current rate of deliveries as the rate of stock building by steel users has run down to a virtual halt. But actual steel consumption is still held up by the high level of activity in building, industrial plant manufacture and general engineering, and motor output is now showing some signs of revival. Steel output this year is still expected to come within the predicted range of 24-25 million tons, though it may now be nearer the lower of these two figures.

### RAILWAYS

#### *The Heart of the Matter*

DR BEECHING has unerringly found the right pressure point to take the pulse of his new patient. Certainly there is room

for a profitable raising of some rail fares and charges. But not much, and certainly not enough to make much of an impact upon the present rate of loss. The higher passenger fares announced this week, for instance, are not likely to yield much more than £6 million or so in a full year. Again, there is plenty of room for cutting down manpower and hacking dead limbs off the railway network, but the potential savings here, too, are not considerable. The key to successful railways is in fact freight traffic. "Unless freight traffic receipts can be considerably increased," Dr Beeching said this week during his first public interview since becoming chairman of the Transport Commission, "the main line system will not pay, nor is it certain that it could be made to pay on any reduced yet reasonable scale." If the main line system does not pay, what hope is there for British Railways as a whole?

Of the different freight traffics, general merchandise has to be the main hope, for neither coal nor minerals traffic offers a very promising prospect. Dr Beeching has accordingly put five major studies in hand:

(i) how the railway system of freight handling could best be modified to attract the maximum amount of remunerative traffic;

(ii) the volume of traffic likely to be attracted by modifications of the system;

(iii) the pattern of traffic flows by rail and other transport to discover how much of Britain's goods traffic rail would be more suited to carry;

(iv) determination of the forms of traffic that railways do handle or could handle more satisfactorily than other transport; and

(v) costs of handling existing traffics by existing methods.

These studies may take a year or more to complete. That they have not been done already is deplorable, but no surprise.

Passenger traffic in the London area and on the main lines is buoyant but hardly profitable. So this week's increases are reasonable enough, as far as they go. Ordinary passenger fares are to go up by ¼d. a mile this autumn to 2½d. a mile (second class: the increase in first class fares will be proportionately much bigger), although the present head-room up to which the railways can go without recourse to the Transport Tribunal is 3d. a mile. Clearly it is a better risk to move only half-way and get a probable £3 million a year net, rather than to put on a full halfpenny a mile more in one go and expect to lose proportionately more customers. For the other fare increases announced this week—all railway season tickets, day returns in the London area, and on the longer journeys by London Transport—permission had to be sought from the Tribunal. Though some kind of tribunal might be justified where rail still has a monopoly—and it is arguable whether it now has one even in the London area—the decisions of the Tribunal on the com-

mission's applications for higher season ticket rates are another example of how the apparatus of control can inhibit sound commercial policy. It has endorsed the 5 per cent increase asked for on London area seasons, but postponed its introduction until next January. And it has turned down the request for a 20 per cent headroom on season rates outside London, granting instead an immediate 5 per cent increase and another 5 per cent increase next January. The future of the Tribunal's determination of railway fares is under review, according to a Government announcement last December. The conclusion ought to be forthcoming quickly.

#### BUILDING SOCIETIES

##### Sheep and Goats

MUCH of the fire that might have been expected in the debates and conversations at this year's annual conference of building societies has been damped by the decision of the Building Societies Association to recommend an increase in rates. The only matter now open to dispute is whether this increase is sufficient. Many of the leading societies have already said that they will fall in line with the recommended rates; the notable absentee is the biggest of all, the Halifax, which remains outside the association and which might be able to continue to pursue an independent line on interest rates. The increase in rates improves reserve margins and the composite rate of income tax has risen by only 1d. to

#### BUSINESS NOTES

5s. 5d. in the £. Even so, some societies have again pressed the Chancellor to relieve their surpluses from profits tax. He has resisted this pressure. The tax is a minor cause of irritation, not a major point of principle.

The provisions of the new act are now beginning to bite, notably in the case of Lloyds Permanent. In his annual report\* the Chief Registrar of Friendly Societies, Sir Cecil Crabbe, refers to this case and to others, including that of the Alliance Perpetual, dealt with under older legislation. For those who need any reminder of the shortcomings of that legislation, and of human nature, there is a separately printed appendix containing the interim and final reports† of Mr William Lawson on the affairs of the State Building Society. These investigations give added point to Sir Cecil's warning to investors "always to consider carefully before investing in societies which, for example, offer rates of interest in excess of those adopted by reputable societies generally." If a society borrows at excessively high rates it has to charge correspondingly high rates on mortgages which, Sir Cecil points out, would "normally only be obtainable where the property to be mortgaged is of doubtful security." There is one easy check that would-be investors can apply to a society with assets of more than £500,000: has it been granted trustee status by the Chief Registrar? If it has not, the investor should stay clear.

\* Report of the Chief Registrar of Friendly Societies for 1960, Part 5—Building Societies. HMSO. 4s.

† Reports of the Inspector appointed to examine into the affairs of the State Building Society. HMSO. 3s. 6d.

#### BUSINESS OPINION

##### Ups and Downs

THE latest collection of British businessmen's opinions taken by the Federation of British Industries contains some encouraging signs. A majority of the 701 industrialists who at the beginning of this month reported any change in their activity since February recorded it as having gone up. This is not surprising: the official index of production may well show some rise from its plateau when it comes to be calculated for the current period. But a confusing factor is that these FBI surveys were suggesting that output was rising, on balance, last year at a time when the index said it had levelled off.

The precise significance of the replies to the FBI's questions is hard to judge since one cannot weight them according to the importance of the individual firms, which vary from giant to fairly small. If, however, one looks, not at the excesses of those answering "Up" over those answering "Down," but at any tendency between one survey and another for the proportion of "Ups" to rise and the proportion of "Downs" to fall, then the following table

emerges; this suggests a clear change in the trend of output in the last four months:

| Questionnaire taken | Percentage reporting |      |      |          |
|---------------------|----------------------|------|------|----------|
|                     | Up                   | Same | Down | No reply |
| February, 1960      | 54                   | 36   | 9    |          |
| June.....           | 52                   | 40   | 7    |          |
| October.....        | 40                   | 48   | 11   |          |
| February, 1961      | 32                   | 48   | 19   |          |
| June.....           | 38                   | 48   | 13   |          |

The apparent evidence that stocks at all levels have again risen may also be questionable. Half the businessmen said that their stocks of raw materials were the same as four months ago, 20 per cent reported them down, and 27 per cent up; much the same picture was given of stocks of finished goods. On the other hand, the changes in the distribution of replies since February suggest a lower rate of stockbuilding, although work in progress seems, if anything, to have been increasing rather faster. (The Board of Trade's view of manufacturers' stockbuilding, published this week, is that it was brought virtually to a halt in the first quarter of this year; small rises in the stocks of materials and in work in progress, together with a small fall in stocks

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of finished goods increased the total level, after seasonal adjustment, by a mere 0.2 per cent.)

By a small majority, these businessmen felt more optimistic about the business situation than four months ago. Their rate of booking new orders was apparently higher and orderbooks slightly longer. On the other hand, 45 per cent said they were working below capacity—the same proportion as in February. Their ideas on capital expenditure had changed little: they expected to spend less on buildings in the next twelve months than in the last, but more on plant and machinery. A majority view was that costs and prices had risen, but profit margins fallen. Looking to the future, immediate demand was less of an anxiety as the prospects of shortage of skilled labour.

##### Export Pricing

TO its latest general questionnaire, the FBI attached a detailed inquiry into exports, asking for replies only from those businessmen whose companies exported more than £10,000 a year. About half of the 499 respondents, exporting between them about a quarter of their total output, felt the same about their export prospects for the next year as they had done four months ago, but 28 per cent felt more optimistic compared with the 21 per cent who felt less so. Markets in which a decisive majority felt prospects were improving were EFTA, North America, the Common Market and the Communist block countries: the black spots were Australasia, Africa and India.

According to these replies, export orders have risen in the last four months. But in contrast to the reported rise in home prices, the exporters who said prices had fallen outnumbered those who said they had risen. Nevertheless, exporters still expect that competitive pricing will be their biggest headache in the immediate future: two out of five reported it was likely to make overseas sales more difficult during the next four months.

#### MOTORS

##### BMC in Germany?

REPORTS that the British Motor Corporation is negotiating with Dr Carl Borgward to buy his option to re-purchase the Borgward car company from the Bremen municipal government have a degree of plausibility, even though it seems that there are other buyers in the field and any negotiations are at an early stage. They must, however, be concluded by the end of this month, when Dr Borgward's option to buy back the company for £5½ million expires. The Bremen city council, which took over the company from Dr Borgward last February to save it from bankruptcy, now appears to be anxious to relieve itself of the responsibility. Its aim is to assure

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## LESSON 3

THE BRITISH have many quaint customs. These must not be confused with Customs & Excise which are not a bit quaint. One custom was started at Colchester by Old King Cole when he found there was an oyster in the month. He immediately said "R!" and opened the COLCHESTER FESTIVAL. The drinking of Guinness with oysters has always been a very popular custom.



Altogether in the Floral Dance



The oysters are very fine.

**GUINNESS**  
Manners & Customs

THE FLORAL DANCE is danced in the altogether to the sound of the fiddle, cello, big bass drum, etc. Another Cornish custom is pasties which are customarily eaten with Guinness.

THE DUNMOW FLITCH is an ancient piece of bacon which they have been trying to give away for years to people who are happy in spite of being married.

Give them a Bacon to lose the Guinness.



HOUSEY-HOUSEY is an Old Army Custom. It is done by numbers, and is not at all like Crown & Anchor where players often finish up in the Glass Housey Housey.



Pencake Duff—The start of Flat Racing

Wherever you go you get

**GUINNESS**

It's a wonderful country!



continuity of employment for the workers, though it has had to dismiss 2,500 of the 20,000 already, and it has threatened to dismiss more. BMC might be interested in buying a company which provided manufacturing and assembly facilities in the northern half of the common market. If Britain did not join the common market, BMC without such facilities might be squeezed out of much of the European market; if Britain did join, they might still be a useful means of reducing the disadvantage of higher transport costs.

BMC already has an agreement with Innocenti of Milan, which provides for the assembly of its cars for sale in Italy and other common market countries; so far the A40 is the only model to be assembled there, but other models will follow and eventually it seems that BMC will supply little more than the engines. At present BMC has only two small assembly plants, operated by its distributors in Holland and Belgium, to supply northern Europe; these are hardly adequate for a major sales drive. The cost of buying Borgward is unlikely to worry BMC: it holds £30 million in liquid assets, but it has its own expansion plans to finance as well, which will absorb £55 million in the next 2½ years.

#### EXPORT CREDITS

### The Five Year Breach

THE annual gathering of export credit insurance organisations in Vienna last week was not an acrimonious one, but there must have been some poignant moments. "The meeting reaffirmed that Berne Union members would continue to co-operate in restricting any general lengthening of terms of credit beyond five years in their field of operation." The innocent may blink at this apparently sanguine extract from the communiqué: has the five-year limit not been breached wide open? But the communiqué is correct as it stands; the great point about the rule that ordinary export credits should not be insured for more than five years is that anything insured for more than five years is not an ordinary export credit. If Britain's Export Credits Guarantee Department has breached the spirit, though not the letter, of the agreement by its recent provisions for official guarantees and matching of terms covered by credit insurance organisations in other countries, those countries which led the way are hardly in a position to complain. The atmosphere at Vienna appears to have been that of quiet resignation rather than outraged protest. But the technicians in export credit insurance are certainly concerned about the blurring of the line between export credits and overseas aid, and those who are able to read so closely between the lines that they hardly see the lines at all may even find this concern reflected in the official communiqué.

#### TIN

### At the Top

THE problem currently racking the international tin stabilisation scheme is less serious but possibly more intractable than that faced in the past. The International Tin Council exercises control over prices at two points: the flow of supplies can be turned down by imposing export quotas on producing members; and the council's buffer stock manager can buy and sell in the market to the limit of his resources. In the six months from September, 1958, the screw was turned down to permit the export of little more than half members' basic quotas. Meanwhile, prices were buttressed by a further levy on members to finance buffer stock purchases. Ultimately, all that is needed to support prices at any point is a bottomless purse.

But money will not buy tin that does not exist. The council permits its buffer manager to sell tin when the London spot price is £830 a ton; at £880 a ton, he must sell. Last week a further short step brought prices to his ceiling. He therefore had his back to this wall of the council's own choosing and on Monday he was forced to sell exceptionally large quantities of tin from his reserve which might now contain less than 8,000 tons. In New York, Singapore and forward dealings in London, tin has touched £890 a ton—in the case of forward tin, close to its limit, while spot supplies are available at £880 a ton. Consumers' stocks were low at the start of the year, output in most of the main producing countries has faltered and demand threatens to swallow all normal supplies and still be incompletely satisfied. For those who see little immediate prospect of releases from strategic stockpiles there is a strong inducement to buy now. Although the buffer manager is halting the surge in prices, the meagreness of his reserve leaves him in danger of being bulldozed out of the way.

Had the international tin agreement been renewed after the recent upsurge in prices, the adequacy of the present ceiling might have received more searching inquiry. Apart from stimulating consumption (which now seems inappropriate in view of fears of declining production) and completing the symmetry of the scheme, the ceiling is little more than a douceur to consumer members of the agreement. But a stable price demands adequate supplies to cover all likely requirements, otherwise there can be no meaning in a ceiling in a free market economy. Scarcity is far more harmful to tin's competitiveness than high prices. In 1950, 1951 and 1952 peak prices paid for tin were higher than £1,000 a ton, and the rise to £1,600 a ton during the Korean emergency has evidently done no lasting damage. Some producers are calling for a higher ceiling; if consumers could be given a suitable say in the timing of disposals from the buffer stock, no ceiling might temporarily be more appropriate.

#### EUROPEAN EQUITIES

### French Bank for London

TWO German equities, August Thyssen-Huette and Bayer are already quoted on the London stock exchange and preparations are being made to quote the shares of certain leading German banks in this country. This is one sign of the City's interest in common market equities, just as the premium on the "soft" dollar is. Another was announced this week, by the merchant bankers, M. Samuel: the introduction of the shares of the Banque de Paris et des Pays Bas to the London market—the first French share and the first Continental bank to gain a London quotation since the war.

The introduction follows the usual pattern: sufficient stock will be available to meet the expected demand in London. At the outset, this is likely to come mainly from the institutions, for by British standards the price is heavy—at Fr 556 per Fr 100 nominal it is equivalent to about £44 allowing for the "soft" dollar premium—and the yield of 2 per cent is slender. But the statistical record of growth, so far as it is revealed in the bank's accounts, is strong and the yield is not out of line with the returns on the shares of London merchant banks. The proposed introduction of trading in deposit receipts at a smaller nominal value than Fr 100 may in due course lead to a broader market.

The chief attraction to British investors is that as a *banque d'affaires* the Banque de Paris et des Pays Bas has a finger in many pies in France and the rest of the common market (especially in Belgium). It is not strictly comparable with an institution in this country, for it combines the functions of a merchant bank, an issuing house, an investment bank and also a commercial bank.

#### ELECTRICITY

### Channel Current

NOW that the British half of the cross-Channel electric power cable has been laid, consumers in southern England can hope to be connected to both the French and the British super-grid systems by next winter. The attraction of the cable to the British and French electricity authorities is that the peak of French electricity demand comes at a different time to that in Britain, partly because continental time is normally an hour ahead of British and partly because of differing social habits. When British resources are strained, French power stations have capacity to spare, particularly in the winter when their hydro-electric stations can make their biggest contribution to the base-load supply. Conversely, the French will be able to take current from British base-load stations during their peak

consumption periods, especially in the summer when the hydro-electric stations often lack water.

The cable will cost £4.6 million, and it is designed to carry 160 megawatts though the Central Electricity Generating Board hopes that it will be able to take a maximum load of 200 megawatts. The capital cost of a base-load station generating 160 megawatts is about £6 million, or £8 million for 200 megawatts. But the CEGB does not build stations to take peak loads; its new stations, which are now a great deal larger than 200 mw, take the base load, and old ones are kept in for peak demand, sometimes at high generating costs. So the choice is between the cable and keeping old stations in commission. The true financial gain to the CEGB from the cable will not be in capital outlay, but in the difference between the costs of generating at its least efficient peak-loads stations and the price it pays for French base-load electricity.

#### IMPORTS

### More Goods from Japan

JAPANESE companies have lately been setting their cap at the European market for engineering and precision goods. The appearance of Japanese Honda motor cycles in the TT races in the Isle of Man last week-end was part of this bid and their success ought to help. So far, however, sales of Japanese goods in Britain have not been substantial because of the relatively small quotas permitted. Imports of cameras, radios and motor cycles are limited to £48,800 a month. In the first quarter of this year some 310 motor cycles, 8,750 cine and still cameras, and 12,500 transistor radio sets—all told worth £175,000—arrived in Britain from Japan. This is hardly enough to worry the most nervous manufacturer. Total Japanese imports came to £13½ million, of which £8 million were

## Agenda for IMF Reform

Tentatively, one may now attempt to piece together the possible form and timetable of the projected improvements in international credit facilities.

#### The Plan

THE basis of the reform, as has been clear for some weeks, will be the Bernstein plan, which is designed to bring the currencies of the countries which are gaining reserves into the Fund so that they may be lent to countries losing reserves. Each of a select number of member countries, in addition to its present paid-up quota, would accept a stand-by commitment to give medium-term credit to the Fund, to an agreed limit, when requested. But two amendments in the Bernstein plan are envisaged by the IMF administration. First, it is not intended that drawing rights should be made automatic—this would be a reversal of the welcome trend of recent years towards greater flexibility. Secondly, there is no inclination to form a separate agency to handle the Fund's new borrowing arrangements. The present design is to keep the reform entirely within the existing framework of IMF; borrowing from member countries is provided for under Article VII.

#### The Amounts

THE total amount involved in the new credit lines is expected to be in the region of \$6.9 billion. The lower figure is equal to the combined quotas of the United States and Britain, and since in the very nature of

the scheme it could hardly happen that all the new credit was called at the same time, an increase of this order would probably be essential to ensure the possibility of a major drawing even by the United States alone. The United States would be expected to commit itself to about one-third of the new credit liability; Germany is believed to have indicated that it will put down for the same as Britain—to offer more might be carrying generosity beyond the limits of diplomacy. Thus, very roughly, on a basis of \$6 billion, the United States might take a commitment of \$2 billion, Britain and Germany \$1 billion each, the remaining \$2 billion being spread among the five other common market countries and Canada, Japan, Sweden and Austria.

#### The Timetable

THE procedure of getting the plan through is likely to follow the lines of the 50 per cent increase in quotas three years ago. It is hoped that agreement on principles will be reached at the annual meeting in Vienna in mid-September. A draft plan would then be drawn up by the Fund Administration and submitted to the governors (i.e. the finance ministers). Finally, the plan would need ratification in the legislatures of many countries, including the United States Congress—which will have to be persuaded that accepting a new commitment to provide money to IMF is in fact the one way to enable America to draw money from it. Congressional action could hardly come before Easter, 1962, and Continental countries are unlikely to act first.

foodstuffs and £4.2 million manufactured goods. This latter figure compares with £3 million a year ago, the biggest increases being in cotton yarn and woven fabrics, followed by iron and steel, scientific instruments, and chemicals.

The advantages possessed by Japanese industry in cheap and skilful labour may well make it a serious competitor in certain types of manufactures such as motor cycles (of which it is now the world's biggest maker), as it already is in manufactures like transistors where the labour content is considerable. But the main threat from Japanese competition is likely to come in common export markets. The Japanese successes in the TT races may help them in the market for sporting motor cycles in the United States, which at present is the biggest export market for British manufacturers. Japanese makers have ambitious plans to ship 150,000 machines in 1961, mostly to Asia and the Americas. In January their shipments to the United

#### The Opposition

THE Continent, indeed, is the main centre of resistance to such wider arrangements. Western Germany always conscious of the need to put on a good face internationally and genuinely concerned about its external surplus, has admittedly pronounced itself fully willing. But the same is not true of France. French bankers and financial officials have expressed their doubts about the need for any increase in international credit facilities; and they stress the dangers of credit acting as a palliative, postponing the essential cure. This line of argument may sound a little surprising to those who recall the direction of much international credit in the first fifteen years after the war; but the fact is that French finance has always, in its own way, been unreservedly "sound." Another element in recent French opposition has been resentment at the undue weight of the Anglo Saxons in IMF—Britain and the United States have over 40 per cent of the voting rights. If the Continental countries in fact put up the bulk of the new credits, they may reasonably ask for a bigger voice in the direction of the Fund—for while formal votes are rarely taken, it is equally rare that someone does not do a silent count while the voices are heard.

French opposition is believed to have softened somewhat, particularly since it has been made clear that the credits to the Fund will be guaranteed in gold, so that the 2 per cent interest which is about the most that the Fund could pay would not appear so unattractive. Once the leading countries agree in principle, the technical snags that have been mentioned are unlikely to cause trouble. No one worried about Article VI, which formally disallows the Fund from lending to finance an outflow of capital, at the time of its Suez operation, when Britain was running a substantial current surplus.



## SET THE STYLE-MAKE THE PACE-WITH THE ALL-NEW CLASSIC

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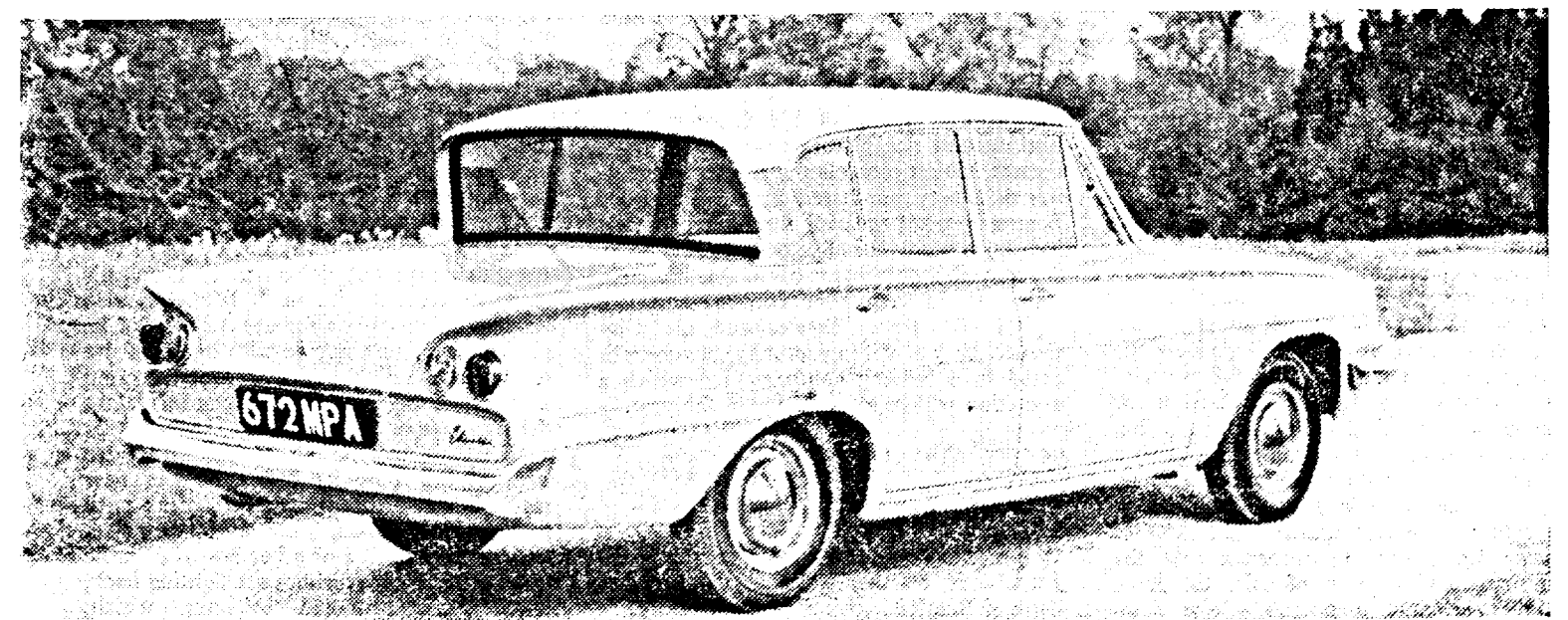
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States exceeded those from Britain, but most were lightweight motor cycles or scooters. To hit British sales, the Japanese will have to wean Americans from their fondness for large and powerful machines.

#### INSTALMENT CREDIT

##### Eurofinas

EUROFINAS, the association of European finance houses set up in 1959 to exchange views and disseminate information, held its first international conference on instalment credit in London last week. There were only thirty-four delegates from the Continent and the information they received was, on the whole, rather prosaic. Mr Ralph Harris, general director of the Institute of Economic Affairs, said that instalment credit was good and that Government controls were bad. He also backed the recent proposals for personal credit direct from the finance houses which would, he argued, reduce present risks and remove the dealers' commission; and he made a plea for more public information and statistics on instalment credit.

The conference highlight was Mr J. R. Cuthbertson advancing his thesis, discussed in *The Economist* on May 27th, that any regulation of hire purchase deposits and maximum repayment periods is likely to cause "a totally unexpected boom or slump two or three years later." His next boom year is 1962, when the three-year contracts made in 1959 and the two-year contracts made after April, 1960, run-off together, and his next slump year 1963, when he foresees a dearth of maturing car contracts. From the Treasury Mr R. T. Armstrong (who was secretary of the Radcliffe committee), kept the Cuthbertson model at a distance, saying that he was inclined to query some of its assumptions. He did agree that fuller information on hire purchase credit is needed and conceded that if this was forthcoming the Treasury might be able to improve on present methods of control. But he warned the finance houses that the possibility of official intervention is a risk that they have to learn to live with.

#### PROPERTY ISSUES

##### Test for the Tender

IN addition to such well known names as Penguin Books, Jaeger, and Tonibell, new issues of property shares have recently captured the attention of the stags. Their eagerness to buy the shares so as to sell them for a quick profit has given new life to suggestions that the traditional ways of bringing shares to the market need to be re-examined and it is not surprising that Kleinwort, Benson, Lonsdale has chosen a property share for its experimental sale by tender. The issue is a small one, of 25 per cent of the one million 5s. shares of Parway Land and Investments. At the minimum tender price of 16s. the issue would raise only £200,000. The company has investments in properties worth

£334,000 but the major part of its portfolio is made up of properties still being developed; these, when completed, will have an estimated value of £877,000. In addition properties worth £375,000 in their existing state are held for development in the future.

As with many other property companies, Parway has a link with an insurance company; the Royal Exchange, which owns 11½ per cent of the Parway equity, has agreed to take up debenture stock to a maximum of £3 million. Clearly it is difficult to assess the worth of shares in this type of company but the backing is sound. On the minimum dividend estimate the shares yield about 3 per cent and the issue may attract sufficient applications at, say, 1s. above the minimum price. To protect any rash people from impetuosity, all the shares will be issued at the lowest accepted price and if applications are received for less than the total number of shares offered the price will be the minimum of 16s. per share. Hedged about by proper safeguards, this should provide a suitable test for sales by tender; but the real test is not the number of applications which are received but the price the shares fetch in early dealings. If the shares then jump well above the tender price, this method, though it is of advantage to the issuing client, would be shown to be no more successful than more straightforward offers in checking excessive exuberance in the market.

Two offers in the traditional form have been made this week. The first—one million 5s. ordinary shares in Holloway Properties at 14s. per share—has been heavily oversubscribed. Unlike most other property offers the issue price represents a sizeable discount on the net asset value of 17s. 9d. The company's properties are mainly in London and net profits from them are expected to rise by 50 per cent over the next seven years. A smaller issue from Stem Properties at 7s. 1½d. has also been well received; by far its biggest property is the new Imperial House at Harrow, which is let partly to Northern Assurance and partly to Kodak. Other property issues are in the pipeline. One of these will eventually arise out of the deal between City Centre, the property group of Mr Clore and Mr Cotton, and the private company, Samuel Estates, which controls the London properties originally purchased by the first Lord Bearsted. Half the capital of this company has been sold for 850,000 City Centre shares; the merchant bank, M. Samuel, says that the remaining half of the share capital of Samuel Estates and the City Centre shares will eventually be consolidated in a holding company, for which a quotation will be sought later in the year.

#### SCOTTISH BANKING

##### Deposit Problems

MR DAVID ALEXANDER, general manager of the National Commercial Bank of Scotland, points in his presidential address to the Institute of Bankers in

Scotland to an objection to special deposits which is more widely recognised among bankers now than when they were introduced—the difficulty of removing them "without showing a green light stronger than the authorities may consider fitting." Mr Alexander is concerned generally with the ability of the banks to attract sufficient deposits to meet the needs of the growing Scottish economy. Now that investment holdings are no longer excessive, increases in advances are largely dependent on increases in deposits. Where are these to come from? The budget estimates hardly allow for an increase in bank deposits this year, and Mr Alexander lays emphasis on the competition for deposits and the greater interest-consciousness of the public. This has produced an increasing leak to the National Debt Office in the circle of credit, with the general public making increasing use of the Trustee Savings Banks and National Savings and the business community investing in Treasury bills and Tax Reserve Certificates. Forget about the business community, Mr Alexander advises: the best source of new money is the wage-earner, who now controls about 40 per cent of national income. He must be taught the benefits of having a bank account. A flexible charging system has already been introduced in Scotland. The next step, Mr Alexander suggests, may be evening opening in certain areas, coupled with a five-day week for bank staff in rotation. In this respect the Scottish bankers, for whom competition from the trustee banks is stiff, seem to be well ahead in their ideas.

#### AIR TRANSPORT

##### BOAC's Traffic

BOARD of Trade appeals to the United States government not to press its efforts to send American traffic by American transport have special urgency for BOAC which carries substantial numbers of American passengers and which finds itself, not for the first time, with too many seats and too few people buying them. The corporation itself drew attention this week to the fact that its new fleet of 15 Boeings has increased its North Atlantic capacity by 50 per cent, while the traffic carried has risen by only 10 per cent. Every airline taking delivery of a new fleet expects capacity and traffic to get temporarily out of phase and tries to space out deliveries to keep this disparity to a minimum. BOAC is also unlucky in its timing for the delivery of its fleet happens to coincide with one of those unpredictable dips that recur every so often in North Atlantic air traffic. But this is not the whole story.

BOAC is making an audacious bid to capture not only its own share of new traffic but also that of other airlines; until total traffic expands, it can fill its new fleet only at the expense of other North Atlantic operators. Those airlines are fighting back, notably Trans-World Airlines which, revived by new management, has regained

on  
the  
spot

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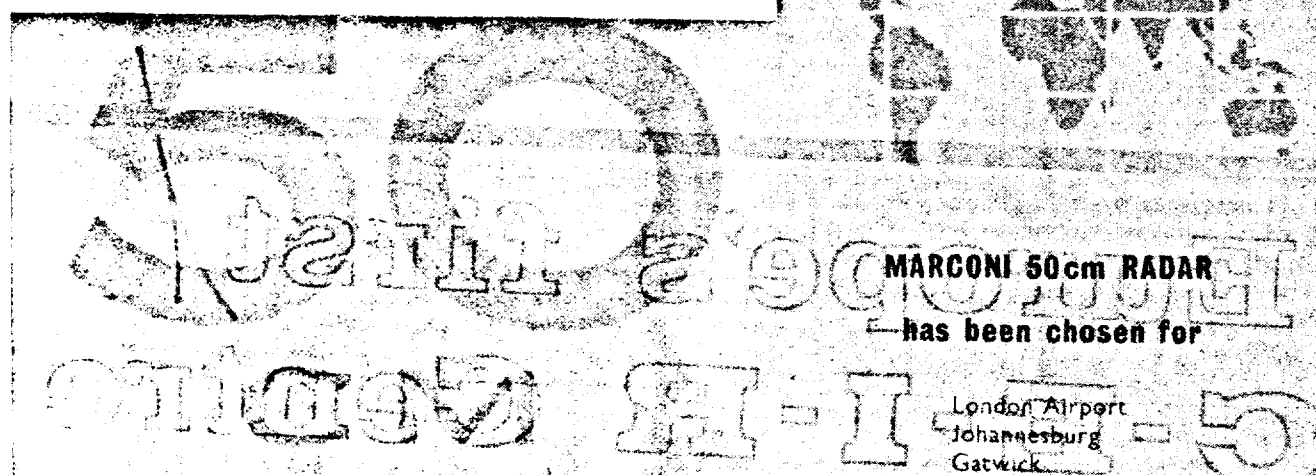
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from BOAC its traditional position as second in the North Atlantic league table. It would be unreasonable to criticise the board of the corporation for wanting to make BOAC big, and it is perfectly proper for BOAC to set its sights on recapturing the ground lost to other airlines in the years that followed the loss of the first Comets. This is the target that decided the size of the present fleet. BOAC's present problem is to make up this lost ground quickly and against strong competition.

### AVIATION INSURANCE

#### How Risky are Jets?

IN three years of commercial jet flying, there have been more than 40 accidents, with 12 aircraft totally destroyed. Even if

a large jet is only damaged, the cost can be very high; when a BOAC Boeing 707 ran off the runway at London Airport at Christmas the underwriters had to pay out £500,000. Last winter, the first of intensive operation by jet aircraft, cost insurers \$30 million; total jet claims have reached nearly \$70 million. There are now 500 jet aircraft in service and another 200 are scheduled for delivery by this time next year.

These figures were given by Mr A. B. Hunter, Principal Surveyor of the British Aviation Insurance Company at the annual meeting of the International Union of Aviation Insurers at Montreux which was attended by representatives from 22 countries. If the present "wrecking rate" of one jet per 100,000 hours flying time is not reduced, there will, on the average, be a crash every 15 days when all the new jet aircraft now on order are flying. On this

footing, accidents to jets during the next twelve months could cost insurers a further \$70 million. In fact, Mr Hunter expects that the accident rate will be brought down to not more than one crash for each 150,000 hours flying time, though he does not think that many airlines will approach the safety record for piston engined aircraft of one accident in 500,000 hours flying time (this would hardly be reasonable, since the jets cover so many more miles in the same time); at best, jets might do half as well.

Lloyd's underwriters, who share the British aviation insurance market with the insurance companies, and were in the red for this business in each of the latest three years for which their accounts have been published, were said to be involved in a tussle with BOAC recently over the premium quoted for continuing the insurance of its fleet of Boeing 707s and Comet 4s. These insurances were ultimately renewed, after rumours that BOAC was considering the pros and cons of running the risk itself.

### COCOA

#### Will Consumers Revolt?

BUYERS have swallowed the bulk of West Africa's gigantic cocoa crop, though a lot more rumbling may be heard as it disappears down the pipeline. The largest part of the crop is normally shipped in the first half of the year, but exports appear to be behind schedule though they are now picking up. The arrival of the remaining cocoa in consuming countries will be a stiff test for prices, which have already fallen to £175 a ton for spot supplies of Ghana cocoa and are, after a short-lived rally, therefore again within about £20 of their lowest level since 1947. Manufacturers seem less willing to swallow the stabilisation scheme which is a by-product of the third successive rise of about 130,000 tons in world cocoa production. Governments decide whether to support this kind of scheme on something wider than sectional considerations, but American manufacturers are openly opposed to it; in Germany and Holland manufacturers are probably no less adamant.

Britain and France might give the scheme a warmer reception for the sake of their political links with producers. But though international stabilisation schemes do function without the participation of all major consumers, the defection of the three biggest consumers would cripple a scheme for cocoa. An assurance that non-member producers would not be allowed to increase their exports at the expense of members seems essential to a system of export quotas. Work starts on drafting an international cocoa scheme based on this system on Monday. A prominent American manufacturer has already dragged a red herring across its path by suggesting a rival system based on large funds mainly for sales promotion. When the point of ratification is

### Visiting Day at Farnborough

IT is six years since the Royal Aircraft Establishment at Farnborough held an open day for visitors. After the Sandys axe cut the development of new military aircraft, Farnborough had little to show and no money to push back the frontiers of flying knowledge. Research into systems of air traffic control and blind landing, however, continued, and here the RAE is, for the time being, the acknowledged world leader.

In the last year or so, Farnborough's prospects have brightened and scientists have new money and apparatus to spur their research. An open day on Friday last week demonstrated the RAE's recovery, much of it concentrated on the space satellite, and the supersonic airliner. These are still acts of faith; no decision has been taken to send Britain into space or into the supersonic airliner business.

Farnborough has done a great deal of work on the kind of satellite required for a world-wide system of space communications, its power supplies, its steering equipment (a communications satellite has to be jockeyed gently into a precise orbit after the rocket puts it roughly where it is needed) and its electronics. The engineering of these satellites is tricky if the communications links are to give high performance. Farnborough teams have been working hard on these requirements with no assurance that their efforts will be used. It is not certain that Britain will go into space; or that, if Mr Thorneycroft's space club is formed, the European members would accept Farnborough's ideas about how it should be run.

This feeling of all dressed up with nowhere to go affects those departments working on supersonic research rather less. But they have frustrations of a

different kind, in that the work they are now doing should have been started several years ago to be of help to the government now. It is vital, for example, to know how long an airliner's structure could be expected to stand up to repeated heating and cooling involved in supersonic flying. Alternating loads of this kind are far more weakening than high temperatures alone—"thermal fatigue" is a major threat to supersonic airliners. But neither Farnborough nor research establishments in the United States have much data on this. Plant to carry out the tests is not easy to build, and Farnborough has only recently been able to order apparatus for them. The tests themselves cannot be hurried; it is reckoned that 31 years would be needed to reproduce in the laboratory the effect of ten years of airline operation (or 30,000 hours of civil flying) which is the minimum life that the airlines need. These tests will determine whether a supersonic airliner can be built at all, and of what materials.

So far, Farnborough's supersonic research has been concentrated on the behaviour of light alloys and titanium, based on the premise of building an aircraft flying at twice the speed of sound. This research shows that these materials present difficulties and the RAE is, fortunately, just starting to investigate the alternative of a steel aeroplane, intended to fly at three times the speed of sound. Farnborough should be allowed to explore the alternatives dispassionately and compare the results, studying both types and different materials. The RAE should be treated as the judge, with the right to call and cross-examine witnesses. It should not be put in the position of a barrister with a brief to argue a given case to win.



eventually reached, there may not be even the qualified support among consumers that there was for setting up a drafting committee.

OILS AND FATS

Seeds of Change

For seed crushers 1960 was a bad year. At the seed crushers' congress held in Stockholm last week, the president of their association suggested a way in which they might improve their lot. Mr Guy Chipperfield blamed crushers' conservatism for the relatively slow progress of flexibility in the use of raw materials. To prevent speculators holding them to ransom, he suggested that minimum requirements of raw materials for which there is no ready substitute be reduced and, where feasible, synthetics or other materials introduced. But in his review of world oil and fat supplies, Mr J. C. A. Faure of Unilever shows that there is already a far higher degree of flexibility in Europe's intake of coconut oil, which reacted sharply to high prices in 1958 and 1959, than in consumption in the United States where it is used "mainly for specialised purposes." American imports of copra and coconut oil were completely unaffected by the steep rise in prices.

A fall in the price of most oilseeds was at the root of the sharp decline in crushers' profits last year. But it appears from Mr Faure's figuring that because of lower prices the equivalent of 400,000 tons of oils and fats were added to stocks in Europe. However, for most of the year, groundnuts, normally the chief constituent in margarine, were too expensive to process while cottonseed and soyabean oil could be imported as a cheaper substitute. This year, the continued rise in soyabean prices temporarily made the extraction of soyabean as well as groundnut oil uneconomic. In Britain there is also surplus capacity for the manufacture of animal feeding stuffs. At the congress, Mr Chipperfield put his finger on a possible solution. Most of Europe's livestock is badly nourished judged by standards elsewhere. France and Germany could increase their consumption of mixed animal feedingstuffs fivefold; Italian stock could stand a tenfold improvement. But any rise of that order would probably be partly reflected by even greater pressure by butter on margarine sales.

According to Mr Faure, European butter consumption will rise again this year at the expense of other fats and oils. He estimates that consumption in Britain will rise from 435,000 metric tons to 459,000 tons, while margarine sales will contract to 356,000 tons. He forecasts an increase of about 500,000 metric tons to 32.6 million tons in world production of all fats and edible oils in 1961 and a further rise of between 1 and 2 million tons next year. Despite the growth in total consumption throughout the world average consumption has remained

BUSINESS NOTES

virtually unaltered at about 24 lbs per head per year. But European crushers depend almost entirely on extra-European supplies of raw materials and could one day find themselves in difficulties. The only suc-

THE ECONOMIST JUNE 17, 1961

cessful crop introduced into Europe appears to be a limited amount of rapeseed produced in Sweden. Mr Chipperfield suggests an effort should be made to develop other seed strains for cultivation in Europe.

SHORTER NOTES

The scrip issue which is to follow the proposed one for ten rights issue at 130s. a share by Hudson's Bay is to be on a one for one basis and not as stated last week on a one for ten basis. Thus with the shares at £10½ the equivalent ex all price is 99s., giving a yield of 3½ per cent on the assumption that the current trading dividend is scaled down to 12 per cent and the tax free distribution from land sales to 2½ per cent.

According to the Board of Trade's provisional estimates, capital expenditure of manufacturing industry rose some five per cent in volume, after seasonal adjustment, in the first quarter of this year, thus reversing the slight dip in the previous three months. Expenditure by "other industries and services" was one per cent higher.

The three leading British fertiliser firms, Fisons, Imperial Chemical Industries, and Shell Chemical, have all cut their prices in the past week. First Fisons cut the price of its 41 compound fertiliser by 7s. 6d. a ton. Then ICI reduced the prices of its compound fertilisers by £1 a ton, apparently making them rather cheaper in relation to fertiliser content than the Fisons brand, and cut the price of nitro-chalk by 21s. 6d. a ton and of sulphate of ammonia by 12s. 6d. a ton. Finally Shell has taken 23s. 6d. off the price of Nitra-Shell, its brand of nitro-chalk, and 30s. a ton off its compound fertilisers.

Tate and Lyle is to reacquire its former subsidiaries, Tate and Lyle Investments and Silvertown Services. For every eight shares of Tate and Lyle Investments and every ten shares of Silvertown Services three Tate and Lyle shares are offered. Existing Tate and Lyle holders are to receive a one-for-ten scrip issue on their holdings and the directors forecast a maintained dividend of 12 per cent on the bigger capital although profits are likely to be lower.

Sir George Albu, the chairman of the General Mining and Finance Corporation, says that the fall in market values has cut the value of the corporation's portfolio from £22 million to £17½ million in less than twelve months; Sir George declares that it

will be increasingly difficult to raise fresh risk capital, particularly from those overseas investors who in the past have played such a vital part in South Africa's growth.

Vauxhall has announced that it has modified its plans to build a new commercial vehicle factory at Ellesmere Port on Merseyside. The factory will instead be a machine shop: Car and commercial vehicle assembly will remain at the present factories in Luton and Dunstable. About 4,000 people will eventually be employed at Ellesmere Port; the new factory, of one million square feet, will start production early in 1963.

Four trade agreements were declared void by the Restrictive Practices Court last Monday, the associations concerned having decided not to defend them. The associations were the British Radio Equipment Manufacturers' Association, the Leicestershire Granite Association, the National Federated Electrical Association, and the Reinforcement Conference.

International loans to the Sudan totalling \$51½ million have been arranged to help finance construction of the Roseires Dam on the Blue Nile. The World Bank is providing \$19½ million for a term of 25 years, with interest at 5½ per cent; the International Development Association is providing \$13 million repayable over 50 years, free of interest—the same terms as in IDA's first loan to Honduras; and the Kreditanstalt für Wiederaufbau of Germany has agreed to a long term loan of \$19 million.

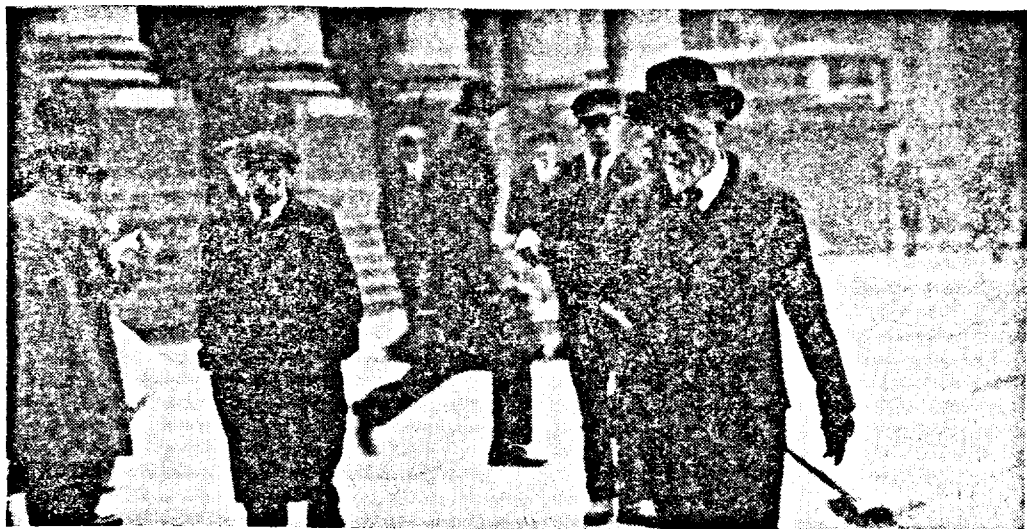
**COMPANY AFFAIRS**  
Comments on pages 1310, 1311 and 1314 on:  
Boots Pure Drug    Marks and Spencer  
House of Fraser    Smith's Potato Crisps  
Tesco Stores        Arusha Industries  
Dollar Land        Steel Company of Wales  
United Sva Betong   Wall Paper Manufacturers  
Booker Brothers, McConnell

**LONDON AND NEW YORK**  
Stock prices, yields and security indices on pages 1312 and 1313

**LONDON STOCK EXCHANGE**  
The week's movements reported on page 1314

**MONEY AND EXCHANGES**  
Money market report, exchange rates and public finance on page 1315

THE ECONOMIST JUNE 17, 1961



Montagu Norman enters the Bank

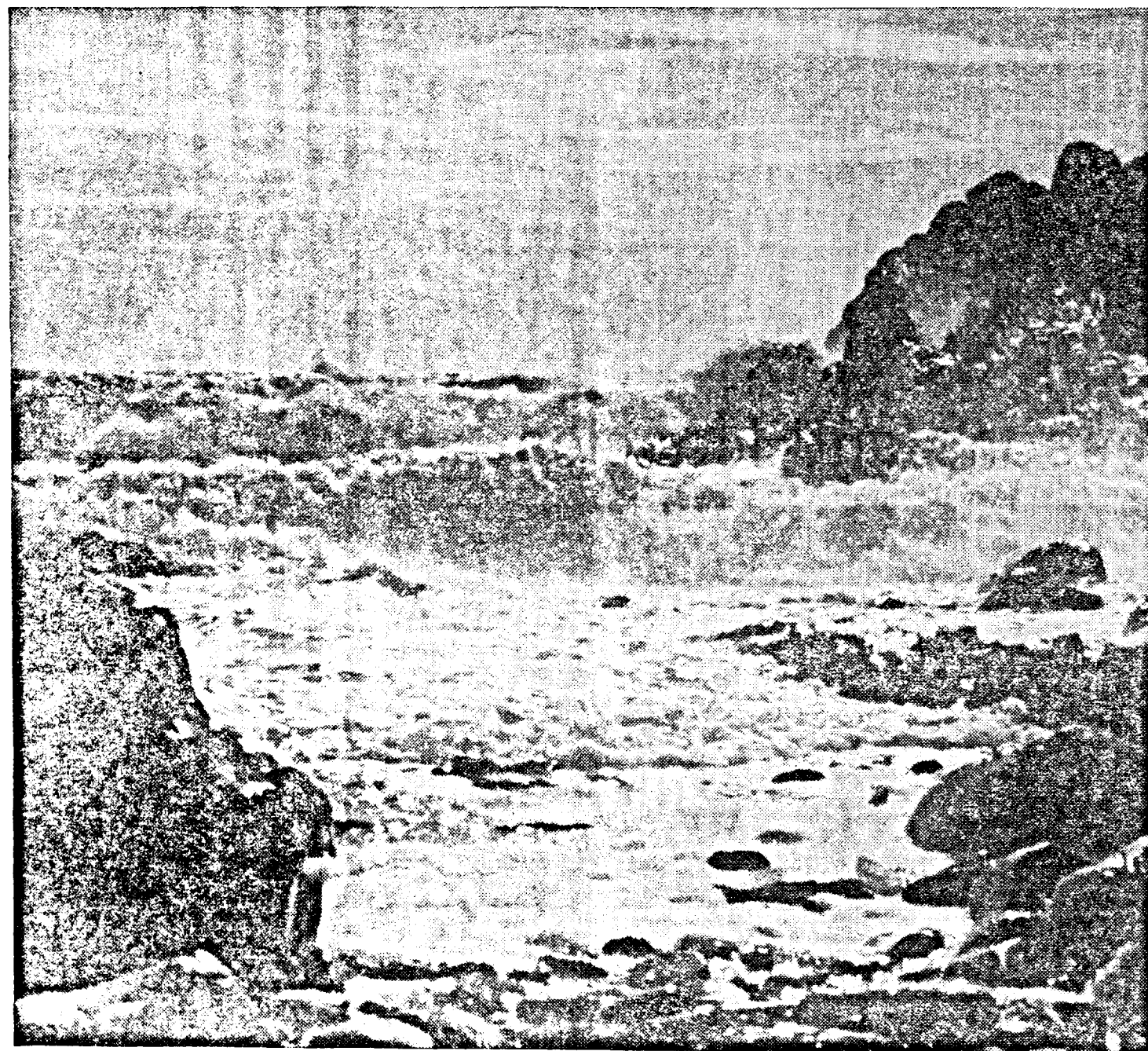
Lessons and legacies



IMF in session

30 years after

|                          |                  |           |
|--------------------------|------------------|-----------|
| Unrepeatable Folly?      |                  | page 1265 |
| The World that Tumbled   |                  |           |
| Why it Happened          | E. Victor Morgan | 1268      |
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| The Trouble About Money  | George Schwartz  | 1282      |
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The phobias and the prejudices, the lessons and the warnings that emerged from the great collapse remain a powerful influence on the economics and politics of the present day—though their relevance to current disturbances in the exchange markets is the precise opposite to that which would occur to the scaremongers.

It was clear from the start that Britain's departure from gold in September, 1931 had momentous implications—"The End of an Epoch," *The Economist* promptly proclaimed. It was the end of the attempt to carry the nineteenth century into the twentieth, to pretend that the Great War and the convulsions that followed it had never happened. It was the end of the attempt to pretend that finance could manage itself. Inevitably, the bankers suffered greatly in prestige and standing for having held to that pretence, and not surprisingly, the reaction from the gold standard carried policies to other extremes. Attempts at insulation from the evil influence of the international economy led to exchange controls and tariff protection—protection which is widely recognised as a major cause of uncompetitiveness in parts of British industry today; while determination to avoid a repetition of the awful unemployment of prewar years has gravely compromised postwar attacks on inflation, at least in those countries which have never experienced a real inflation—and this is the other major handicap to the postwar progress of Britain's economy.

Yet, if there is such a thing as a long view that can brush aside one great depression and one great war, 1931 had its positive side. This was the time when it was finally established that to obtain the real benefits of *laissez faire* a society could not apply it to economic management; and that such management had to extend to international finance. The revolution is still not complete. The world was not ready for Keynes's currency plan at the end of the war and is not ready for its successors today. How well we cope with the economic and financial problems of 1961 still depends, in part, on how well the responsible officials, the bankers and the public have yet absorbed the lessons of 1931.

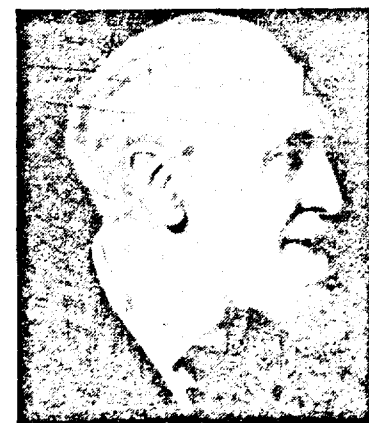
## Unrepeatable Folly?

**M**OST of the men who are in today's topmost positions in British industry, commerce, finance, education and the public service were already of voting age in 1931; and the great majority of them must have voted in that year for a government dedicated to the proposition that it was sensible to try to economise one's way out of a recession. Indeed, to be fair, they had no real alternative to doing so; for the outgoing Labour ministers also believed that economies were the right course for the country, but preferred (as Sidney Webb frankly admitted) that the Conservatives should incur the odium of imposing them; while the Lloyd George Liberals, the only other real opponents of the National Government in the general election of October, 1931, were not so much opposed to the economies as to the measures of import restriction which would have made it easier to go over to the obviously much more desirable policy of reflation.

Does all this mean that there has been an enormous advance in the last thirty years in the economic knowledge, sophistication and administrative nous of democracies? Or was the only real difference of degree in the scale of the problems that most governments in 1931 happened to have to face? Could we really be sure that modern politicians and economists would handle the problem of world depression if it reappeared—with much more skill than, say, they handled the opposite and in fact slightly less difficult problem of world inflation

when it appeared just after the war? In looking back in this survey to the story of 1931, this is the nagging question that must keep recurring.

The first point that emerges from a study of old newspaper files is that the political parties thirty years ago were already more nearly Keynesian in their attitude to domestic economic problems than most modern critics grant. At the preceding general election in 1929 the Liberal party's programme of large-scale expenditure on public works was really a remarkably good one; Labour's programme was an only slightly woollier version of the same thing, and even the Conservative programme was not utterly asinine. But when the Labour government came to office, with Liberal support, it was faced by Wall Street's collapse during its first four months of office; and during its first year British unemployment soared upwards to well over the 2 million mark. Labour's programme of public works, drawn up in its first



Mr Governor: 1920-1944



few months of power, concentrated only on works that would be productive and economically sound. One minister in charge of part of the programme, Sir Oswald Mosley, Labour's Chancellor of the Duchy of Lancaster, immediately proposed that the programme should be vastly expanded, with orthodox considerations of economic soundness thrown away; in view of all that has happened since, it is not surprising to note that he put forward his views with an intemperance of language, a wildness of threat and arrogant mien, and some appendages of utter economic balderdash which did his basically sensible cause of deficit finance considerable harm. By the end of 1930 the main supporters of the new Mosley manifesto were the wild and ageing A. J. Cook, the young and even wilder Aneurin Bevan, the politically angular John Strachey and the mercurial W. J. Brown; it was not easy for anyone who cherished a reputation for some degree of economic uncrankiness to say anything which might appear to put himself in that galley.

But while it is understandable that the alliance of politicians, civil servants and "sound" outside minds which generally rules England did not go Mosleyite, was it a sign of its quite exceptional stupidity at this time that it went so far the other way? Why was it that by the beginning of 1931 the idea had begun to spread that the emerging deficits in the budget and the unemployment insurance fund—which we now regard as a natural and desirable consequence of recession, which need indeed in a real recession to be artificially increased—must instead at all costs be expunged? Once again the initial arguments for this were not extreme and reactionary ones, but were couched in moderate language of terrifying plausibility. The catalyst was the publication in January 1931 of the Treasury or "Hopkins" memorandum to the Gregory commission, on the subject of the deficit in the unemployment insurance fund. The Treasury agreed that "the State has every year to borrow large sums for various productive purposes." But it warned that "this additional borrowing (in the finances of the unemployment insurance fund), for purposes other than productive," was coming to be regarded by suspicious speculators abroad as something which "called in question the stability of the British financial system." Sir Richard Hopkins's memorandum was published at a time when a run on sterling was being mounted across the exchanges; it was on the heels of this that the Liberals proposed, and the House of Commons with near-unanimity passed, the motion setting up the ill-fated May committee to inquire what should be done.

Even at this stage, despite the mounting run on the pound,



For  
Reflation:  
Oswald  
Mosley  
in  
1930

(in order to restimulate activity) but to have put interest rates up (in order to attract funds from abroad). However, the 1960s can hardly sneer at the 1930s about this, for the lesson of when to use fiscal policy and when to use monetary policy has not been properly learned by government economists even now. The result in 1931 was that by the time the May report was published in July the run on sterling was at its height. The signatories of that report conceived it their duty to lay on their warnings about the need for a tough policy, in order to restore foreign confidence in the pound, with a very thick trowel indeed. The result, of course, was that their dire warnings of the perils ahead caused the flight from sterling to redouble in the week after their report came out. This sort of development—a "tough" speech by a Chancellor during a crisis leading to panic assumptions by foreigners that a British crisis is even worse than they had supposed—has also not been unknown in the postwar years.

The most sensible comment at the time came from Sir Hubert Henderson, the (generally anti-Keynesian) economist, in a memorandum to the Economic Advisory Council of which he was secretary. The May report, he said, "is in many ways unfair, and coming at the present juncture most unfortunate." But:

if after this has been said so authoritatively, and with so much publicity, nothing, or nothing substantial, is done along the lines indicated by the Committee, the conclusion will be widely drawn that sterling is doomed, and, having regard to the weakness of the position of London, it would prove impossible in my judgment to maintain sterling at parity throughout the ensuing year. The ill consequences of an abandonment of the gold standard can no doubt be exaggerated; but they would be formidable and enduring; and I cannot think that the time has yet been reached when we should reconcile ourselves to so serious a step. But I feel convinced that an indispensable condition of maintaining

Mr MacDonald's government and the country did not go over to the full and foolish rigours of orthodox finance. The budget of April, 1931, was an essentially neutral one, and Bank rate was kept at the low figure of 2½ per cent until late July as a deliberately reflationary measure. Looking back, it would surely have been wiser to have run a large budget deficit

the gold standard is that we should go, not necessarily the whole way, but at least the greater part of the way, towards bridging the gap in the Budget indicated by the May Committee.

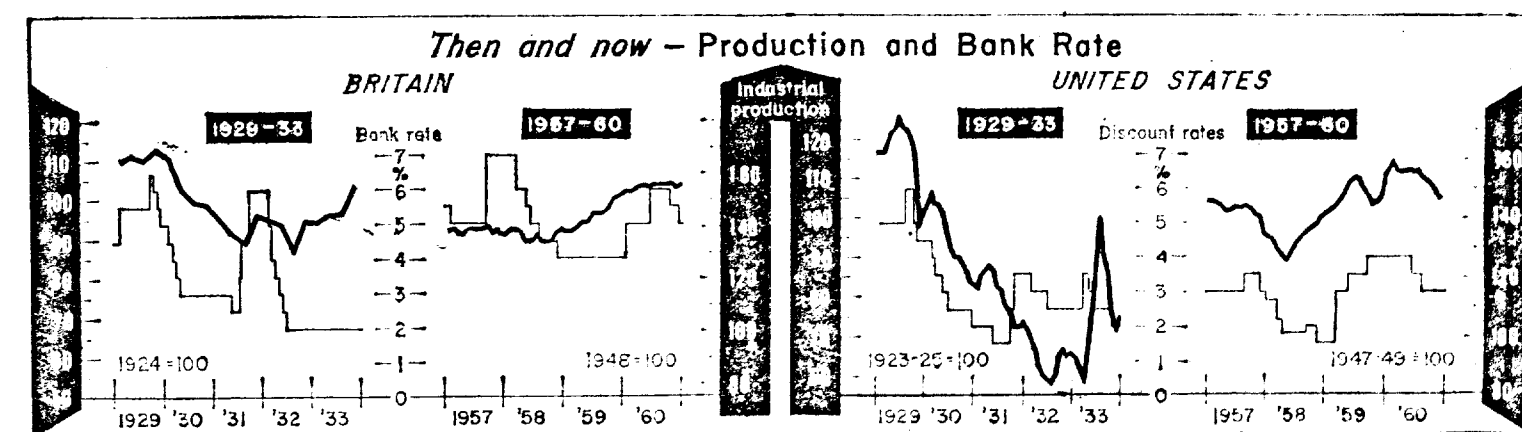
This, in effect, was the view supported by nearly all the responsible politicians in the country. It is too often forgotten that a majority even of the Labour cabinet voted with MacDonald in favour of economy cuts. As for the Liberals, it seems to have been Sir Herbert Samuel who did most to persuade King George to call upon MacDonald to remain as Prime Minister of an economising government. He wrote later: "We [the Liberals] deprecated a purely Conservative government as we thought that it would have great difficulty in securing popular support for the necessary measures." Thus Britain was given and soon voted overwhelmingly in favour of a National Government under which, despite a depreciated pound, unemployment rose to over the 3 million mark.

SUCH, then, was the sad, mad story of 1931. Could we ever be so inept and so inexpert as to let it happen again? That question, perhaps, subdivides itself into two others. First, can we be sure that the free world economy will continue for ever on its present course of secular boom, so that "recessions" merely take the form of a temporary cessation of growth—instead of something much more horrid? The problem of why and how some countries get into a stage of secular boom, others of secular stagnation, and others (though this has happened to no major country since the war) of a trend towards secular downturn, has never been satisfactorily answered by even the cleverest of economists, either before 1931 or since. It follows that nobody can say with absolute certainty that all governments would always spot the occasion when an apparently small initial recession might strike a country just as it was moving from one stage to the other—and then dramatically snowball into a depression. No country since the war has had to face the sort of situation which confronted Britain's Labour government after 1929's Black Friday, when almost any prepared programme of public works was likely to be overwhelmed. It follows that nobody can be sure that a recession might not temporarily break through prepared defences again, and for a short time thrust a very large number of people into unemployment.

Secondly, however, if this did happen, would compensatory measures then promptly be taken—or might some country, even at the bottom of a recession, feel obliged to hold back from reflation because it was afraid for the stability of its rate

of exchange? On a narrow view, it might seem possible to give an unoptimistic answer to this question too. The problems that did the most damage in 1931 are still those that free societies have done least to solve. Governments still seem to be extraordinarily unskilful in assuming that the right measures to stop a run on the pound must always be those that will do most to depress industrial production; purely speculative movements of funds are still allowed to exert too large an influence on the stringency (or buoyancy) of Chancellors' internal policies; and whenever proposals are made to cure this by increasing the liquidity of the international trading system, the "soundest" men within the financial establishment are always regarded as being those who speak up only for the most picayune and conservative reforms. But on a broader view one can be less gloomy. There has been an obvious change in domestic political attitudes since 1931. If a country were carrying two million unemployed it would be much less frightened nowadays of letting its exchange rate depreciate; a large part of the fears that swayed Britain thirty years ago were based on a complete misunderstanding of what had happened in Germany in 1922-23. And, however disappointingly small the reforms in world liquidity so far, there has been an obvious change in international financial attitudes too; if any country reached the stage of Britain in 1931, the IMF would quickly mobilise large stand-by funds to support it instead of leaving one of the world's major trading nations at the mercy of a purely commercial calculation by Messrs. J. P. Morgan.

But the tragedy of economists' ineptness in 1931 was threefold. It issued in a decade which, first, threw millions of people on to the scrapheap of unemployment for long weary years; which, second, wasted a period that should have been used for a great programme of national and international development; and which, thirdly, at least partly through the disillusion and wastages thus caused, came within an ace of delivering the free world to Hitler. If one asks economists at the gate of the 1960s whether they think that governments know how to avoid the first misfortune, the answer—now that Keynesianism has become more codified and respectable—is probably yes; if one asks whether they can be quite sure that governments know how to avoid the second and third misfortunes (with Hitler's role now shifted eastwards), the answer must be much more tremulous. This, in itself, provides a good reason for looking closely in this survey at Britain's experience in 1931, when free mankind made all three mistakes at once.



The idea that interest rates should rise and fall with the business cycle is not entirely new

# Why It Happened

By E. VICTOR MORGAN

*The fundamental weakness in the gold standard of 1925-31:*

LOOKING back on the monetary history of the nineteen-twenties, one of the most surprising features is the unanimity with which economists and bankers, politicians and businessmen accepted the desirability of a return to gold at prewar parity. During the First World War the legal form of the gold standard had been carefully preserved; both Bank of England and Treasury notes were legally convertible into gold (though in practice conversion was discouraged and was hardly ever attempted); there was no legal embargo on gold export, and actual exports were restrained only by the pegging of the exchange and by war risks. When, at the end of the war, it became necessary to choose between banning the export of gold and suspending the convertibility of the note, the decision was to sacrifice the substance of the gold standard in order to maintain its form; notes remained formally convertible, but gold export was prohibited. In 1918, the Cunliffe Committee, headed by the Governor of the Bank of England, had reported that, "in our opinion it is imperative that after the war the conditions necessary to the maintenance of an effective gold standard should be restored without delay"; and in 1925 the Bradbury Committee, headed by a former chief of the Treasury, stated that, "as a practical present-day policy for this country there is, in our opinion, no alternative comparable with a return to the former gold parity of the sovereign."

When opinion is unanimous there is no need for argument, and so the literature of the time does not go deeply into the reasons for the allegiance to gold. It appears, however, to have been inspired partly by a fear of inflation and partly by the desire to provide a stable basis for the expansion of overseas trade. Both these points are made by the Cunliffe Committee:

Unless the machinery which long experience has shown to be the only effective remedy for an adverse balance of trade and an undue growth of credit is once more brought into play, there will be grave danger of a progressive credit expansion which will result in a foreign drain of gold menacing the convertibility of our note issue and so jeopardising the international trade position of the country.

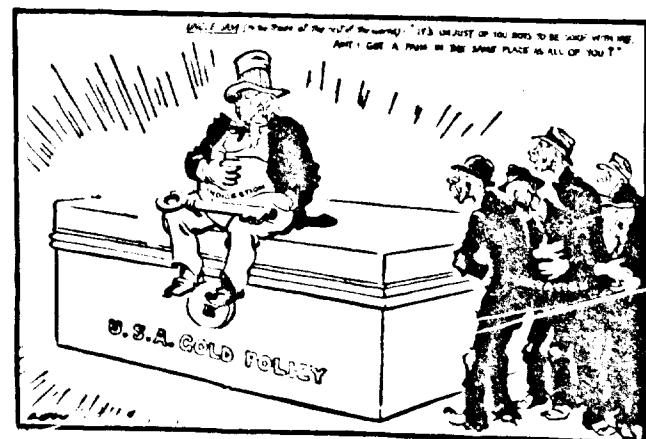
The fear of inflation, confirmed by the experience of Germany and other European countries in the early nineteen-twenties, persisted for many years as an obstacle to rational policies to combat depression. Meanwhile, by 1924, Britain had achieved something like its prewar share of world trade, and it seemed reasonable to argue that continued unemployment in the export industries was

due not to their lack of competitive power, but to the slow growth of world trade as a whole. It was generally believed that instability of currencies was the major obstacle to the growth of trade, and so it could be argued that the re-establishment of the gold standard was a positive step towards expanding employment in Britain. For reasons such as this, the return to gold was welcomed by most of the business and commercial world, including the Federation of British Industries.

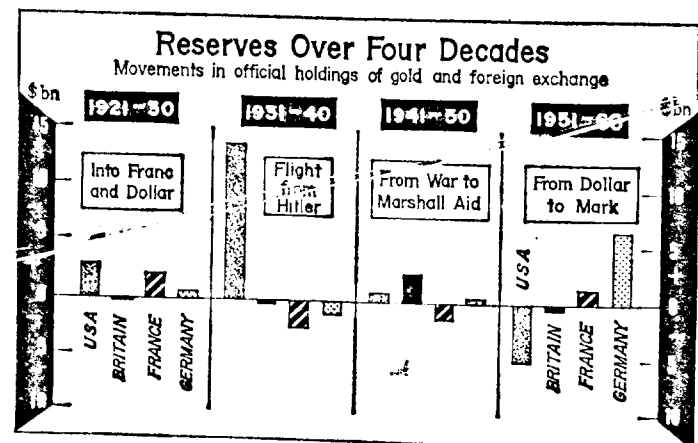
## One Lone Voice

Almost the only consistent opponent was Keynes. In the "Tract on Monetary Reform" (1923) he pointed out that under a gold standard circumstances might arise in which the country might be forced to sacrifice stability of domestic prices to stability of the exchange value of sterling. He regarded price stability (i.e. keeping prices up) as the more important objective, partly because he already realised far more than most of his contemporaries the difficulty of bringing prices down without creating prolonged unemployment. Hence he advocated a "managed" currency operated so as to give the greatest possible degree of price stability, and a fluctuating exchange rate. If, however, the politicians were determined to return to gold, Keynes argued that the realistic value for the pound in 1925 was not the prewar \$4.85 but about \$4.40.

The problem of re-establishing the "right" value of a currency after a period of great upheaval is always a difficult one and, even in retrospect, it is impossible to say precisely how much sterling was over-valued. The actual course of the exchange in the few months before April, 1925, is no real guide, as it was influenced both by interest differentials between London and New York, and by speculation. Index numbers of general purchasing power are of little use as the prices of goods which are not traded internationally can vary widely between countries; on the other hand, the prices of staple commodities entering into trade adjust themselves very quickly to exchange variations, so that a comparison of such changes can never reveal the full extent of disequilibrium. Keynes contended that the gold price of labour was the best indicator and, on this basis, he maintained that the return to the prewar parity raised British costs, in relation to their prewar level, about 10 per cent above American costs. On any reasonable basis of comparison, it appears that sterling was slightly over-valued in terms of the dollar and rather more substantially in terms of the German mark; moreover, France, Italy, Belgium and some other European countries



The golden tide which had been running so strongly across the Atlantic turned in the early fifties; but it still missed the British Isles





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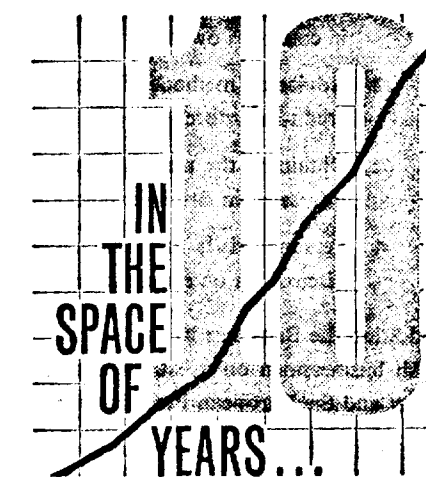
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subsequently stabilised their currencies at levels that gave them a considerable competitive advantage.

The over-valuation of sterling was, however, only one source (and probably a minor one) of the weakness of the new gold standard and the crisis of 1931. In fact most of the basic conditions which enabled the gold standard to operate effectively in the forty years before 1914 were absent in the period from 1925-31. Before 1914, London was supreme as a financial centre, Britain was a substantial creditor on short-term capital account, and there was a balance of payments surplus sufficient to finance without strain a very large volume of long-term lending. In the inter-war period London was rivalled by New York and, to a lesser extent, Paris, and capital movements between these centres became an important and sometimes very disturbing influence. The war wiped out London's short-term creditor status, and also reduced current earnings by the destruction of a large amount of shipping and by the forced sale of some of Britain's most valuable overseas investments. In the postwar world, staple British exports had to face adverse conditions; cotton suffered from Indian, Chinese and Japanese competition; steel from the rapid expansion of European production during and after the war; and coal from the change to oil for ships' bunkers and from subsidised European competition.

### The Bank's Endemic Conflict

Hence, although the nineteen-twenties—like the nineteen-fifties—generally showed a current account surplus, it was seldom large enough to meet the demands on London for long-term overseas investment. The balance of payments estimates are very imperfect, and the figures for new issues take no account of repayments or of transactions in existing assets. Nevertheless, it seems clear that there was a chronic tendency for long-term lending to outrun the current surplus, and that this was particularly so in the years 1924-28 and 1930-31. This excess of long-term lending over current earnings had, of course, to be met by short-term borrowing. When the Macmillan committee compiled its (again very imperfect) estimates of London's net short-term indebtedness they showed a figure of over £250 million for June, 1927, rising to more than £300 million by the end of 1928. There had also been a deterioration in the quality of London's short-term assets, as bills discounted by the London market came to include a growing proportion of finance bills, and it was generally believed that foreigners held a large volume of short and medium term government securities not covered by the Macmillan estimates.

The misfortunes of British export industries were, of course, reflected in the level of unemployment and, even in 1929, there were a million insured persons out of work. Before the war, it was only occasionally that the Bank of England had felt any conflict between the requirements of domestic industry and those of the external situation; now such a conflict was endemic whenever

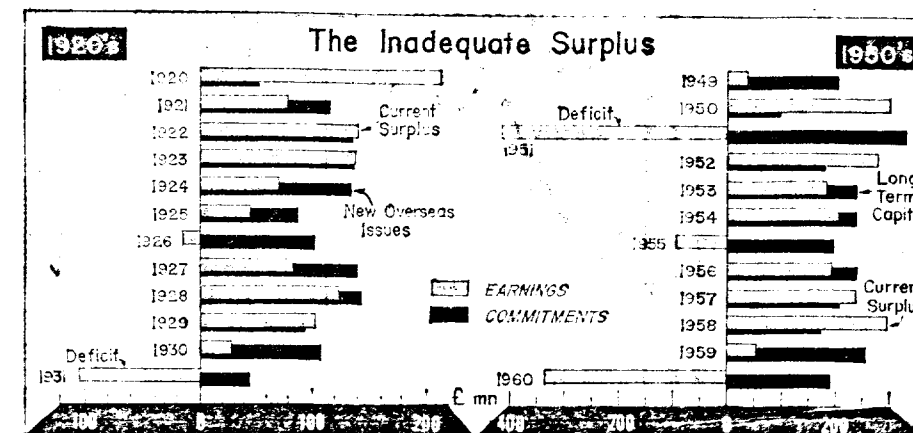
external influences put any pressure on the reserve, and the reserve was far more vulnerable than before.

For the first four years of the new gold standard, these weaknesses were masked by a rise in world economic activity, a large outflow of funds from the United States and close co-operation between the Bank of England and the Federal Reserve Bank of New York. The first severe test came when the 1929 stock market boom in New York reversed the outflow of American capital and caused the Federal Reserve Bank to raise its rates in an attempt to check speculation. The boom on the London Stock Exchange was very modest, commodity prices and wages were falling slightly, and over 10 per cent of the insured population was unemployed, yet Bank rate was raised to 6½ per cent in September, 1929. The Bank had chosen to protect its reserve, even if this meant aggravating the troubles of domestic industry.

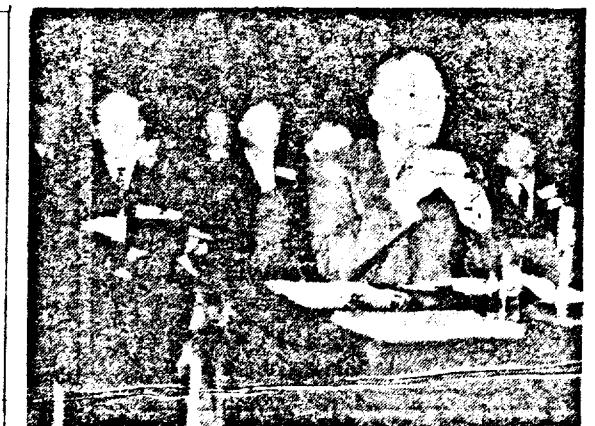
The depression which rapidly followed the 1929 Wall Street crash produced three results that eventually combined in the 1931 crisis in Britain. First, falling tax revenues and the rising costs of unemployment relief sent the budget into deficit. Today, such a result would be generally accepted as a "built-in stabiliser," a healthy contra-cyclical influence. Budget deficits, however, had been a feature of all the great European inflations, and as yet only a few academic economists distinguished between the effects of a deficit in depression and in conditions of full employment. There is no doubt that the deficit was a decisive factor in sapping confidence both at home and abroad. Secondly, there was a sharp deterioration in the balance of payments and for the two years 1930-31 there was an estimated deficit of £76 million, while new foreign issues totalled £155 million. Finally, depression in Europe brought bank failures in Austria and Germany and so touched off a "liquidity panic," which both caused the withdrawal of short-term funds from London and made many of our short-term assets worthless.

The severe credit restriction that had still been possible in 1929 was impossible in 1931, with nearly 2 million unemployed. The Bank used as much of its reserve as it thought prudent, and as much foreign credit as it and the Treasury could raise; and, when these were exhausted, the gold standard was abandoned. In the final crisis Bank rate was kept at 4½ per cent from July 30th to September 21st and the Bank actually offset the effect of gold exports on the credit base. Only on the day when the Gold Standard (Amendment) Act was passed was Bank rate raised to 6 per cent in a rather empty gesture of reassurance to those (and they were many) who still feared inflation.

The circumstances of the 1931 crisis were partly fortuitous but, given the basic economic weaknesses of the inter-war period, a clash between the requirements of the gold standard and those of domestic industry was inevitable, and it was inevitably resolved by the sacrifice of exchange stability.



My fear is that if the present disequilibrium [in world payments] persists, we shall be unable to earn a sufficient surplus to meet the rising scale of our aid in addition to our other commitments.



Mr Selwyn Lloyd addressing the IMF last September

## Crisis Close-up

*The crisis of 1931 started in the manner of the classical financial crises of the nineteenth century, a panic about particular banks; by the time it ended it had exploded into the first modern-style panic about a major reserve currency*

ON May 11, 1931, the world learned that the Creditanstalt of Vienna was insolvent. On Sunday, September 20th the British Government relieved the Bank of England of its obligation to buy and sell gold at the fixed parity. Within four months, Europe's financial structure trembled and fell like a gigantic house of cards. The Creditanstalt, until its collapse, was considered to be one of the most powerful banks on the Continent, controlling about 75 per cent of Austria's industrial resources and having extensive commitments and connections in the succession states of the Hapsburg empire and in the leading European financial centres. In the twenties it obtained large credits from American, British, French, Dutch, Swiss and German banks: when it collapsed those banks saw their credits frozen.

The business depression had already taken a heavy toll, and forced many of Austria's banks and commercial concerns to surrender independence to the Creditanstalt in return for financial support. Dwindling trade, intensified in this part of Europe by the economic dissection of the Hapsburg empire, destroyed their ability to repay, so that the Creditanstalt was eventually unable to meet its own recurring liabilities. The Austrian Government, the Austrian National Bank, and the Vienna house of Rothschild (which itself founded the bank in 1855) provided immediate support, but it became obvious as foreign creditors withdrew their funds that international assistance would be necessary.

The Creditanstalt was the dominant bank in Eastern Europe and a moratorium would have destroyed Austrian credit. In London, Rothschilds, Morgan Grenfell, and Lazards took the initiative in forming an international committee of the bank's creditors, and when on May 28th the Austrian Government agreed to guarantee the Creditanstalt's liabilities, the committee agreed to maintain its credits with the bank rather than to attempt withdrawal. The Austrian Government tried to arrange a loan from private bankers to the Creditanstalt, but the French insisted that a renunciation of Austria's proposed customs union with Germany should be a condition of the loan, and the Austrian Government resigned. As a holding operation the Bank of England provided a credit of £44

million to meet the deficiency. At the same time the Austrian National Bank was granted a credit of £5½ million by the Bank for International Settlements and ten central banks. By mid-June the necessary first-aid had been mobilised for Austria. But long before this Austria's difficulties had infected Germany.

The run on the German banks began at the end of May. The difficulties in Austria transformed passive uncertainties into active misgivings about the financial stability of Central Europe, and Germany was in no position to withstand any such doubts. After the inflation of the early twenties, the German banks had offered high interest rates in an attempt to replenish their funds and attracted large foreign deposits. By 1928 about 45 per cent of German bank deposits were foreign-owned. The vulnerability of the German banks was the greater since they had continued to pursue their traditional role of supplying industry with long-term capital, most of which was uncalled in an emergency. When foreign creditors, alarmed by the Creditanstalt collapse, began to withdraw their funds, the full weight of the withdrawals was thrown on to the meagre reserves of the Reichsbank. In the first ten days of June the bank lost £27 million in gold and foreign exchange and by June 19th the gold cover for its note issue was perilously close to the legal minimum of 40 per cent.

On the following day, President Hoover offered Europe the chance of checking the slide: he proposed a one-year postponement of all payments on inter-governmental debts. But France quibbled, the argument dragged on, and by the time France agreed to Washington's terms on July 6th the chance of a psychological boost to confidence had been lost. In the meantime a Bank of England credit to the Reichsbank granted on June 22nd was replaced two days later by a credit of £20 million made available by the BIS, the Bank of England, the Federal Reserve Bank, and the Bank of France. The withdrawals, temporarily checked by the Hoover proposal, began again on July 1st; a week later Germany's reserves were exhausted. Attempts to secure further credits in London and Paris were unsuccessful.

Confidence received a new blow by the failure of Germany's largest textile firm, Nordwolle, and on July 13th the Danat Bank, Nordwolle's largest creditor, suspended payments. In the general rush throughout Europe to withdraw deposits, a number of banks found themselves in difficulties. In Germany the Government was forced to issue emergency decrees limiting withdrawals by both domestic and foreign depositors, and imposing a comprehensive exchange control.

London's merchant bankers had so far refrained from attempting to call in their German credits. Now they again approached the Bank of England for advice. Attempted withdrawals, they were told, would probably fail and they would certainly precipitate a worse collapse. New York bankers were canvassed and joined in negotiations with Germany which duly resulted in the Standstill Agreements, under which credits to Germany were frozen but their service guaranteed.

Once again, however, rescue operations were too late. Germany's difficulties immediately affected the United Kingdom and by mid-July many banks were forced to recognise that their German assets were effectively frozen. London's own creditors—notably the French—were now hell-bent on strengthening their liquidity. They repatriated whatever balances they could, which for the most part meant those held in London.

London was deeply involved in the breakdown of German banking and the Macmillan report, published a few days before the German collapse, made the first estimate of London's short-term indebtedness, the extent of which thoroughly frightened the Continent. The sterling exchanges fell below the gold point, but the heavy outflow of gold obstinately failed to produce a recovery in sterling. On July 23rd Bank rate was raised to 3½ per cent and a week later to 4½ per cent and the Bank began to intervene on the exchange markets. The Bank's holdings of dollars and francs, however, were not sufficient to support the rates for more than a few days. Borrowing abroad became imperative.

Credits of £25 million each were quickly raised in Paris and in New York, but they were insufficient to prop up failing confidence; and in the first days of August a new wave of distrust was created by the publication of the May report. The drain on the reserves increased, the Franco-American credits dwindled rapidly and it became clear that the movement of funds was too large to be handled by temporary inter-central bank credits, or to be stopped by raising Bank rate—a move which the Bank of England was told by its foreign contacts would further weaken confidence in sterling. On August 13th New York was sounded on the possibility of a loan to the Government rather than to the Bank. The question was thus thrust into the forefront of national financial policy and politics. Advisers in Paris and in New York made it clear that credits could not be organised unless British finances showed signs of being reformed. The Continent continued to withdraw massive sums from London.

Following the formation of the National Government on August 23rd credits for the equivalent of £40 million each were secured from New York and Paris. The drain was momentarily checked but withdrawals and speculation soon resumed. It was obvious to the Continent that the credits must be nearing exhaustion. On September 15th the Admiralty reported "unrest" in the Atlantic Fleet stationed at Invergordon as a result of pay cuts which formed

part of the national economy drive. The lower decks, which learned of the proposed cuts from the wireless and not from their officers, considered them unreasonable and offered passive resistance by refusing to muster on the morning of the 15th. "British Navy Mutinies" screamed the foreign headlines, and Continental bankers concluded that Britain was indeed disintegrating.

Losses of gold and foreign exchange shot up to £10 million on September 17th and next day were £18 million. Approaches were made on the Friday for a third overseas credit. The French agreed to put up £32 million, provided New York matched it. New York refused. The cupboard was bare. The drain since mid-July amounted to £200 million—£130 million from credits and £70 million from the reserves. These were now down to £130 million—a sum equivalent to the obligations incurred under the credits. The Bank thereupon asked the Government to be relieved of the obligation to supply gold at a fixed price. The Government instructed the Bank to act as it thought fit, and on Monday, September 21st, a Bill of Indemnity suspending the gold standard was rushed through Parliament.

## A Bankers' Ramp?

By R. BASSETT

*"The first Labour Government was destroyed by a Red Letter and the second by a Bankers' Order."*  
—Hugh Dalton in 1931. Fact or Fiction?

THE Labour Government of 1929-31, like its predecessor of 1924, lacked a majority in both the House of Commons and the country. When, in the summer of 1931, heavy and continuous withdrawals of funds from London brought about an urgent financial crisis, both political realities and the views generally held by the recognised financial experts made it imperative that the Government should act on orthodox lines. Ministers themselves were agreed on the main points concerning their distasteful and inevitably unpopular task. They had no thought of abandoning the gold standard; they rejected devaluation; they agreed that the budget must be balanced, and that large-scale economies were required as well as increased taxation. All of them, it should be noted, agreed to a considerable reduction, and to specific cuts, in unemployment expenditure. What in the end they could not agree upon was that this reduction should in part be achieved by a direct cut in unemployment benefit rates. On this point nearly half the Cabinet, much influenced by the declared opposition of the TUC General Council, would not give way.

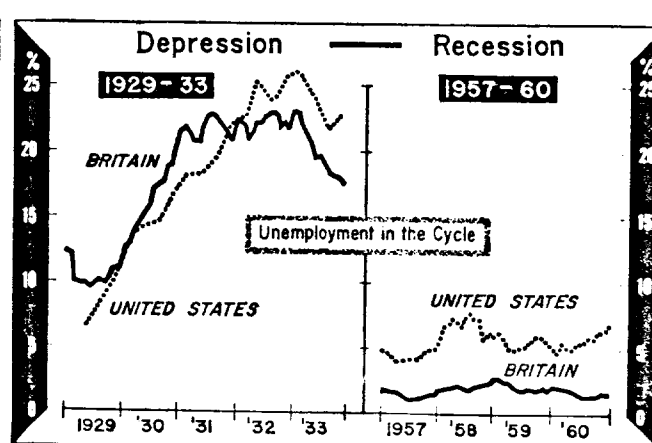
On the night of August 23rd, a hopelessly divided Government



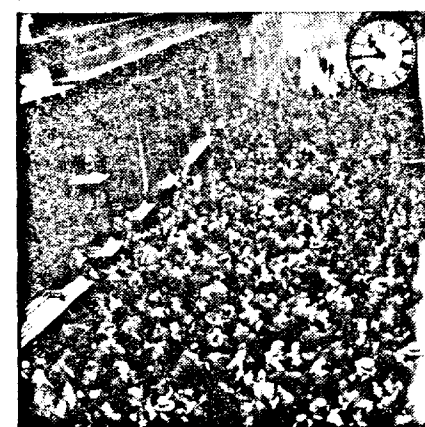
1931: Emergency conference in London



1961: Sir Frank Lee leaves for Washington



Old problem gone; financial consultations are now continuous



1931: First day off gold



1957: August strains



1960: Bank Rate 6 per cent

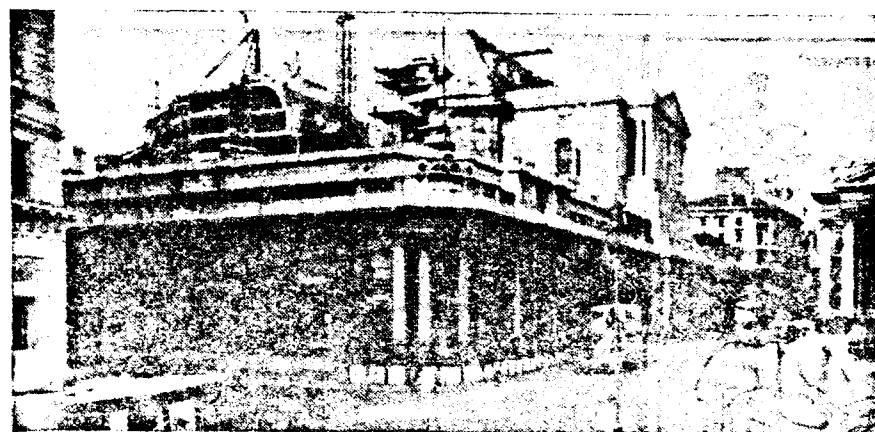


had no alternative but to resign. A dissolution of Parliament was ruled out by the nature of the crisis. King George V had to find a new Government without delay. The Liberal and Conservative leaders (Samuel and Baldwin) advised a National Government under MacDonald's leadership; and next morning, at a conference with them summoned by the King, MacDonald accepted the proposal.

Immediately, both the change of Government and the financial crisis which occasioned it were attributed by the Left to a "bankers' ramp"; and the view that the second Labour Government had been torpedoed by the money-power was to remain an important part of the stock-in-trade of Labour spokesmen and publicists, from Ernest Bevin to Harold Laski.

THE charge was made in various versions. The common element was that "the bankers" had sought to effect a radical change in British social policy by insisting upon such conditions for the credits required by the Labour Government as would be unacceptable to the Government and would lead to its destruction. The bankers were alleged to have demanded drastic reductions in social expenditure, and, specifically, cuts in the rates of unemployment benefit. The Federal Reserve Bank of New York, American bankers, "international finance" and "the City," were all attacked in the *Daily Herald's* initial "startling disclosure." Most directly, the ex-Financial Secretary of the Treasury said in the House of Commons on September 10, 1931—"with deliberate intention and a careful use of words"—that the National Government had been "formed for the express purpose of placing the neck of this country underneath the foot of foreign finance." So presented, the alleged bankers' ramp obviously merited Lord Samuel's "stuff and nonsense." But was it entirely baseless?

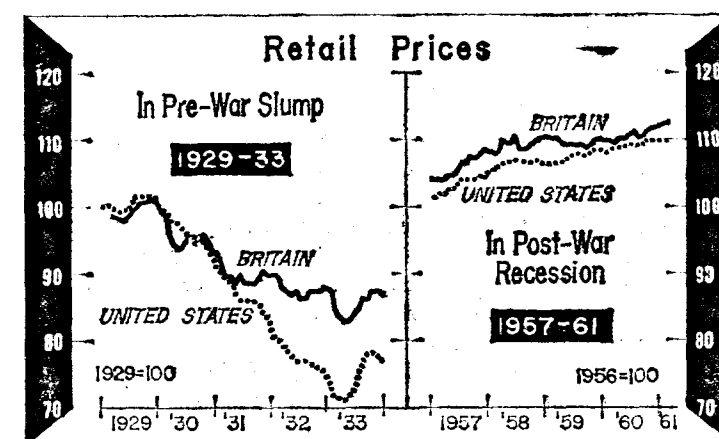
The movement of funds from London was due to the combined (and intertwined) effects of Europe's liquidity scramble and an increasing distrust of sterling. The heavy and rapidly growing burden of unemployment expenditure, the growing deficit in the budget, and the inherent instability of a minority Labour Government beset by widening internal differences, all contributed to the undermining of foreign confidence. Undoubtedly, also, foreign apprehensions were increased by partisan criticisms of the Government, by the calls for economies in public expenditure, and, more particularly, by the report of Sir George May's committee—which even many orthodox-minded observers of the time regarded as unjustifiably alarmist. To "international finance," as represented by the chief central banking authorities, the maintenance of the stability of sterling was a matter of the utmost importance. The central bankers were very ready to provide such assistance as was within their power.



Under reconstruction: Bank of England in 1931

Credits from the Federal Reserve Bank of New York and the Bank of France were arranged; but the temporary support thus given to the Bank of England proved inadequate. The outflow of funds accelerated; and, with the credits nearing exhaustion, the task of dealing with the situation passed definitely to the Government itself.

Later on, much was to be made of Neville Chamberlain's recorded statement that the Bank of England's representatives had insisted (a) that the cause of the trouble was not financial but political, viz.: foreigners' lack of confidence in the Government, and (b) that



"Keeping prices stable" means something very different today

the Government alone could provide the remedy. The Bank's representatives were, in fact, simply saying that the real problem, the restoration of confidence, depended upon governmental action. They made no attempt to prescribe what measures the Government should take.

The Labour Government itself had never challenged the orthodox prescriptions of balancing the budget and maintaining external stability of the pound. In the interim this required further large credits from New York and Paris. These credits were most unlikely to be forthcoming unless proposals for balancing the budget were announced or implemented. Such proposals would have to be acceptable to, if not actually approved by, Parliament. Discussions with the bankers' representatives at home and abroad were necessarily involved. So also were discussions with the leaders of the two Opposition parties, which together commanded a majority in the House of Commons.

In the three-party crisis conferences, the Opposition leaders certainly made no specific demands, either in regard to the total of the economies or in regard to unemployment expenditure; but they



Punch © 1931

"For Heaven's sake take that cheery look off your dial. Everybody's wearing the 'Coming Crash' expression."

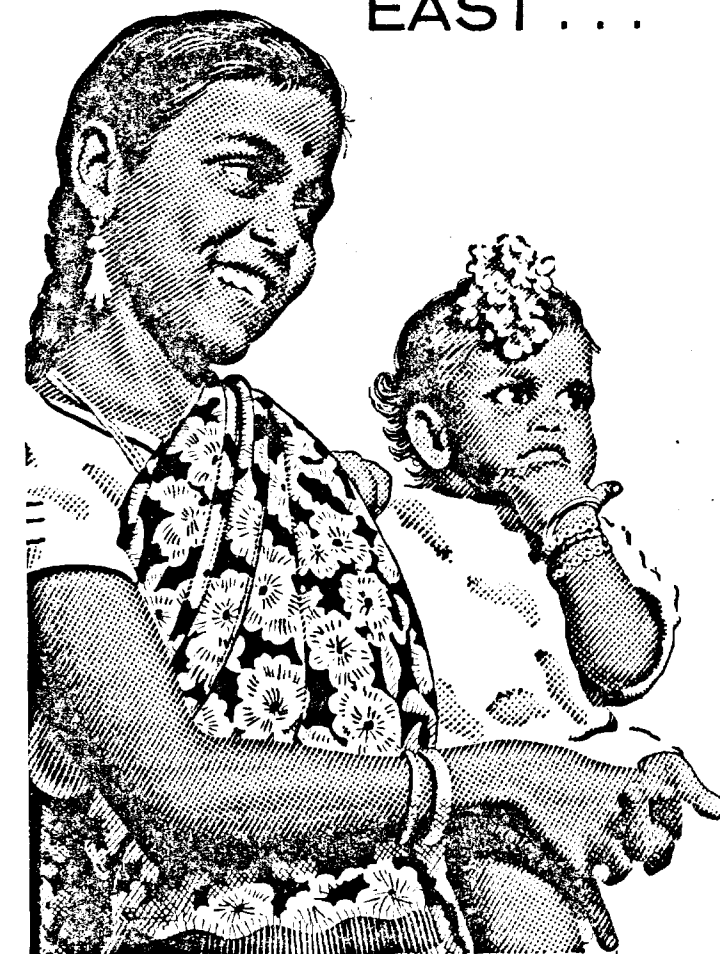
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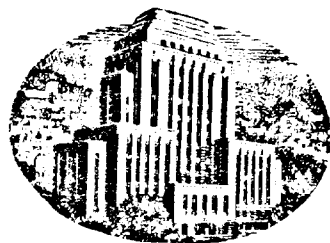
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declared plainly that the Cabinet's agreed economy proposals were inadequate and would therefore be rejected in Parliament, and they reiterated the view they had held throughout that cuts in unemployment benefit rates would, in all probability, prove necessary.

The case is different with "the bankers." There is no evidence whatever that either the Bank of England or the New York financiers called for or demanded any specific reductions in expenditure. The Bank's representatives, when consulted, gave their views on the prospects of securing the required credits or loans. They acted, in short, as expert advisers. MacDonald, in the House of Commons, stated emphatically that never in the whole process of the negotiations did the banks interfere with political proposals. As for New York, the Federal Reserve Bank, as such, was no longer involved: it was not allowed to lend to a foreign government. Harrison, its chairman, acted in effect as a personal adviser to the British Government in its dealings with its New York agents, J. P. Morgan & Co., who in turn negotiated with a consortium of private bankers.

The opinion of both Harrison and Morgans was that there was no prospect of raising a public loan on the New York market until Parliament had actually rectified the budgetary position. They thought it possible, however, to arrange a private short-term credit if agreement could be reached by the party leaders on a scheme to be submitted to Parliament. There was no ultimatum from the New York financiers, who were in any case unenthusiastic. But whilst there was no demand that unemployment insurance benefits should be cut, no demand for any specific measure, the foreign bankers no doubt shared the general view that the British budget could not be put in order without economies in unemployment expenditure.

WHAT gave some degree of plausibility to the alleged "ramp" were the consultations and negotiations with the bankers in London and New York. In the mood of resentment aroused by the formation of the National Government, and by a situation in which policy affecting unemployment benefits and wages was conditioned and in part determined by external opinion, it was easy to suggest, and perhaps natural genuinely to suspect, that the bankers had imposed political terms for the requisite financial assistance. The fact that the drain of funds continued after the National Government was formed was itself a decisive sign—as Oswald Mosley pointed out at the time—that politics was not the point at issue for the bankers.

The obvious and straightforward explanation of the whole episode was (1) that people who are asked to lend money invariably require what they consider to be adequate safeguards, and (2) that

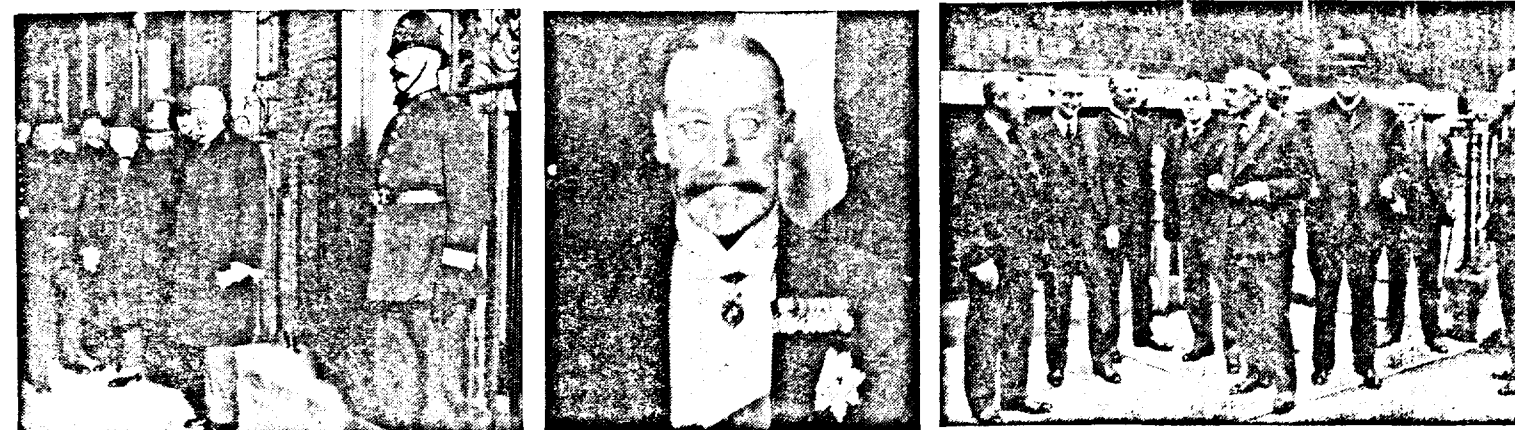
the minority Labour Government needed the co-operation of the Opposition parties in Parliament, and also desired it for electoral reasons. But such an explanation was unacceptable to official Labour, angered and distressed by what had happened. It was felt that the situation should never have arisen.

## A SHATTERING EXPERIENCE

AT the general election that followed the formation of a National Government in 1931, despite my distaste for politics except as a mildly cynical spectator, I felt bound to go down to Norfolk and to do my best to unseat our Labour member. I led off with an article in the *Eastern Daily Press*, in which I demonstrated with, as I thought, irrefutable arguments that if this country was driven off the Gold Standard it would starve. I followed this up by speaking night after night in draughty, dimly-lit village halls, introducing myself as a non-party banker, and trying to put the fear I honestly felt into the hearts of the cautious, suspicious, but attentive and ruminating villagers of North Norfolk. Even "Friday" Layton, the bearded "larned" radical of my own parish, who was accustomed to down all opponents with his book-larnin', found himself at sea over the Gold Standard. The whole question was new to them; the old familiar heckling-guns were useless against my technical, non-political attack, and I used to drive home to unnatural, belated meals with a comfortable feeling that the labourers of Little Walsingham and Subbard, of Great Snoring and Trunch, were, for all their long memories of Joseph Arch, not unwilling to rally in defence of their country's gold. I have no idea how far my intervention helped, but in the event the National candidate won this traditionally radical seat by a decisive majority. The country promptly went off gold, did not starve and has remained off gold ever since. The sole monetary principle for which, as a result of all my studies, I had been ready to speak out publicly and with utter conviction was now shown to be a delusion.

★

There must be millions who shared, in one form or another, the unnerving revelation recorded so delightfully by Sir Lawrence Jones in this extract from his reminiscences, *Georgian Afternoon* (Rupert Hart-Davis). Pedantic readers of this survey may point out that the gold standard was in fact abandoned five weeks before the 1931 election. Which just shows.



August, 1931: Ramsay MacDonald leaves Downing Street for Buckingham Palace, and forms a National Government



# The Political Legacy

By ROY JENKINS, MP

*The ugly marks of 1931 are an important element in the difficulties besetting the Labour Party today*

FOR the development of party politics, 1931 was significant from three points of view. First, for reasons almost entirely unconnected with the economic crisis, it marked the end of early twentieth century politics. Just as the Edwardian age was a postscript to the nineteenth century so the twenties were a hangover of the pre-1914 years. But 1931 brought this to an end. It was partly that the great prewar figures were no longer hovering in the background. Asquith died in 1928, and Balfour and Rosebery in 1930. More significant is the fact that from the standpoint of today, politics of the twenties seem infinitely more remote than those of the thirties. Hoare's ill-fated arrangement with Laval or Baldwin's handling of the abdication crisis did not happen yesterday, but they seem decades nearer than the TUC leaders shuffling in and out of Downing Street in 1925 and 1926 or than Birkenhead and J. H. Thomas, those highly characteristic figures of the twenties, exchanging pleasantries over their boiled shirts in a decade of politics by public banquet. But a change of atmosphere would in any event have occurred within a year or two. The formation of the National Government merely made it more dramatic by destroying the political balance of the preceding years.

The second significance of 1931 was that it resulted in defection from left to right on a scale comparable only with the Hartington-Chamberlain switch of 1886. But there were several important differences between these two decisive shifts to the right. In the first place the economic motivation of those who left Gladstone over the "political" issue of Home Rule was, paradoxically, much clearer than that of those who went with Ramsay MacDonald over the "economic" issues involved in the 1931 crisis. Liberal Unionism was a two-headed beast, but it was relatively easy to categorise its adherents as either Whig landowners who followed Hartington or Midland businessmen who were moving with Joseph Chamberlain towards the imperialism of the nineties and the tariff reform movement of the nineteen hundreds.

The National Labour Party which MacDonald established, on the other hand, was hardly a coherent animal at all. It represented no social forces in the country, and there was no common background or ideology between its main leaders, let alone the lesser participants. Of the four members of the Labour Cabinet who joined the new Government, MacDonald and Thomas might each in their different ways have been regarded as extreme "social

collaborationists," but the one was as cloudy as the other was earthy. And the bitter, puritanical, doctrinaire free trader Snowden, who despised both of them, represented an entirely different outlook, as did Sankey, the rather non-political, high-minded lawyer. They might all have been called right-wing, no doubt, (although nine years earlier it was as a left-wing candidate that MacDonald, with his pacifist past, had been elected to the leadership); but as a unifying description this would have been tautological, for the main basis for the label was that they behaved as they did in 1931. Beforehand it is doubtful whether they were to the right of the solidly reliable Henderson and Clynes.

Two things followed from this lack of coherence on the part of the MacDonaldites. The first was that they had no continuing direct influence on British politics. The Liberal Unionists were still a real force twenty years after their secession. The National Labour Party, always puny, was effectively dead after the humiliating defeats of its leader and his son at the 1935 general election. The second and more significant was that their secession had no permanent effect on the social shape of the Labour Party. It had, of course, an immensely weakening electoral effect, which lasted a decade. And it had a most powerful and traumatic temporary effect on the mood of the party, as will be discussed below.

But, just because the MacDonaldites were a thin cross-section of the whole party (two from the old ILP, one trade union mandarin and one recent professional recruit) their going removed no particular section of its support. The Home Rule split, if the parallel may be used once again, took the great landed families out of the Liberal Party as a class. It meant that there was hardly a magnate left to vote for the Parliament Bill in 1911. No similar consequence followed for the Labour Party in the thirties. It may have been lacking in mass electoral support, but so far as its active command was concerned, the unions were still there, the liberal internationalists were still there, and so were the Fabian planners, the ex-ILP evangelists, the fringe of Marxists and the radical lawyers.

What MacDonald did take from the Labour Party, however, apart from a decisive slice of its immediate electoral support, was its self-confidence. This had been somewhat precariously built up during the twenties by the immensely rapid transition from a working class pressure group to a major party in the State, by the modest success of the first Labour Government, by the easy return to office in 1929, by Henderson's work at Geneva and by MacDonald's own stature as a world statesman. All this was destroyed at a stroke by 1931. It deprived the party of all its senior leadership—in the new House of Commons only the former Commissioner of Works remained to lead the Opposition; it left it with a derisory parliamentary strength, barely a third the size of the previous smallest opposition since 1832; and it destroyed its faith both in its own leaders and in its ability to be successfully reformist.



1924: Victory celebration of the first Labour Government



Clement Attlee: the stand-in who stayed



1960: "Fight, fight and fight again"—within the party



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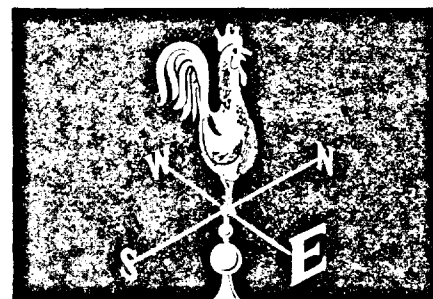
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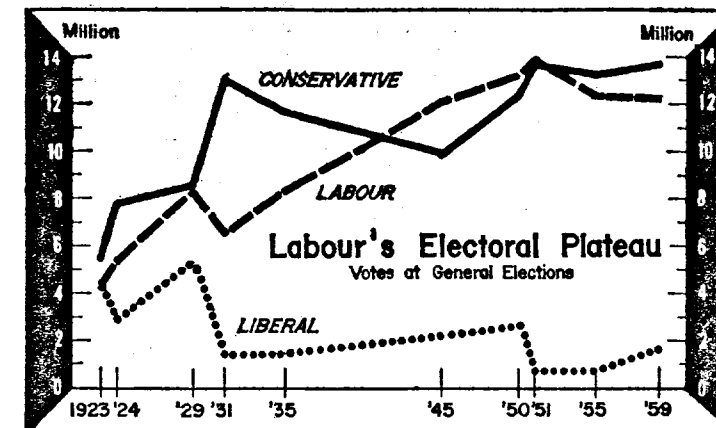
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On unemployment—the main domestic issue of the whole inter-war period—an ignominious failure had been achieved. The forces of capitalism, it seemed to many bruised supporters of the Labour party, were not merely unreformable but were able, at a time of crisis, to disperse the would-be reformers with contemptuous ease. The events of August, 1931, were the only substantial piece of evidence against the liberal theory of the state since the outbreak of the first world war had put an end to the Ulster revolt. The members of the Labour Cabinet were given an ugly glimpse of normally hidden sources of industrial and financial power, and of the way in which the machine of the state, from Buckingham Palace



downwards, was weighted against a left-wing party. And because their nerves were in a bad condition at the time they exaggerated the monstrosity of what they had seen.

This led on directly to the cataclysmic mood which dominated the Labour Party in the early thirties. This was the third political consequence of the 1931 upheaval. The remoteness of any probable move towards socialism was to be compensated for by its completeness. Sir Stafford Cripps announced that "the one thing which is not inevitable now is gradualness." The Webbs enthusiastically discovered Soviet Russia in their old age. Professor Laski superimposed a thick layer of Marxism upon his neo-Benthamite thought. And even Lord Attlee made some pronouncements which now sound distinctly odd.

So long as there persisted this "rather too catastrophic view of progress," as Lord Attlee himself subsequently described it, the country was without a real alternative government. There was too wide a gap between the extremism of the Labour Party and the depressed and cautious mood of the electorate. And the country paid the price of an untrammelled government of the right which was as unadventurous at home as it was pusillanimous abroad. This sullen extremism did not persist for long, however. For one thing it was never a unanimous mood within the party. Lord Morrison



Strong man of 1931

Philip Snowden



Strong man of 1957

Peter Thorneycroft



THE WRONG BUS.

Socialist Party (to Sir John Simon): "I WANT THE BANK OF ENGLAND"  
Sir John Simon (to P. O. Bell): "SHE DON'T WANT MUCH, DO SHE, MATE?"

and Lord Dalton, an influential but, as they now appear, surprisingly assorted couple, never subscribed to it, and the latter presaged a return to gradualism with the publication in 1934 of his significantly titled *Practical Socialism for Britain*.

By that time the electoral prospects were looking a little brighter too. The Labour Party had won quite a number of by-elections and had gained control of the London County Council. The world climate also was becoming rather more healthy for reformism. The Swedish Socialist Government had come to power in 1932, and had succeeded, without any resort to revolutionary methods, in effecting a recovery from slump conditions. Roosevelt took office in 1933. And in 1936 the New Zealand Labour Government was elected and Keynes published the *General Theory*. This last event provided a theoretical justification for the direction in which, fumblingly and hesitantly, some ministers had wished to go in 1930 and 1931. Both practically and intellectually the hopelessness which had succeeded the MacDonald split was being dispersed. By 1937 the Labour Party had returned almost completely from its excursion to extremism and had published a programme which, although radical enough to form the basis of most of the legislation of the 1945 Government, was moderate in the sense that it was both precise and limited. Had the war not prevented the election of 1939 or 1940 the party would probably have returned to about its 1929 strength. But it required the upheaval of the next five years to give it a real majority.

What have been the longer term effects of 1931 upon the Labour Party and the course of politics? First there is the legacy of suspicion which MacDonald has left to his successors in the leadership. Before the first world war the Labour Party kept its leaders firmly in their place, often changing them every year and never giving them a more elevated title than that of chairman. In the twenties MacDonald changed this and, despite a continuing undercurrent of criticism, achieved almost a hero's dominance. The reaction was swift, and not merely Lord Attlee, during his twenty years of quiet leadership, but still more Mr Gaitskell since, have paid the price for MacDonald's apostasy. Second, something of the continuing strength of the trades union position within the party dates from 1931. They held firm while others were defecting, and, by so doing, they saved the party from disintegration. Partly as a result they remain the unchallengeable sheet-anchor.

Third, the party has not forgotten that, in the years after 1931, it survived and kept something of its morals by battering down and turning in upon itself. *Contra mundum* it was, and *contra mundum* it half convinced itself that it was happy to be. Some sections have been anxious to react to more recent defeats in the same way. But it should be remembered too that real recovery only began when a more outward looking mood was attained, and that, in any event, the lessons of a sudden setback are not readily applicable when the problem is one of a slow, ten-year decline.



# The Trouble About Money

BY GEORGE SCHWARTZ

I TAKE it that we can flatter ourselves there has been a considerable if not revolutionary change in economic thinking compared with the lamentable performances of thirty years ago. The contrast, in our case, between three million unemployed and the contemporary state of full employment should be sufficient evidence of that.

One could be captious and perverse by pointing out that after all the intervening enlightenment we seem to be still concerned with the same problem in 1961 as in 1931. There isn't enough money to keep the show going properly. Now we talk about a shortage of liquidity, then it was the actual amount of money that was deficient. In each case the basis of national and world credit has appeared too narrow for the business it was and is required to support.

The chief difference is that in 1931 the deficiency manifested itself in unemployment, while today the outcome is allegedly stagnation, a shortfall from the great potential productivity supposedly at our command.

All the money there is is fully employed; there isn't any to spare for other needs. That was the argument in the thirties, and I remember an article by Professor Gustav Cassel promulgating this view. There was no idle money about. You had only to study the balance sheets of the banks and the other credit institutions to see that, operating around the minimum of reserves consistent with solvency, all their funds were fully engaged. Presumably a similar argument holds today, for what else is behind the Triffin, the Bernstein, the Stamp and other proposals for expanding the volume of credit at the disposal of mankind?

In the twenties the supply of gold was the limiting factor, the stock of monetary gold refusing to expand by the prescribed minimum of 3 per cent per annum. (What is the magic in the number 3?). As a pert novice in this matter I wrote an article for the former *Nation* playing on the fact

that gold was with much effort raised from under the ground and promptly buried again below the ground in sunken vaults where the bulk of it might remain until the Day of Judgment.

## Atlantic Gold Reserve

I suggested therefore that since the presence of gold in sea-water was known, scientists could make a rough estimate of the amount, and for a start we should earmark the Atlantic as part of the world's monetary reserves. If that boost to credit and economic expansion proved inadequate we should go on to earmark the Pacific.

I received a note from the great Maynard Keynes expressing his amusement at the proposal and a hint of his appreciation of it. I wish I had kept the note to flourish about today.

Also I remember that great man throwing up his hat in 1929 at the time of the Wall Street collapse. This was what we had been waiting for, a relief to the pressure on money arising from the security speculation there. Now we would have cheap money and could go ahead. The end of the depression was in sight.

What depression? Why, the depression that had afflicted Britain since the collapse of the postwar boom in 1921. The depression that had loaded us with around a million unemployed all that time, the maximum amount of unemployment that the finances of the country could stand.

It was the revelation that this million was a minimum—revealed afterwards as a secular and not a cyclical phenomenon—that provoked the debacle in this country, for, with the monetary reasoning of that time, the swelling total of unemployment (it rose to 3 million) involved the bankruptcy of the Unemployment Insurance Fund, and since this was a national fund it threatened the solvency of Government finances, and by extension the financial repute of the

nation at large. Drastic measures of economy were called for to ensure financial solvency, and lurid accounts will be found elsewhere in this survey.

How is it that today, if a similar situation developed, the City of London, the temple of the hard-faced bankers, would be the first to advocate a budget deficit?

I can see now that by the end of the nineteenth century people, and that included informed people, had ceased to think of the economic system in real terms. The system had apparently worked so well, and with such comparative smoothness with stable money and exchanges, that the shorthand of money told the whole story. Was the balance sheet in order? If, in each and every case, it passed the test of solvency the individual was all right, business was sound, and on the same test, with Government finances in balance, the State was solvent, so that in sum the national economy was functioning at or near its best.

## A Collection of Money Delusions

On this purely monetary reckoning a mass of delusions and fallacies prevailed, uncovered but not appreciated with the advent of a war economy. These delusions, which result in the monetary approach being often in direct contradiction of the real situation and necessities, persisted in the inter-war period, were current in the second Great War and are still prevalent today.

The fallacy of composition obtained on the assumption that because an individual could shift some of the real burden of his current needs by borrowing money, a nation could load some of the real sacrifice of war-time on to posterity by borrowing. It was even proposed that this should be done neatly on a fifty-fifty basis, half the money cost (identified with the real cost) from taxation, and half by borrowing. The war loans which still disfigure the national accounts are a legacy of this.

I have a lively, if sombre, collection of these monetary delusions. Outstanding is the subsequent disillusion about postwar credits, assumed to be a fund tucked away



1932: War Loan converted at 100



1960: War Loan at 62 (now around 55)



The Gold standard returns, 1925: Winston's budget trail



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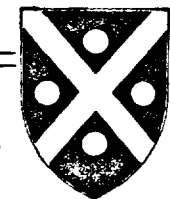
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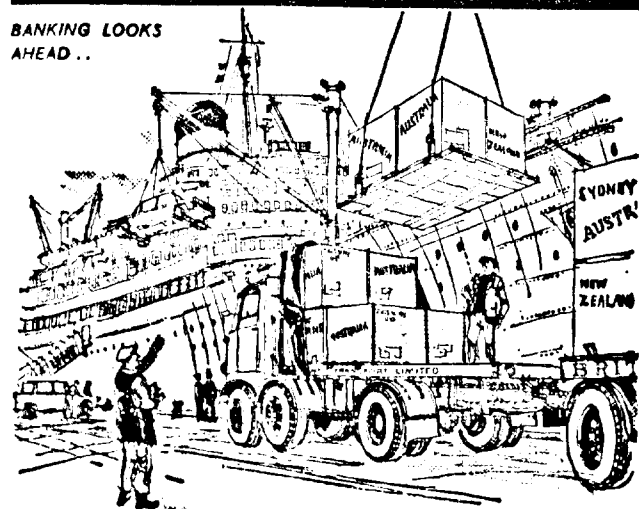
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for prompt distribution the day after the armistice. It is still difficult to persuade people that the money went up in the smoke of war. A gallant lieutenant-colonel was so staggered by this revelation that he wrote to me declaring that with my authority for its truth he would forthwith surrender his claim. I had to write back in a hurry urging him to do nothing of the kind, and insisting that a man with his record should have no compunction in exercising his right when the real state of affairs allowed it.

There were the old ladies anxious to do their bit by writing as many letters as possible in wartime. The revenue accruing to the Post Office would swell the war coffers of the Government. The patriotic method of releasing a postman for the forces by not writing letters doesn't accord with simple monetary reckoning.

Nor does the rationing of petrol, since the Government loses the revenue from motor spirit duties badly needed to acquire motor spirit for Government purposes. Now explain that the ideal yield of a purchase tax in wartime is nil. It was an advertisement of the National Savings Movement that postulated that putting money under the mattress was "as good as robbing the soldiers."

If a deficit on the National Insurance Funds was a foreboding of economic disaster in the thirties we should be sitting pretty now, for there is a handsome surplus of over £1,000 million in these Funds. Why worry about the balance of payments with this margin in hand? Surely our concern should be that by maintaining full employment these funds will pile up uselessly and run to waste. Why not a periodic share-out? Indeed, the West German government, plagued by full employment, is to suspend all unemployment insurance contributions for six months from August 1st. The money is choking the funds.

What are these Funds? Where are these Funds? Have they any significance apart from the compilation of administrative records? Is it not true that, Fund or no Fund, any unemployed in 1980 will obtain relief out of the national (real) product of 1980, and that previous monetary and actuarial calculation will not be the relevant issue.



1920's: Reparations from Germany

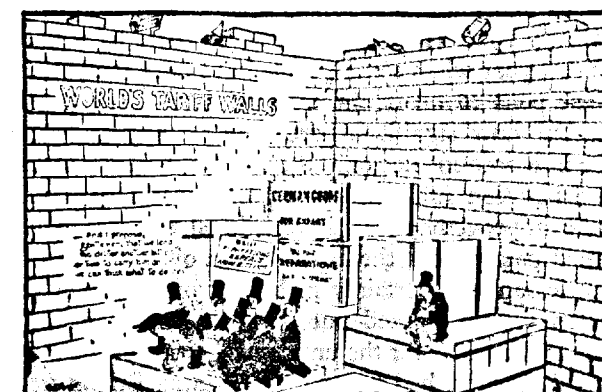
## In Six Easy Lessons

The repercussions of past slumps were primarily monetary repercussions, which admittedly brought real economic losses in their trail. Because a large financial institution defaulted on its monetary obligations (however valuable its real assets) it was assumed that associated undertakings would or might default, and the precautions taken against this ensured that many of them did default. Starting with the Creditanstalt a chain reaction would spread round the globe. Now we assume that monetary rescue operations would check a *sauve qui peut* at the outset. It is salutary, if disturbing, to reflect that if a revolutionary Government

repudiated the National Debt *in toto* that, in spite of the widespread financial ruin of individuals and undertakings, the real economy—the factories and all other capital equipment, and the working abilities of the populace—would remain intact, and as capable as on the day before of maintaining the national product.

Why, oh why didn't I see all this clearly thirty years ago? And why with all this belated wisdom do I have the feeling that if full employment obtained all over the globe there would still be complaints of the shortage and dearth of money. Money was a great human invention, but it should have been accompanied by a complete book of instructions.

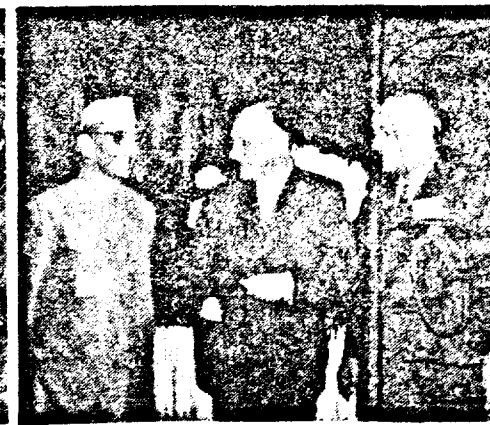
## THE SITE VALUE OF BERLIN



I SHOULD like to tell you a story, which I fear rather reflects on a former Governor of the Bank. This story shows what was the state of knowledge in high quarters when I went into the City in 1910 about what is now called the transfer problem, which was not known to a man like Poincaré at all; he thought that we could get more money out of Germany by invading the Rhineland. When I went to see Sir John Bradbury one day in 1919, he said: "Lord Cunliffe, the Governor of the Bank, has just brought me the report of the committee appointed by Lloyd George to say how much Germany could pay; and the figure is gigantic." I think it was £23,000 million. He said: "I asked Lord Cunliffe one or two questions. I asked him why he said that Germany

could pay £200 million of gold. He said: 'Because it is twice as much as they have got.' Then Sir John Bradbury said: 'The second question I asked him was: 'How do you think they can possibly pay these sums?' Lord Cunliffe said: 'Do you know what the site value of Berlin alone is?' That is an indication that the Governor of the Bank thought that we could move the site value of Berlin from Berlin into sterling and other currencies and with them we could buy food, raw materials and everything else abroad. That was a merchant banker who had spent all his life in banking.

—Lord Brand, a member of the Macmillan committee, to the Radcliffe committee, 1958.



1960's: Aid to India



From Reichsbank to Bundesbank  
Hjalmar Schacht Karl Blessing



## The Lessons of Finance

*In the foreign exchanges, the present-day contrasts with 1931 are much more significant than the parallels.*

IN one sense, the central difficulty that underlies recent disturbances is indeed the same as that of thirty years ago—how to run a system of stable exchange rates between countries that pursue independent domestic policies. The system could also be said to rest on the same sensitive base: the role of national currencies as international reserves, assailed in the past by the most conservative of bankers and today by the most radical of reformers, has markedly increased. Professor Robert Triffin, launching his campaign more than two years ago, headed his diagnosis: "The Return to Convertibility: 1926-31 and 1958-?" and there have been times in the past year when some people have been tempted to reach for their pens to fill in the missing date. The parallels are there, but how significant are they? Any assessment has to take into account not only the sharp difference in the background between full employment and world depression, but also the improvements in international finances which have stemmed partly from the awful lesson of 1931 itself.

The lesson was certainly in high prominence in the plans of a new system worked out between American and British experts in the war—for the unrelenting critic of the old system, Maynard Keynes, had become the leading British negotiator. Even the compromise scheme that emerged contained two built-in improvements—machinery for international credit, such as had never existed before, and provision for occasional changes in exchange rates, which had never been conceded before. In these ways the Bretton Woods scheme was an advance on the gold standard. Left to itself the scheme would never have got off the ground. The quotas in the International Monetary Fund were inadequate for immediate needs, and the provision that exchange rates should be basically stable but changeable to a new fixed peg in cases of "fundamental disequilibrium" has proved virtually impossible to effect in practice. Both these difficulties were foreseen by critics, and indeed by Keynes himself: and the difficulty about exchange rates has itself increased the need for international credit.

In practice these deficiencies in the Bretton Woods formula have been largely made good by massive support from outside, and notably by the enormous funds provided in aid and loans

by the United States. This continuing stream of liquidity made a success of postwar reconstruction and, after the false start of 1947, provided the basis for the gradual and collective approach to convertibility. Once achieved, thirteen years after the end of the war, convertibility was on a much sounder base than the system established in the decade following the first world war. Then, "return to convertibility" involved not the dismantlement of exchange control (which had not yet been invented) but stabilisation after the transitional period of fluctuating rates; as the stabilisation schemes were worked out piecemeal, in an unco-ordinated way, they were self destructive—overvaluation of the pound being followed, for example, by undervaluation of the franc; and everything was complicated by the burden of reparations. In these three important ways, then—better credit, sounder postwar financial reconstruction and a shade less inflexibility on exchange rates—the present system is better based than that of 1931.

AND there surely is better sense all round. Even those people who are not very impressed with the practical benefits of present techniques of economic and statistical analysis may be shocked, in retrospect, by dilettantism of the kind related by Lord Brand. Internationally, co-operation is on a much higher plane. In the twenties the efforts of Montagu Norman and Benjamin Strong were continually upset by the prejudices of the politicians. The dominating fact of world politics, French suspicion of Germany, worked directly against monetary co-operation at its most important point: for France, after 1926, was the great gold magnet, with almost one quarter of the world's gold by 1931. After the second world war, the dominating fact of the Soviet threat pushed the west into closer economic co-operation.

The United States has set the outstanding example, but the principle that financial maladjustments impose responsibilities on creditors as well as debtors is accepted reasonably well. The German Bundesbank in 1960 had some fears for the dollar, but it did not convert its dollar balances into gold, as the Bank of France converted its sterling balances in 1931. When the exchanges were thrown into upheaval three months ago by the revaluation of the mark and guilder, Europe's central bankers quickly agreed to check the speculative run



Low in 1931: his own horse sense wasn't bad



1960: Bank talks to Fund  
Eugene Black and Per Jacobsson



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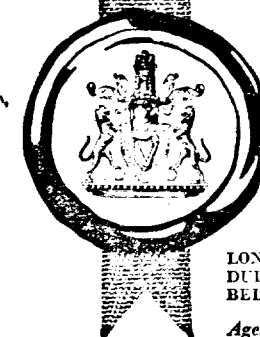
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by providing each other with mutual assistance in a way that would have seemed inconceivable thirty years earlier, when the newly founded Bank for International Settlements was little more than a by-stander, and bankers to a man disclaimed any power to control events.

The improvement since the second war has come not only through the much more comprehensive formal machinery for financial co-operation, from IMF and OEEC to the World Bank, but from the underlying change of attitude among financial authorities about what is possible and what is sound. It is much less widely assumed that any and every financial difficulty constitutes an immovable financial discipline. In some directions, in domestic policies, this loss of scruple about creating or borrowing money has had the ill effects, in a world of full employment, that earlier generations predicted. Internationally, however, it has been wholly constructive, whether in the finance of India, or in Basle-cum-Bernstein.

THESE improvements are real. They are also limited. Above all, they have not yet been really tested. The system has managed to survive a 5 per cent revaluation of two Continental currencies in the spring of 1961. How would it fare under the weight of anything like the world depression that started in 1929? In part of course the improvements in the international financial mechanism themselves reduce the danger that slumps will be allowed to develop and to infect the globe. They give each country a breathing space and ought to be sufficient to stop currency speculation feeding solely on itself. But it remains true that the machinery of international finance still has major gaps and imperfections. The revolution of 1931, which was to give room for manoeuvre for positive management of domestic economies, has never been completed. Domestic economies are unashamedly regulated from the centre; but in international balance there is still too much hit and miss.

The stark anomaly of the gold standard after the first war was that it depended on countries devoting themselves entirely to putting stability of the exchange rate before all else, at a time when other aims—stability of prices and of employment—were becoming increasingly important. In the reaction from this unnatural rigidity in the thirties, countries seeking to re-expand their domestic economies insulated themselves from international difficulties in two main ways: by exchange

depreciation, on the one hand, and by tariffs and (in central Europe) exchange controls on the other. Both brought their own evils and the search for a modern monetary standard is a search for a middle way—and one that is consistent with steady economic growth as well. The Bretton Woods formula, of occasional changes in exchange rates, has not been very helpful. Against a background of cost inflation rather than unemployment, exchange depreciation is a much more chancy corrective. In these circumstances, up-valuation of currencies ought to be more frequently considered. But there is the general difficulty that any alteration in exchange rates tends to be anticipated and to lead to huge speculative movements. It seems likely indeed that if such changes prove to be necessary for major currencies, even at intervals of years, there might in the end be less speculative disturbance if the principle of stable exchange rates were modified in favour of a moderate range of fluctuation, perhaps influenced by an international exchange equalisation fund. No one should be under any illusion about the possible dangers in a system of this kind; it would make exchange speculation a permanent feature of the scene.

Whether or not some degree of exchange rate uncertainty can be avoided really depends on how fast the main western economies develop closer links. The more closely these economies are integrated, not only in trade but in movement of labour and capital, the less will be the need for variations in exchange rates. Scotland has its own pound notes, but it does not think of devaluing them. Without moves to integration, efforts at co-ordination can be of very limited use, and are likely to create new disturbances domestically. A country whose domestic economy is running full out will not feel happy to reduce its interest rates and raise domestic spending simply because it is gaining reserves: rightly, it regards the simple gold standard rules as too narrow. Such conflicts between the new demands of internal balance and the classical gold standard rules of the game are not frequent—Germany has been the outstanding case. They have to be dealt with, either by changing exchange rates or, if the disturbance is considered temporary, by a liberal supply of international credit. The facilities of international credit are now being strengthened, and links between leading industrial economies are growing closer. Everyone today knows that they can be taken far enough to avert a major crisis of the exchanges; if the moral of 1931 has been absorbed, they will be.

# Full Circle for Britain?

LOOKING back at the sweep of Britain's economic experience since the first war one cannot fail to be struck by a remarkable phenomenon. While what are usually regarded as the underlying economic circumstances could hardly have been more different after the two wars—inflation rather than deflation, an undervaluation of the pound in 1949 rather than an overvaluation in 1925—so many of the problems have been the same. The gold reserves are inadequate; the current surplus is too small to cover external investment; the war has left financial burdens which linger on, rather than physical destruction which is a challenge to effort and improvement; coal, cotton and shipbuilding are depressed; and foreigners complain of Britain's insufficient drive—all this is as true now as it was thirty years ago. Keynes observed in the twenties: "Look at the French; they have done all the unorthodox things, yet appear as apostles of orthodox finance, and thrive. While Britain

has done all the orthodox things, is suspected by foreign bankers of being unsound, and stagnates." Look at the Continent today and the parallel is very close.

None of this, perhaps, would have come as any surprise to opinion of the old school, typified by Montagu Norman, who maintained throughout that financial policy could do nothing to cure "real" problems which required changes in social attitudes and industrial management. Norman grossly overstated his case, and indeed did himself much less than justice. There are situations in which finance, as an instrument, is wrongly set, pushing the economy along the wrong path, sometimes into a dead end, as it did in the late twenties. When things go wrong in an economy, a change in fiscal policy, monetary policy, exchange rates, must be considered. These are not sacrosanct. But neither are they the only governors of economic performance, or even, at times, the decisive ones. That is one of the sobering lessons of 1931-61.



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### Mr H. F. Oppenheimer Discusses the Challenge to South Africa

The following is from the statement by the chairman, Mr H. F. Oppenheimer, which has been circulated to members:

The accounts of the Corporation reflect at once a successful year's operations and the anxieties of investors about the future. The continued expansion of the major industries in which we are interested brought about a very important rise in our investment income, which, at £8,159,327, exceeded the previous year's figure of £7,053,463 by no less than 15.7 per cent. As a result of political factors, however, the market value of our quoted holdings fell by 23 per cent during the year, from £129,938,543 to £99,828,153. Largely in consequence of this, the opportunities for the favourable realisation of shareholdings were very few, and it was necessary to write down many investments. The result was that, while in 1959 there was a net profit of £413,600 from realisation of investments after providing for all amounts written off, in 1960, by contrast, profits from realisation of investments were less by £1,189,612 than the amount required for writing down purposes. This marked reverse in an important part of our operations—an adverse swing of £1,603,212—more than offset the increase in our dividend income. However, a consequential decrease in the amount required for taxation, together with increased revenue from certain other sources, resulted in the net consolidated profit, at £7,844,000, being greater by £113,000 than the previous year's figure. In the difficult circumstances, this must, I think, be regarded as a very satisfactory result.

#### Withdrawal of Capital

The severe fall in share prices to which I have referred was caused, in the main, by heavy selling of South African shares by investors outside the country. In total, the net withdrawal of foreign capital during 1960 was about £80 million. Since the end of the year this trend has continued.

A capital inflow on a fairly large scale is essential if we are to realise the country's full economic potential. The falling-off and, more recently, the reversal of this inflow are already seriously retarding new development and must,

if not arrested, threaten the living standards of the people.

The evaporation of overseas confidence in South Africa is a matter of particular concern to the Anglo American Corporation. The raising of new risk capital from the public for our enterprises has become much more difficult and for the time being we shall have to rely principally on our own resources, supplemented where possible by such sums as may prudently be raised by way of loans. Fortunately, the resources of our group are considerable.

Western Deep Levels Limited is an interesting example. This company of our group is engaged in the largest individual gold mining project ever undertaken in South Africa. In spite of the fact that development results from the property have been entirely satisfactory, and its future prospects are generally regarded as excellent, there was plainly no possibility of raising large sums from the public shareholders. Nevertheless, an offer of shares to raise £8.4 million was made to shareholders and underwritten by the Anglo American Corporation and its associates in the clear knowledge that public support was not to be expected. In the result, including underwriting, approximately £6,610,000 of the issue was subscribed by Anglo American Corporation and companies closely associated with it, and approximately £1,450,000 by other mining groups for whose support we are very grateful. Only some £340,000 of the issue was subscribed by the general public. We are fully satisfied with the long-term prospects of this large investment; but it is worth pointing out that if we had not had sufficient cash resources and the necessary confidence in the future of the mine and of the country to follow the course we have done, there would have been no alternative but to close down this huge project with all its potentialities for the economic development of the country. We shall approach all our new enterprises in the same spirit as we have tackled (and shall continue to tackle) the affairs of Western Deep Levels Limited; but it is obvious that this implies a conservative dividend policy in the group and, possibly, a slower rate of advance than we would have liked to see. There can be little doubt that these factors, making

for a more cautious policy in our group, apply with at least equal force to the business community as a whole.

The continued outflow of foreign capital from South Africa with its drain on the country's reserves has now forced the government—which all last year persisted in an expansionist economic policy—to tighten import and currency controls drastically and to take steps to restrict the supply of credit. It is deplorable that in a country with an economy as basically sound as South Africa's, such "war-time" measures should be necessary. It must however, be agreed that in the situation that had been allowed to develop, these steps were unavoidable and, as interim measures, right. It is quite impossible, however, to find a long-term solution to our problems along these lines. What we are suffering from is not any unreasonable disparity between our exports and imports—indeed, South Africa's current account with the world outside is absolutely sound—but a flight of capital occasioned by a crisis of confidence. Confidence is not restored by strict controls—quite the reverse, in fact—and the best that can be hoped from these measures is that they may give us time, if we are wise, to tackle the social, human and political problems that are the real causes of our difficulties. If these basic matters are not faced up to and confidence restored, we will only be able to protect our external balance of payments at the cost of stagnation in the economic life of the country.

#### Events in the Federation

The economy of the Federation has also been seriously affected by political events, and here, too, the authorities have recently applied strict measures of exchange control. There are, however, important differences between the Federation and South Africa in regard to both the nature of the economic difficulties and the political problems that lie behind them. In these testing times, the economic advantages of the federal structure have shown up to great advantage.

During 1960, the foreign assets of the Bank of Rhodesia and Nyasaland ranged between £33.9 million and £47.9 million, and in the

## THE ECONOMIST JUNE 17, 1961

middle of May of this year stood at £41.1 million. These figures are, in the circumstances, impressive, and the currency restrictions which have been applied were presumably intended as a precautionary measure to make sure that, if the stable door had to be bolted, the horse would be on the right side of it. In so far as there has been reason for concern about the Federation's balance of payments, it has arisen not—as in South Africa—from a withdrawal of foreign capital through the Stock Exchange, which in the comparatively undeveloped state of the Rhodesian capital market would not have been possible, but from the apprehension that some Rhodesians would wish to realise their assets in cash and transfer it abroad on account of their fears about (amongst other factors) the consequences of British policy in Northern Rhodesia.

The racial situation in South Africa and that in the Federation are, of course, in many ways similar, but, as the point I have just mentioned illustrates, there are also basic differences between them. Both countries are deeply influenced by the far-reaching political changes that have taken place further north in Africa.

Obviously, these changes were bound to bring great pressure to bear on South Africa and the Federation to work out liberal solutions to their racial problems; and this the Federation is showing itself willing to do. But, in the Federation, African ambitions have gone much further than that. The federal constitution and that of each of its constituent territories have, in terms of a long-standing agreement, come up for review.

Even in the most favourable circumstances the revision of the constitution of any state is likely to arouse suspicions and antagonisms. In the Federation, the circumstances were far from favourable; and African politicians in Nyasaland and Northern Rhodesia would like to bring Federation to an end in order to be able to develop their countries as purely African states on the model of other Commonwealth territories in West and East Africa. The British Government, which retains ultimate responsibility in Northern Rhodesia and Nyasaland, has appeared to oscillate between, on the one hand, an inclination to meet these African Nationalist aspirations in the same way as it has elsewhere, and, on the other hand, a sense of its undertakings to support the development of the Federation as a multi-racial state. This ambiguity in British policy is a serious misfortune. And when it is realised that there is a substantial body of white opinion which reacts to extreme African demands with an intransigent defence of white privilege, it will be obvious that the task of building a united nation on the basis of racial partnership is far from easy. I am convinced that it can be done, and that it is something infinitely well worth doing. Much will depend on whether the moderates on both sides of the colour line who are working for racial co-operation and national unity receive the sympathy and support they deserve.

#### The Challenge to South Africa

It is idle to contend that the dislike of South Africa's policies abroad arises merely from misunderstanding. Certainly there is much ignorance and confusion about the nature and the complexity of the country's problems and an unwillingness to give credit for what is being done in South Africa—which is considerable—for the benefit of the non-Europeans. Nevertheless, the fact remains that the South African Government has been at great pains and con-

## COMPANY MEETING REPORTS

siderable expense to explain its policies overseas and, recently, the Prime Minister himself put his case at the highest level and with conspicuous ability—but without effect. The truth is that the fundamental principle upon which South African policy is at present based is morally unacceptable to practically all the nations of the world, European as well as non-European. No amount of provision of social services for non-Europeans, no amount of development in the native reserves, nor the granting of local self-government or even full independence in African tribal areas will reconcile the world to a policy under which African, Indian and Coloured people, no matter how high their individual capacity or character may be, are denied, on grounds of race and colour alone, rights of citizenship in the country in which they live.

It is regrettable but, in the circumstances of South Africa, scarcely surprising that Africans should look for remedies for their grievances by irregular means such as strikes and boycotts. But such action is extremely dangerous, not only because of its economic consequences but because it undermines law and order and threatens the normal processes through which a civilised state operates. I have no doubt that at present the government is capable of controlling the situation by force. Perhaps it can be held in this way for a long time, but only at the cost of a perpetuation of racial conflict, which must become progressively more embittered. And while this conflict lasts, it will be impossible to restore confidence in the future of the country, and the economy will be threatened with stagnation.

#### Race Relations in Industry

The responsibility for improving race relations in the political sphere lies essentially with the government, but some initiative in removing grievances and in fostering goodwill can be taken within industry itself. The relationship between African wages and productivity offers scope for continuing study of how it may be possible to increase wages without adversely affecting the delicately-balanced structure of local industry. While we do not anticipate that the economic circumstances of the gold mining industry, with an unchanging price for its product and an unchecked rise in working costs, will offer scope for dramatic changes, it is our intention to pursue investigations in the hope that, between these harsh millstones, some way can be found of giving adequate increased recognition to higher skills and improving efficiencies amongst our African employees.

There are, moreover, certain fundamental aspects of labour relations which have not received the attention they deserve in their application to our labour forces. At present we house, feed and look after our African employees from medical and social points of view extremely well. Indeed, there are few industries in the world that give the careful attention we do to these subjects. But I feel we can go further. By aptitude testing, training and placement procedures, a reasonable degree of equity and efficiency is achieved today, but if we are to achieve higher levels of productivity, greater attention must be given to the abilities, personal needs, inclinations and aspirations of individual Africans.

#### Resources of Goodwill

Viewed against the tremendous problems that face South Africa these aims and what they can

achieve may seem relatively unimportant. They affect only a limited number of people and in a limited number of ways. They offer no solution to the major problems that face our country. I hold the view, however, that these major problems depend for their solution, much more than is generally recognised, first upon the establishment on the personal level of attitudes of respect and affection for people of other races; secondly, on the extension of these attitudes on to the level of industrial and other organisations; and, only thirdly, on political policy.

There are, unfortunately, many pessimists of all races who believe that the differences between our peoples are too great to admit of compromise. But in spite of all the mistakes and missed opportunities of the past, there are undoubtedly great resources of good will, and it is still generally accepted that co-operation between black and white is essential for the happiness and security of all South Africans. I believe that, by our policies and our practice, we in the Anglo American Corporation have been able to do something and may be able to do more to foster and sustain interracial understanding and sympathy, and to keep open the possibility of a solution to our problems based not on superior force but on compromise and reason.

Copies of the complete statement are obtainable from the London Office of the corporation, 40 Holborn Viaduct, E.C.1.

## SOCIETE FRANCO AMERICAINE DE BANQUE S.A.

23, Boulevard Haussmann,  
PARIS, 9e

CAPITAL N.F. 5,000,000

The Annual General Meeting of Shareholders held on May 24, 1961, under the Chairmanship of Mr Raymond Wallier, re-elected Mr Hubert Cromback to the Board of Directors and confirmed that Mr Harry Recanatani, a Director of the Discount Bank (Overseas) Limited in Geneva, Mr Maurice de Botton, and Mr David de Ciaves had been co-opted.

After noting the satisfactory progress of the Bank's business, the Meeting decided to allocate the profits to various reserve accounts.

# GENERAL MINING AND FINANCE CORPORATION LIMITED

(Incorporated in the Republic of South Africa)

## CHAIRMAN'S SPEECH

In the absence, through illness, of the Chairman, Sir George W. Albu, Bart., Mr C. S. McLean, Deputy Chairman, presided at the Annual General Meeting of Shareholders of General Mining and Finance Corporation Limited, held in Johannesburg on June 13, 1961, and said:

In order to avoid the confusion which would result from the mention of two currencies the accounts submitted for approval at this meeting were recorded in pounds, and all figures quoted in this address will be in that currency.

In June last year the state of emergency, declared in March, was still in force and international confidence in this country as a safe and profitable field for investment was low and tending to decline further. The repatriation of cash and loan balances so evident earlier in the year continued at a heavy rate, augmented by further extensive sales of South African securities on foreign account. According to the South African Reserve Bank statistical reports the net outflow of privately held capital funds in 1960 was £97,000,000 or some four times the figure for 1959, whilst the inflow due to external borrowings by the Government, the Reserve Bank and the Commercial Banks was £16,000,000. The net loss of funds on capital account was, therefore, £81,000,000. Notwithstanding the serious implications of this outward movement of funds an appreciable rise in imports was permitted and, with virtually no improvement in the value of merchandise exports, the adverse trade balance was nearly double that of the preceding year. The improvement in gold output equalled the increases in current expenditure other than imports, and consequently the favourable balance of payments on current account declined sharply to £15,000,000. The Union's gold and foreign exchange reserves, therefore, fell during the year by 43 per cent or £66,000,000.

Despite the disturbed financial and political conditions, however, the gold and uranium industry maintained its normal development programme last year. The labour supply was adequate, labour relations were good and new records were achieved in revenue, profits, taxation and dividend payments. The industry played a very important part in sustaining the country's economy in the face of the mounting financial problems. It was, therefore, once again a disappointment that in the recent budget no relief from the existing discriminatory gold mining taxation was granted. Early in 1961 arrangements were concluded by the industry, with the approval of the Government for the "stretch-out" of uranium production until the end of 1970 with no change in the total quantity to be sold but a slight reduction in the average selling price. Uranium producers have been affected in various ways by these arrangements but in general it may be said that the country, although facing immediate reductions in foreign exchange accruals from this source, will on the other hand be well placed to compete with other world producers in the uranium market in the 1970's.

Notwithstanding the industry's excellent record, the Stock Exchange prices of mining and related financial and holding company

shares fell heavily in the first six months of last year and would probably have fallen even lower but for the steady influence exerted by certain South African institutions which entered the market as buyers from time to time. As the second half of the year commenced, however, prices became more stable, and in the closing months, with pressure on the dollar and the sharply increasing "free market" price of gold, they rose fairly sharply on rumours of an early increase in the "official" price. These hopes unfortunately turned out to be short-lived and after the close of the year prices subsided once more.

## GRAVE DECLINE IN SECURITIES

The affairs of this Corporation have been adversely affected by the successive sharp declines over the last eighteen months in the market value of its quoted investments. At December 31, 1958, the total value of this portfolio stood at about £22,000,000. One year later, after additional investments of £1,000,000, the value had risen to more than £30,000,000, but thereafter in the short space of a few months it fell by June 1960 to less than £22,000,000. The general improvement in the last quarter of the year, as I have already mentioned, was not sustained and conditions since then have deteriorated even more sharply than last year, due primarily to mounting uncertainties and fears in the minds of investors both local and overseas because of South Africa's racial policies, her departure from the Commonwealth and developments in other parts of Africa. The value of the portfolio, which by the end of April had fallen to £17,500,000, suffered a further sharp decline thereafter reaching a low point a month ago from which, however there has been some recovery.

The grave decline in the valuation of South African securities, the present limited market in such securities and the absence of any substantial overseas interest, give point to current fears that the raising of risk capital for the expansion of existing undertakings and the launching of new ventures will become increasingly difficult. Over the past 50 years those responsible for the promotion of mines and industries in this country have always relied to a significant extent, when mobilising such capital, on the overseas investor both directly as a contributor towards new capital issues and indirectly as a purchaser of shares in established concerns. Foreign capital has in this way played a very important part in the development of our gold-fields and industrial areas, but under present conditions this source of funds appears to have fallen away. It is obvious, therefore, that until confidence has been restored risk capital will have to be found to an increasing extent in this country and mining houses and others similarly placed may be obliged to conserve their resources to a degree not found necessary in the past. They may also consider it advisable to defer the expansion of some undertakings and the launching of others until there is a material improvement in financial conditions.

The Corporation's net income for 1960, after provision for all operating expenses and for tax, increased by approximately £50,000 to

£1,966,208. There were improvements in income from dividends and in revenue from other sources against which, however, there was a small decline in the surplus derived from the sale of investments. Total deductions from income were slightly higher, principally owing to increases in interest paid and the provision for taxation, these increases being partially offset by a reduction in expenditure during the year on furniture, equipment and motor vehicles. Of the amount of £281,629 provided for the writing down of certain assets £46,850 was for depreciation of the Holland Street building, £22,294 was in respect of mining and other properties and rights and the balance of £212,485 was applied in reduction of the book value of investments in accordance with the Corporation's established procedures. It was also decided that in view of the substantial fall in the market value of the portfolio during the first four months of 1961, the Investment Reserve should be strengthened by an amount of £350,000 thus raising it to £1,350,000. The net expenditure on exploration last year was £138,545 and this amount was appropriated from the year's profits, together with a further transfer of £100,000 to Exploration Reserve.

The dividends on the Ordinary shares were maintained at a total of 7s. per share and, with the distributions to Preference shareholders, absorbed in all £1,054,578, leaving a balance of £41,456 from the year's profits to be carried forward which increased the balance of unappropriated profits to £335,042.

## GROUP INTERESTS

The Mines of this group, in keeping with the general industry pattern, recorded good progress last year in their development operations and, with the exception of Ellaton which is nearing the end of its working life, their ore reserves were well maintained both in respect of tonnage and grade. Distributable profits and dividends were also satisfactory in spite of continued heavy capital expenditure at Buffelsfontein and Stilfontein and a marked increase in tax and lease payments by Stilfontein. Since the end of the year all the group uranium producers have concluded negotiations for the "stretch-out" of their production quotas until the end of 1970, and there have been certain re-arrangements of these quotas, whilst additional quotas have been taken over from producers outside the group.

The quotas allocated to the Afrikander Lease, Babroscro, Ellaton and Stilfontein companies, have been taken over by Buffelsfontein, which will consequently produce uranium on approximately the same annual scale as hitherto but over the extended period of 10 years: the total profit it expects to earn from this source under the new arrangements should exceed that which could have been earned under the old contract. The mine is capable of a substantially increased output of uranium without further capital expenditure and therefore, with its very low unit cost of production, will be well placed to participate in any additional sales contracts which may become available in the future. The gold yield per ton has shown a gratifying improvement during the current financial year with a resulting

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rise in profits. Preparations are now being made for the commencement in 1962 of the sinking of twin shafts from surface in the eastern portion of the lease area. The lower levels of the mine will be exploited by means of sub-vertical shafts the first of which, located in the vicinity of the existing Pioneer Shaft System, has almost been completed, and the second will be started on the completion of the eastern twin shafts.

Although Stilfontein has ceased to produce uranium and acid, it will receive royalties over the next ten years from the cession of its uranium production quota, and it is also negotiating with the industry a compensation claim to cover the loss in profits due to the closure of the acid plant. Gold operations continue to be satisfactory notwithstanding the tendency for working costs to increase, and it is particularly pleasing to note the encouraging improvement in development values which suggest that the mine has passed through the poorer zones which adversely affected its results in 1959.

At South Roodepoort the existence of the Kimberley Reef Horizon on a portion of its mining area has been proved at moderate depth and an agreement has been reached with the owner of certain adjoining ground to explore and mine this horizon on that property. Such limited exposures as have already been made in underground development and boreholes have been encouraging and this work is being continued. Much further development, however, will have to be completed before the potential of this new source of ore can be determined.

For West Rand Consolidated the "stretch-out" arrangements until 1970 for uranium production are of the utmost importance as this mine has large reserves of uranium-bearing ore of high grade which will be available for exploitation after that date to meet any demand then arising at economic prices. In the meantime, notwithstanding the taking over of portion of the quota allocated to the Orange Free State Joint Uranium Production Scheme, output at the mine will be curtailed in 1962 and succeeding years but, despite the substantially lower scale of operations, regular though reduced dividends can be anticipated.

The Corporation's most important holdings in gold mines outside the group are in Free State Geduld and Loraine. In both mines there are very promising areas still to be developed from which large tonnages of high grade ore may reasonably be anticipated. Under prevailing market conditions the shares of these two companies have depreciated considerably, with marked effect on the current value of our portfolio, but nevertheless this has in no way affected our faith in their dividend potential.

About 20 per cent of our portfolio is in shares of financial and holding companies, in and outside this group, with large interests in the gold mining industry. Dividend income from these investments was well maintained last year, but their market values were, of course, adversely affected by the conditions I have described. The future of these concerns will be governed by the same factors as affect the Corporation.

Our industrial interests have not changed materially in recent years and do not represent a significant proportion of our holdings. Dividend income from these sources declined in 1960.

## ESTABLISHMENT OF NEW INDUSTRIES

During 1959 the Corporation participated with West Rand Consolidated and others in the establishment at the West Rand Mine of a plant to produce electrolytic manganese using the

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effluent from the uranium plant as a raw material. This concern, Electrolytic Metal Corporation (Proprietary) Limited, came into full production at the end of 1960 and has found a ready and profitable export market for its product which has made excellent headway in the markets of Europe and the United Kingdom. The plant is now being doubled and the increased output should be available for sale in 1962. In view of the diminishing supplies of effluent at West Rand alternative supplies of raw materials have been arranged.

The Corporation has recently concluded an agreement with West Rand Consolidated and others to set up, also at the West Rand Mine, a plant for the manufacture of ferro-chrome. Portion of the mine's redundant equipment will be hired to the operating company, Palmiet Chrome Corporation (Proprietary) Limited, thus saving it considerable time and capital expenditure. There is an expanding world demand for this product.

In participating substantially in these two enterprises the Corporation and West Rand Consolidated were concerned with the need to develop to the maximum extent the processing in this country of ores which even today are being exported in large tonnages with the loss of foreign exchange in respect of the final processing operations.

## KATANGA CONCESSIONS

In keeping with its policy of searching continuously for new mining areas the Corporation recently concluded an agreement with the Government of Katanga under which it has been granted a concession in that territory over some 8,000 square miles adjoining the Northern Rhodesian Copper Belt. A prospecting company is in course of registration in Katanga which, when all formalities have been completed, will commence a comprehensive examination of the concession area. After an initial period of six months the new company will be obliged to expend on exploration a sum of not less than £30,000 per annum. The Government of Katanga will be entitled to participate substantially in any mining companies formed to exploit payable mineral deposits. The Anglo American Corporation of South Africa Limited will participate with us in this venture.

The commitments facing the Corporation at the present time in respect of the undertakings for which it is primarily responsible are relatively light and it is not anticipated that any heavy obligations will arise in the immediate future in respect of interests held outside the group. It is, however, essential that the Corporation should be able to follow up all favourable investment opportunities which may be offered to it either in respect of existing or new undertakings. Such opportunities are normally lucrative and constitute an important part of the long-term process of building up a well spread and low priced investment portfolio. In view of present market conditions under which it is manifestly impossible to realise substantial blocks of shares on favourable terms, the Corporation has again arranged for the grant of loan facilities by Anglo American Corporation of South Africa Limited on mutually satisfactory terms. These facilities will remain in force until December 31, 1963, and the Corporation is at liberty to borrow up to £1,500,000. No drawings have so far been made.

## CAPITAL FAMINE

Since the year end the outflow of funds from this country has continued at an alarming rate

leading to successive further sharp declines in the gold and foreign exchange reserves and, consequently, to the recent tightening of import control, restrictions on loan facilities by the commercial banks and the general increase in interest rates. The growing shortage of funds and the increasing concern among investors and the business community generally have contributed to the further decline in share market values. There are many signs of decreasing economic activity, including rising unemployment in some sectors of the economy. Fortunately these factors have not affected the current operations of the gold mines, but they may well exert some influence on the profits and financial resources of industrial and finance companies.

In the circumstances it is difficult to forecast with confidence what the immediate future holds for the Corporation. On present estimates the net income figures for 1961 and 1962 are likely to be somewhat lower than in 1960, largely because of the uranium "stretch-out" arrangements within the group which will lead to reduced dividend income and lower revenue from administration fees. These estimates, however, do not make provision for the possible adoption of conservative dividend policies by any of the companies in which the Corporation is interested. I must also point out that since December 31st last there have been further violent fluctuations in the market values of our investments, certain of which have fallen at times to levels below their individual book values. If there is a return by the end of this year to the low point recorded last month substantial writing down of investments will then be necessary. Against this, however, we have at our disposal the augmented investment reserve.

The serious financial difficulties in which this country is involved have been felt throughout the economy and it is, therefore, natural and proper that those whose interests have been affected should consider the basic causes of the present situation and discuss the possible remedies. It is generally agreed, both here and overseas, that the causes are fundamentally socio-political in origin. The growing loss of confidence, leading to the recent heavy withdrawals of capital, has arisen, it is maintained, largely because of the manner in which the relationships between the white and non-white sections of our population are controlled.

Recently also confidence was severely shaken by the constitutional changes effected against the wishes of a large and well-informed section of the electorate holding a very important stake in our economy. This group has accepted with dismay the severance of our traditional links with the British Crown and considers our departure from the Commonwealth to be nothing short of a disaster. It is not surprising, therefore, that the recent loss of confidence was not confined to investors overseas.

On the other hand this group will be as loyal to the Republic of South Africa as any other and recognises, and subscribes wholeheartedly to, the urgent need for greater unity and understanding between all races in this country and particularly between the two sections of the white population.

## CO-EXISTENCE

The doctrine of "apartheid" and its many applications in South Africa are regarded with growing repugnance throughout the world, even by our closest friends, and the concept that any race, because of its colour, should be subservient to another is no longer tenable.



Events elsewhere in Africa lend greater significance to our problems and have no doubt added appreciably to present difficulties. They do suggest, however, that in our multi-racial state fundamental changes cannot be made rapidly, but must take place over a sufficiently long period to permit of their gradual acceptance. For example, the immediate application of the "one man-one vote" system for all would inevitably lead to economic and political chaos. The solution for the present, therefore, must surely lie somewhere between the extreme points of view, i.e. "apartheid" and universal franchise, and must ensure that, now and in the future, political and economic control will remain in the hands of those, whatever their colour, who are capable of accepting the responsibilities involved.

The non-whites in South Africa are fundamentally patient and law-abiding peoples who have undoubtedly enjoyed much greater educational and material benefits than have been generally available in other parts of Africa. At present they are mainly concerned with improving their educational standards and the economic and other circumstances in which they live. It is, therefore, important that we should work without delay towards the establishment in due course of conditions in which the potential of each individual, whatever his race, can be realised to the full for the benefit of all, and this, of course, can only be achieved in a society in which individual advancement in all spheres of activity depends upon individual merit. This is not possible, for example, when one section of the population enjoys a privileged position in respect of certain avenues of employment or when opportunities for advanced education are denied to the majority of the population. These and other inequalities are to be found in this country and they infringe those fundamental human rights which every law-abiding citizen should be entitled to enjoy and which are the very basis of the civilised standards to which the western world subscribes.

#### MULTI-RACIAL DISCUSSIONS

For months there have been suggestions from all quarters that consultation between the different racial groups has become urgently necessary with a view to seeking a more just and humane approach to our racial problems. There have been recent public statements by both our President and Prime Minister promising greater unity in this country now that the Republic has been achieved. Our leaders should, therefore, make the first move in this direction by creating the opportunity for careful and co-ordinated discussions with the leaders of all sections. Only by this means can a generally acceptable solution to our problems be found. There is little doubt that such action on their part would be widely welcomed and supported both in South Africa and overseas and would be an important step towards the restoration of confidence.

The Union of South Africa owed its phenomenal development during its short life of fifty years to the leadership and productivity of the white section and to the capital resources that section was able to mobilise, largely from overseas, coupled with the labour and willing co-operation of the non-white peoples. The joint effort of all these groups in our expanding mining and industrial complexes must obviously continue, but on a basis which permits the non-white groups to make an increasing contribution with corresponding improvements in their share of the benefits. I believe that, given enlightened

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leadership, this can be achieved and in that event the future prosperity of South Africa will be assured.

The establishment of a Republic in South Africa should present no obstacle to the solution of the problems which I have outlined for I am confident that those who have with pride and loyalty served this country's interests during the fifty years of Union will continue to do so under the Republic. I would go further and express the hope that under the régime now established the Government for its part will set this country on the path of international rehabilitation by initiating, on a truly national basis, a system of consultation and discussion such as I have advocated.

It may seem unusual for the Chairman of a financial company to dwell for so long on matters

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entirely political at an annual meeting of shareholders, but they are the root cause of present financial uncertainties. My colleagues and I have seen the market value of the investments for which we are responsible decline in about eighteen months by some 40 per cent, or £12m. due to events entirely beyond our control and in such circumstances I have a duty to draw attention to the underlying factors in the situation.

In conclusion I would like to refer with very sincere regret to the death last February of Mr A. Comar Wilson who had been a London member of the Board of the Corporation for some five years. His charming personality and friendly help at all times will be greatly missed by our colleagues in London and by all of us in Johannesburg who had the privilege of knowing him.

### Intra Bank; S.A.

Head Office: BEIRUT, Lebanon

#### GENERAL BALANCE SHEET AS AT 31st DECEMBER, 1960

| 1959<br>L.L. | LIABILITIES<br>AUTHORISED CAPITAL:<br>300,000 Shares at L.L.100<br>each         | 1960<br>L.L. | 1959<br>L.L. | ASSETS                                                                             | 1960<br>L.L. |
|--------------|---------------------------------------------------------------------------------|--------------|--------------|------------------------------------------------------------------------------------|--------------|
| 30,000,000   | ISSUED AND PAID UP<br>CAPITAL:<br>167,719 Shares at L.L.100<br>each, fully paid | 30,000,000   | 62,752,473   | Cash in hand and at<br>banks                                                       | 87,904,530   |
| 12,000,000   | 132,281 Shares at L.L.100<br>each, 1st Call 25% paid                            | 16,771,900   | 9,946,910    | Govt. Bonds, Stocks,<br>Shares and Invest-<br>ments (at cost)                      | 20,400,911   |
| 595,789      | Capital Reserves                                                                | 3,307,925    | 26,618,522   | Bills discounted                                                                   | 35,367,521   |
| 12,593,789   | Statutory Reserves                                                              | 2,822,719    | 30,463,597   | Advances                                                                           | 115,828,342  |
| 1,916,999    | Total                                                                           | 595,789      | 4,343,893    | Shares in affiliated<br>companies (at cost)                                        | 3,403,383    |
| 64,390,680   | Other Reserves and Provi-<br>sions                                              | 23,497,433   | 8,158,591    | Bank premises and<br>other real estate (at<br>cost)                                | 9,146,245    |
| 14,361,694   | DEPOSITS:<br>Time and Fixed Deposits                                            | 2,167,650    | 4,692,695    | Payments on account<br>of purchase of real<br>estate                               | 6,383,444    |
| 72,357,352   | Savings Accounts                                                                | 116,948,234  | 1,140,810    | Furniture and Fixtures<br>(after depreciation)                                     | 1,257,482    |
| 3,042,699    | Current Accounts                                                                | 104,907,676  | 487,730      | Other Accounts                                                                     | 1,304,699    |
| 45,636,264   | Total Deposits                                                                  | 247,434,777  | 43,536,764   | Customers' liability<br>under guarantees and<br>commercial credits<br>(per contra) | 55,811,622   |
| 214,231,427  | Other Accounts                                                                  | 7,916,467    |              |                                                                                    |              |
|              | Guarantees and Commer-<br>cial Credits on account<br>of Customers (per contra)  | 55,811,622   |              |                                                                                    |              |
|              | TOTAL LIABILITIES                                                               | 336,827,549  | 214,231,427  | TOTAL ASSETS                                                                       | 336,827,549  |

### THE BRITISH INVESTMENT TRUST LIMITED

Statement by the Chairman, Mr A. H. Bowhill, at the Seventy-Second Annual General Meeting of the Company held in Edinburgh on June 12, 1961.

As will be seen in the report, Mr Wood, Mr Watson and Mr Weir have all expressed their wish to retire. Mr Wood became a Director of The Realisation and Debenture Corporation of Scotland in 1929 and Chairman in 1942. Mr Watson became a Director of that Company in 1942 and Mr Weir has been a Director of The British Investment Trust since 1943. Their colleagues much regret their decision to resign from the Board and feel sure that members will wish to join with them in recording their appreciation of the services they have rendered over many years.

The amalgamation of the two Companies became effective on July 1, 1960. The accounts before you for the year to March 31, 1961, include, therefore, only nine months' revenue from The Realisation and Debenture Corporation of Scotland investments acquired and consequently no comparison can be made with the previous

year. Had a full year's revenue from these investments been brought into the accounts the annual gross revenue would have been approximately £1,485,000, and the earnings on the present Ordinary Share Capital £28.5 per cent.

It is now proposed to pay a final dividend of 14 per cent making 23 per cent for the year which represents an increase of 2 per cent over last year.

The valuation of the investments shows an appreciation of 124 per cent and this would have been considerably greater had it not been for the fact that The Realisation and Debenture Corporation of Scotland investments were brought in at market value.

We still continue to lay emphasis on investment in growth industries, both here and in USA and Canada. In view of our large dollar holdings the Manager visited North America twice during the year and we see no reason to alter our views on the long term future growth in that continent.

I referred last year to the extra work entailed by the progress of the amalgamation. On this occasion I must pay tribute to the Manager and the combined staff for the way in which they completed the amalgamation of the two companies in addition to the successful conduct of our normal business.

The Report and Accounts were adopted.

#### THE ECONOMIST JUNE 17, 1961

##### New Issue

June 7, 1961

2,000,000 Shares of Common Stock  
(Par Value 50 Japanese Yen per Share)

Represented by  
200,000 American Depositary Shares

**Sony Corporation**

(SONY KABUSHIKI KAISHA)

(A Japanese Company)

Price \$17.50 Per Share

*This advertisement is for informational purposes only and is neither an offer to sell nor a solicitation of an offer to buy any of these securities.*

Smith, Barney & Co. The Nomura Securities Co., Ltd.

### AUTOMATIC TELEPHONE & ELECTRIC COMPANY

#### GENERAL EXPANSION OF ACTIVITY

The annual general meeting of the Automatic Telephone & Electric Company Limited will be held on July 5 in London.

In the course of his circulated statement, the chairman, Sir Thomas Eades, referring to the fall in Group Trading Profit, said that the results of the Subsidiary Companies in the aggregate compared favourably with those achieved in 1959; thus the decline in Profits was confined to the Parent Company. In 1960 costs had continued to rise and prices, both home and export, had declined. Another factor which had a most important effect on the 1960 results was the heavy expenditure incurred on medium- and long-term projects which could not yield immediate results.

The chairman continued: The Group Trading Profit including Dividends received was £1,065,507 compared with £1,543,198 for 1959. The Net Profit for the year is £631,756 compared with £886,685 last year. Capital Reserves are £6,257,953 and Revenue Reserves and Surplus now stand at £4,074,245. In total the Assets of the Group have increased by nearly £3 millions, reflecting the general expansion of activity.

Our Order Book shows an all-time record. This is mainly due to forward requirements of the Post Office, and to increased Export orders pursued in response to Government exhortations for increased exports. Competition for exports was keen, prices were low and whilst we expand our sphere of influence throughout the World and ensure future orders, much ingenuity will be required to make the business cover all selling costs and Export Credit Guarantee charges.

In 1960 expenditure on Research and Development totalled £580,766, of which from the United Kingdom, and our Sales turnover during 1960 exceeded that of 1959.

In the Home market the Post Office is embarking on broad schemes in which we are playing a substantial part, and altogether we may expect a somewhat larger and steadier ordering programme for the industry.

In 1960 expenditure on Research and Development totalled £580,766, of which £500,000 has been charged against the Reserve set up for this purpose. Your directors attach great importance to new developments for the future, but are concerned to control the resulting expenditure and some limitation of the programme of work may have to be made.

Naturally you expect me to tell you something more of the year's prospects. We have a full programme for 1961. Employment will run at a very high level, but it is doubtful if results will be suitably commensurate.

I believe that difficult conditions will obtain for a year or two, and I would emphasise that during this period dividend rates may not be maintained, but meantime no effort will be spared to put the business on a better basis, nor will there be any relaxation of our efforts to improve the working efficiency of all sections of our Organisation.

### F. FRANCIS & SONS (HOLDINGS)

#### INCREASED SALES—NARROWING MARGINS

The 60th annual general meeting of F. Francis & Sons (Holdings) Limited was held on June 14 in London, Mr Frank Fox (chairman and joint managing director) presiding.

In the course of his circulated review, the Chairman reported that the Group profits were still rising and for the year ended 31st December, 1960, had increased from £443,146 to £505,216. The Directors recommended a total distribution for the year of 23 per cent.

Reviewing the Group activities, Mr Fox said: The position is as it was last year in that the Group is divided into two sections; the packaging interests and the engineering interests. Whereas last year I had to report further interests taken up in the engineering field, this year our extension has been in the packaging field by the acquisition of Lacrinoid Products Ltd. and Containers and Closures Ltd.

Our sales throughout the Group show a very encouraging increase but, on the other hand, our net margin has narrowed.

We are still optimistic about the future and we shall, should the opportunity arise, expand our efforts by taking into the Group any Company which would fit in.

Finally, it is a pleasure to once again pay tribute to the efforts of everyone concerned with the Organisation and to say thank you for your efforts in the past—and I would say—difficult year.

The report was adopted.

### HIGHAMS LIMITED

#### SATISFACTORY GROWTH OF SALES

The fifty-third ordinary general meeting of Highams Limited will be held on July 5th in London.

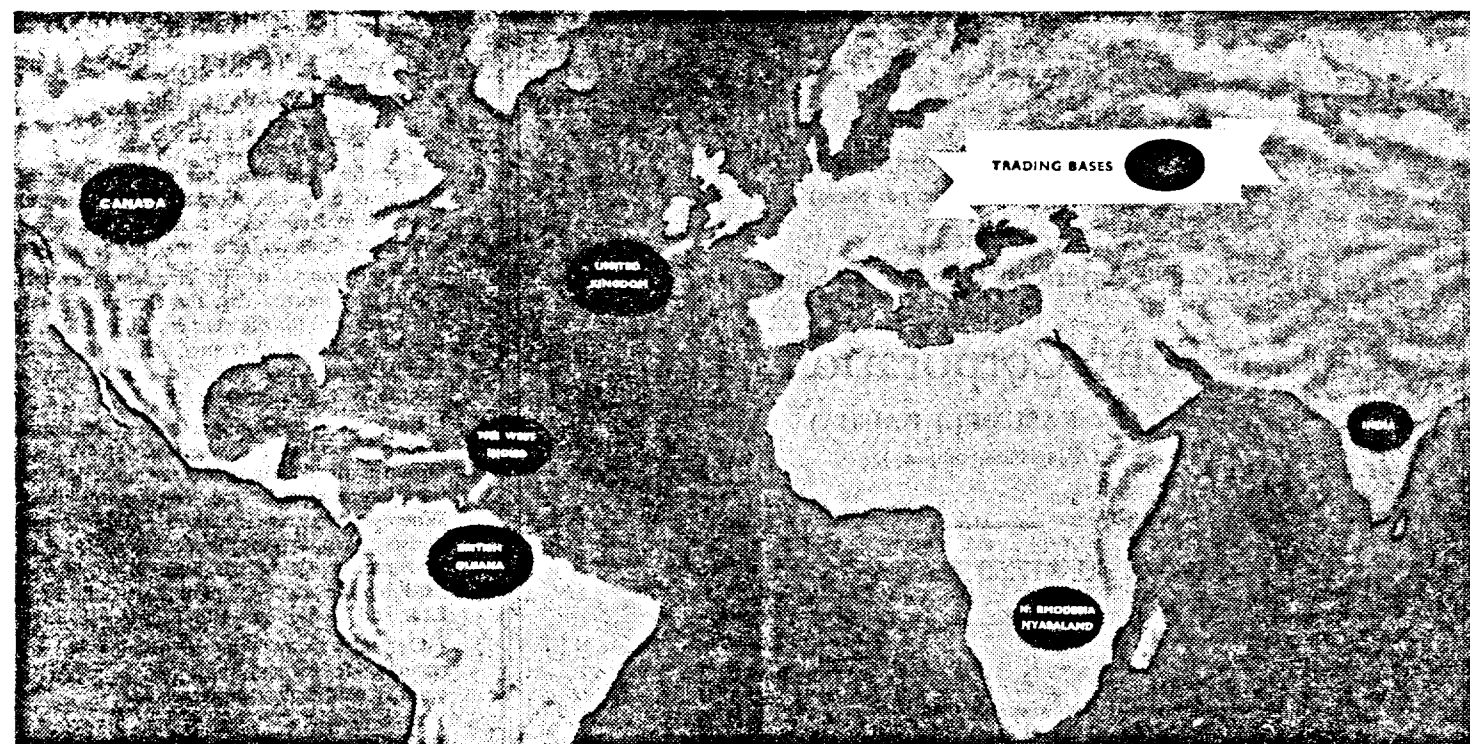
The following is an extract from the circulated statement of the chairman, Mr Alec E. Higham, OBE, JP.

I would have liked to have been able to report an increase in the profit earned before the deduction of tax for the year under review and this would have been the case but for a very serious flood at one of our branches last Autumn, the estimated cost of which was in excess of £50,000 and you may rest assured that steps are being taken to prevent, as far as possible, any recurrence.

On the commercial front I am pleased to state that sales show a satisfactory growth this year in all branches of the Group.

The reorganisation scheme to which I referred last year is proceeding according to plan; production is steadily increasing at the new mill and I hope that it will be operating at full capacity early next year.

As to the future, we have nothing to fear from fair competition, but one is bound to speculate how far imported cloth from Hongkong, Pakistan and certain European countries, does genuinely fall within the category of fair competition. The Government should be very mindful of this problem or else the cotton trade might have to face yet another planned contraction, unless there is some limitation imposed on the import of such cloth.



## THE BOOKER GROUP

Agriculture, Shopkeeping and Wholesale Distribution,

Shipping, Rum, Engineering, and Light Industries

### Statement by Mr. David Powell, F.C.A. Deputy Chairman of Booker Brothers, McConnell & Co Ltd

Our Chairman, Sir Jock Campbell, has not yet fully recovered from his illness, so this year I am writing the statement which is normally written by Sir Jock. Since our last annual general meeting Mr A. R. Woolley, DSO, and Mr Peter Parker, MVO, have joined the Booker Board.

#### FINANCIAL RESULTS

The net trading profit of the Booker Group in 1960, after tax and all charges was £1,344,603, compared with £1,248,751 in 1959. In addition there were capital profits of £123,071, against £100,224 in 1959. Your directors are recommending a final Ordinary dividend of 8d. per share free of income tax, making 1s. for the year, an increase of 10 per cent.

The Group has continued to expand, and during the last ten years, while there has been no issue of shares for cash, the total Ordinary dividend has been increased in every year but one. This has been possible, because, on the whole, we have been able to keep a balance between money used in established profit-earn-

*This is an abridgement of Mr. Powell's full statement.*

ing businesses, in extensions to them, and in the acquisition or building of new businesses.

#### THE IMPACT OF INDEPENDENCE

If we only had to cope with the relatively straightforward hazards of normal business life I would have no fears that Bookers would continue to go from strength to strength and that profits would continue to increase. Indeed, I have no doubt whatever that we shall, over the years, continue to earn an acceptable return on the money entrusted to us. But it would be wrong not to sound a note of caution about some aspects of our business during the next year or two. Over half the profits of the Booker Group in 1960 were earned by our operations in British Guiana, the West Indies and Central Africa. The peoples of these areas are racing towards self-government. Such progress is both inevitable and desirable, and in the long run independence will stimulate economic activity and thus bring fresh opportunities for companies operating in these new and industrially growing communities. But in the short term it seems possible that the birth-pains of these emergent nations may, in some cases, change the pattern of trading and profit earning to which our businesses operating within their borders are accustomed.

However, we are continuing to back our faith in the future of the emergent countries by making new investments in them while keeping a balance, over the Group as a whole, by enlarging our complementary interests in the industrially more advanced countries.

There is understandable concern at events in some territories in the Caribbean and in Africa, but now, if ever, is the time when enterprise needs strong nerves. We who do business from the industrially advanced countries must make it clear to the peoples and politicians of the newly independent or emerging nations in which we operate that we understand and accept that these countries must fashion their own destinies and that in the last analysis it is for them to decide how far firms financed from abroad can successfully continue to do business in them. Companies like Bookers have much to offer in the way of capital, technical skills and hard-earned experience, and it is to the advantage of everyone that they should be used. If good economic and commercial relationships are not maintained and strengthened there can be no doubt whatever that the yawning gap between the economically mature countries and the rest will widen—and this would be in nobody's interest.

#### ADVANCES IN SOCIAL POLICY

We believe it is the desirable pattern for any company in any country that the business should mainly be run by the people of the country, and that promotions too should mainly come from within. But how far and how quickly the first of these policies can be implemented of course depends on the available supply of

local people with the necessary qualifications and experience, and this helps to account for the high priority which training has in all our activities.

There have also been some outstanding advances made in industrial and community relations and conditions of service in the past year. The agreements with the sugar workers' unions in British Guiana provided substantial increases in wage rates, and new ground will be broken through the introduction this year of a comprehensive contributory pension scheme for some 20,000 Guianese. There has been a "new deal" giving more security and better pay to waterfront workers in Georgetown. A contributory medical insurance scheme for Georgetown employees and their families covering nearly 7,000 people and a supplementary works pension scheme for the engineering companies in the United Kingdom have also been introduced.

We also believe that when the circumstances are suitable it is desirable that local people, particularly employees, should be able to invest in the companies which form part of their communities. In Canada, 15 per cent of the shares in Prairie Pacific Distributors, the new parent company of all our Western Canadian companies, are now owned by employees. In British Guiana both employees and the public have bought shares in Guiana Industrial and Commercial Investments, a company formed in 1960 which owns 10 per cent of the shares of our companies there.

#### AGRICULTURE IN BRITISH GUIANA, THE WEST INDIES AND AFRICA

Our agricultural operations are becoming more diverse, instead of being concentrated almost solely in sugar growing and manufacture in British Guiana.

The weather in 1960 was exceptionally favourable for sugar growing and harvesting in British Guiana. A record crop of over 270,000 tons was produced on the estates for which Bookers are responsible—nearly 20,000 tons more than the former record crop of 1958.

We were fortunate to receive some additional temporary quota allocations, including a new outlet for 24,000 tons in the favourably priced United States market. Attractive though such windfall additions to our revenue might seem, the free world market price, at which we sold over one-third of our sugar last year, remained at a wholly unprofitable level and sugar profits were very little better than those earned in 1959, still only representing one-fifth of the profits of the Group after tax. The Commonwealth Sugar Agreement remains the prop and stay of British Guiana's sugar industry and our first priorities must ever be the vital markets of the United Kingdom and Canada.

There are now 185 acres of tea planted at Chombe, our tea estate in northern Nyasaland, and we expect to have 500 acres planted by the 1963-64 season. Our factory should start manufacture at the end of this year, and we hope later to encourage local Africans to grow tea for processing in it.

At our pilot project in Nigeria the experimental plots reaped so far have indicated that satisfactory yields of sugar can be expected. The final decision whether to go ahead with a full-scale project will be taken in June with our partners the Federal and Northern Regional Governments and the Northern Region

Development Corporation. If the decision is favourable the next step will be to set up a Nigerian company in which we shall have a minority shareholding and which we shall serve as managing agents.

In Jamaica during 1960 we acquired a 55 per cent interest in Innswood Estate Limited. This is a medium-sized estate, having made an average crop of about 15,000 tons of sugar in recent years. The estate's crop in 1960 was an all-time record of 19,000 tons, but in terms of total Booker Group assets employed and profits earned this venture is still of course small.

#### SHOPS AND WHOLESALE DISTRIBUTION IN FOUR CONTINENTS

For our shops and wholesale distributive companies 1960 was a year of consolidation, although their total profits, which provided two-fifths of total Booker Group profits, were a little better than in 1959. Such expansion as did take place was mainly in Western Canada, where our Prairie Pacific Distributors group of wholesale companies sell motor-car parts and some domestic appliances and sporting goods, operating from the head of the Lakes to the Pacific. Bookers Stores in British Guiana did particularly well and achieved record sales and profits. In Northern Rhodesia, Campbell Booker Carter (Central Africa) had a very much better year, in both sales and profits, rewarding their management and staffs for all their hard work during the past difficult years. In Nyasaland, The London & Blantyre Co. had another troublesome year although profits were better than in 1959. In Trinidad our two department store companies and our retail drug company together again earned useful profits.

Our wholesale and retail businesses in London and the Home Counties had a better year than in 1959 and the improvement continues in 1961. Our buying, shipping, confirming and agency companies in London, British Guiana, Trinidad and Central Africa again provided sizeable profits and a high return on Group capital employed.

During the last twelve months I have visited all these companies in Canada, Central Africa, the Caribbean and England. I was much encouraged by all that I saw.

#### SATISFACTORY SHIPPING PROFITS ON BOTH SIDES OF THE ATLANTIC

Our shipping interests based on Liverpool, Georgetown and Port of Spain improved in 1960 on the good results of the previous year. Their contribution to Booker Group profits represented about one-tenth of the whole, but we hope in the future to add to the number of ships employed, and further expand our other shipping activities.

A third new ship of about 1,000-ton cargo capacity for our United Kingdom coasting business is on order for delivery in December, 1961. Plans are also going forward for enlarging our Caribbean coasting fleet. Our new 10,000-ton bulk sugar carrier, *mv Booker Venture*, is now plying between the West Indies, North America and the United Kingdom, and the new bulk sugar storage and loading plant

on the Demerara river in British Guiana was opened earlier this year.

#### ANOTHER GOOD YEAR FOR RUM

The trade done by our Rum group in 1960 again constituted a record and contributed rather more than one-tenth of total Booker Group profits.

The new distillery at Innswood Estate in Jamaica will make an important contribution to the constituent elements of United Rum Merchants' *Lemon Hart* and *Red Heart* Jamaica rums. Our Demerara rums continue to make most satisfactory headway. More *Tia Maria* liqueur was again sold; it is already one of the leading liqueurs in the United Kingdom and its popularity is now spreading rapidly in North America.

#### LIGHT INDUSTRIES AND PRODUCE

The operations of the variegated group of companies covered by Bookers Industrial Holdings made a modest contribution in 1960 to total Booker Group profits. This contribution was, however, satisfactory both in the light of the capital employed and the inevitable losses incurred in beginning to build up our new company in Trinidad—Caribbean Printers—where we are in partnership with Brown Knight & Truscott.

Much of the business of this part of our Group, however, remains that of developing successful light industries in British Guiana—such as printing, drug manufacture, box-making, stockfeed, and balata.

#### INTENSE ACTIVITY IN BOOKERS ENGINEERING HOLDINGS

Production in our Engineering businesses is fast increasing and expansion is rapid—and so far the expansion has not prejudiced the efficiency of production. Our Engineering group contributed only one-sixth to total Booker Group profits, but it is at present growing faster than any other of our six functional groups. Its profits, moreover, represented a high return on Booker capital currently employed in Engineering.

Bookers Sugar Machinery Group, George Fletcher of Derby and Duncan Stewart of Glasgow, achieved record new orders and output of which the proportion represented by exports was more than half the total sugar machinery exported from the United Kingdom in 1960. Productive capacity was increased, and George Fletcher also made encouraging progress in the development of a new type of hydraulic roof support for the coal-mining industry.

The sugar machinery manufacturer now has to take into account the natural trend for sugar-producing countries to establish their own sugar machinery manufacturing industries. To conform with this trend, we are developing technical collaborations in Africa and the Far East and, through our partnership in India with the Sawhney family, building Triveni, our new sugar machinery manufacturing works near

*Continued overleaf*



# THE BOOKER GROUP (Continued)

Allahabad. The factory is planned to start operations by the end of 1961.

Orders received by Sigmund Pumps were half as much again as those received in 1959 and exports doubled. The works were extended and the new foundry came into full operation. Output of *ThermoPak* accelerator pumps, which maintain their lead in the central-heating market, continues to increase rapidly.

Moreover, we have just made a bid for the Pulsometer Engineering Co. We should know the outcome by the time of our annual general meeting. If the bid is accepted we shall—after transferring part of the Pulsometer Group to G. & J. Weir Holdings—take over the Pulsometer name and the Reading pump factory. In that event our Engineering group's profitable pump-manufacturing operations would be substantially expanded.

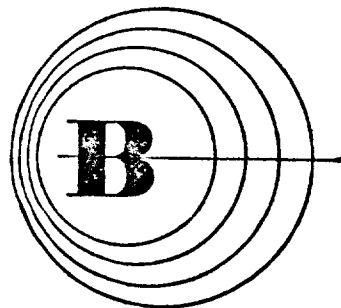
During 1960 International Boilers and Radiators began production in their new factory catering for the domestic-heating market of this country which, we think, has particularly good prospects for growth. A partnership, which takes Bookers as manufacturers on the continent of Europe for the first time, was entered into with Société Anonyme des Gaz Industriels (SOGAZ) for the manufacture of central-heating boilers in Belgium for sale in the Common Market.

## OUR FUTURE PROSPECTS

If in the next year or two the trend of events beyond our control turns out to be more favourable than I have suggested, I am sure shareholders will understand why I have felt it my duty now to point to the unfavourable possibilities while at the same time drawing attention to the many developments which are undoubtedly favourable. Our great strength, of course, lies in the courage, adaptability and skill of all my friends and colleagues in our companies everywhere. They provide the rock on which we can depend and build.

*The sixty-first annual general meeting will be held at the London Chamber of Commerce, 69 Cannon Street, London, EC4 at 12 noon on Tuesday, July 4, 1961.*

Readers are invited to apply to the Secretary, Booker Brothers, McConnell & Co., Limited, Bucklebury House, Cannon Street, EC4, for copies of the Report and Accounts and the *Review of the Year*, in which Mr Powell's statement appears and which illustrates the products and services of the Booker Group.



## COMPANY MEETING REPORTS

### WESTERN GROUND RENTS

#### A YEAR OF PROGRESS

The 22nd Annual General Meeting of Western Ground Rents Limited was held on June 9 in London, Sir Andrew H. Rowell (the Chairman) presiding.

The following is an extract from his circulated statement:

The profit before taxation amounted to £278,014 and, after providing £145,205 for taxation, there remained a net profit of £132,809 as compared with £116,916 in the previous year. If there be added to this net profit of £132,809 the balance brought forward from the previous year and taxation adjustments in respect of past years, together totalling £95,427, the amount available for distribution becomes £228,236. This figure exceeds by £48,037, the corresponding total for the preceding year.

During the year, an interim dividend of 10 per cent, less Income Tax, was paid on the present capital of £500,000 and the Board recommends the payment of a final dividend of 15 per cent, less Income Tax, on that same capital, making 25 per cent for the year.

Since 25th December, 1960, the Company has acquired further properties at a cost of £326,000 which will produce, in the current year, additional income of £26,750. The cash resources of the Company are now fully invested.

At an Extraordinary General Meeting to be held after the Annual Meeting Shareholders will be invited to consider and, if thought fit, to pass a Resolution to increase the authorised capital of the Company to £2,000,000 by the creation of a further 2,000,000 Ordinary Shares of 5s. 0d. each.

#### ISSUE OF ADDITIONAL CAPITAL

In order to assist the expansion of the Company's activities the Board proposes to issue 600,000 new Ordinary Shares of 5s. 0d. each to the Ordinary Shareholders of the Company whose names appear on the Register at the close of business on the 9th June, 1961, for a subscription at par by way of right on the basis of three new Ordinary Shares in respect of every ten Ordinary Shares then held.

Earnings continue to expand and the Board is of the opinion that future income should be adequate to enable the present rate of dividend to be maintained, with adequate cover, upon the increased capital.

Addressing the meeting, the Chairman said:

A number of statements have appeared in the Cardiff Press about Western Ground Rents Limited and the policy of your Company. I, therefore, think it desirable that I should make it clear that none of these statements has been authorised by the Board. In particular I would state that it has always been the policy of your Company to offer occupying residential tenants the freehold or a new tenancy in the event of an application being made. The present policy includes the offer of the freehold in almost every case. Obviously a case sometimes occurs where it is not good estate management to sell the freehold or grant a new lease, but these circumstances are very exceptional and seldom occur.

In addition to the Cardiff Estate which produces about half the income of the Company, Western Ground Rents Limited owns many im-

## THE ECONOMIST JUNE 17, 1961

portant properties in the West End of London and elsewhere and I would particularly like to mention the Canonbury Estate. This estate, comprising some 400 properties, has in recent years become a much sought after residential district and will no doubt continue to increase in value owing to its close proximity to the City of London.

The report and accounts were adopted, and at the following Extraordinary General Meeting the resolution for increasing the Authorised Capital was duly passed.

### TRINIDAD CENTRAL OILFIELDS LIMITED

The forty-fifth annual general meeting of Trinidad Central Oilfields Limited was held on June 8th in London. The following is an extract from the circulated statement of Mr Jack E. Duckham, Chairman and Joint Managing Director:

TRINIDAD: The gross sale of oil and gas in 1960 amounted to £556,274, which was 5 per cent less than in the previous year. Economies in field operations lowered overall development cost. Very satisfactory initial trading has been achieved for the first six months of business at the Farrell House Hotel opened on July 5th last.

CANADA: During 1960 the Group's operations were consolidated on purchase of the petroleum and natural gas assets of Tricentrol Oils Ltd. by Canadian High Crest Oils Ltd. for shares following the acquisition of a controlling interest in the company. Your Canadian Board's policy is so to spread their portfolio that advantage can be taken promptly of the inevitable upswing of Canadian oil prices and allowables while avoiding erosion of capital by losses on high risk ventures.

The decrease in gross sales in Trinidad has therefore been more than offset by an increase from your Canadian subsidiary.

PROFIT AND DIVIDEND: The profit available for distribution amounted to £193,303 (£227,180) and your Directors have considered it prudent to recommend a final dividend of 17½ per cent which, with the interim, makes a total of 27½ per cent, less tax, for the year as compared with 30 per cent for the previous year.

The report and accounts were adopted.

*Copy for the insertion of Company Meeting reports must reach this office not later than Wednesday of each week and should be addressed to:*

*The Company Meetings  
Department,  
The Economist,  
22, Ryder Street, S.W.1.*

## THE ECONOMIST JUNE 17, 1961

## COMPANY MEETING REPORTS

The 67th Annual General Meeting, held on 16th June, 1961, at the *Grand Spa Hotel*, Clifton, Bristol 6.

# JOHN HARVEY & SONS, LIMITED

"Your investment will prosper"

Mr. G. E. McWatters, Chairman.

Group sales have increased by 24.87%, from £4,799,943 to £5,968,799. This does not fully reveal the home market increase, as duty on fortified wines — Sherries, Ports and Madeiras — was reduced last year by two shillings a bottle. Taxation of profits, however, rose by 33.89%, from £293,513 to £392,991. The salient figures for the year are:

| GROUP                                | 1961<br>£        | 1960<br>£       | Increase or Decrease<br>of 1961 over 1960 |          |
|--------------------------------------|------------------|-----------------|-------------------------------------------|----------|
|                                      |                  |                 | Amount<br>£                               | per cent |
| Sales                                | 5,968,799        | 4,779,943       | + 1,188,856                               | +24.87   |
| Net Profit before Tax                | 707,326          | 581,143         | + 126,183                                 | +21.71   |
| Taxation                             | 392,991          | 293,513         | + 99,478                                  | +33.89   |
| Net Profit after Tax                 | 314,335          | 287,630         | + 26,705                                  | + 9.28   |
| PARENT COMPANY                       |                  |                 |                                           |          |
| Directors' Emoluments                | 59,034           | 56,448          | + 2,586                                   | + 4.58   |
| Ordinary Dividends                   | (21%)<br>148,974 | (21%)<br>92,497 | + 56,477                                  | +61.06   |
| Transferred to General Reserve       | 130,150          | 175,000         | — 44,850                                  | —25.63   |
| Undistributed Profit Carried Forward | 75,694           | 62,507          | + 13,187                                  | +21.10   |

#### Additional Space for Warehousing

New Production and Bonded Warehouses and Offices have been opened at Whitchurch — the cost of this move being borne in the year's accounts. A further increase in sales has necessitated increasing the facilities at Whitchurch, and an extension should be completed early next year.

#### Sherry and Port—increased supplies

Don Zoilo Ruiz Mateos, our colleague in Spain, has increased his Sherry stocks to meet our needs, and has completed a new bodega to house six thousand butts of Bristol Cream. To secure our position in Portugal, further interest has been acquired (now 40%) in Cockburn, Smithes & Companhia Limitada.

The old established firm of Martinez, Gassiot & Company Limited has also been acquired. We welcome Mr. G. R. Beresford Smith, its chairman, and his colleagues to our executive team. Sales of Port are increasing and we are well placed to meet demands.

#### Dry Sherry Sales doubled

Advertising and merchandising campaigns for the three Bristol Sherries — Cream, Milk and Dry — have proved successful and the sales force has been extended. A campaign promoting sales of Bristol Dry, emphasising the virtue of serving it chilled in warm weather, has doubled the sales of this Sherry during the year.

#### Overseas, the prospects are good

We have formed an Export Division under Mr. H. H. Waugh, our Export Director, assisted by Mr. A. L. Selway, General Manager of Export Sales, who are both on the Boards of our recently formed Overseas Companies, in Belgium, South Africa and Rhodesia. In Rhodesia and South Africa we are undertaking an advertising campaign to establish our position. Mr. Waugh recently reported favourably on our prospects in Africa. Our American Agents also report encouraging increases in sales. The Common Market is growing in importance, and we have appointed Mr. L. Bardsley to be European Sales Manager and are reviewing our sales organisation.

#### New Business Assets

We have acquired the entire share capital of A. J. Smith & Company Limited, operating some twenty-five retail off-licences in London. We have appointed Mr. Glyn Davies Managing Director of this subsidiary.

We have obtained the entire issued share capital of Cater, Stoffell & Fort Limited, based in Bath and Bristol and controlling licensed grocers' shops, restaurants, and a banqueting hall. They also manufacture Bath Oliver and other biscuits.

We have also bought the whole of the share capital of Connolly and Olivieri Limited, Birmingham wine merchants.

#### From strength to strength

Our Whitchurch facilities are unequalled in the wine trade in this country. We have opened new depots in Birmingham and Glasgow and are building additional depots in Cardiff and Portsmouth. Our position in Spain and Portugal and relations with growers in France and Germany should enable the Company to grow from strength to strength. Our recent Rights Issue raised £1,600,000 additional capital to finance further developments. We believe that, in our hands, your investment will prosper and our growth continue at its present high rate.

Copies of the Report and Accounts may be obtained from the Secretary, John Harvey & Sons, Ltd., 12 Denmark Street, Bristol 1



# BOOTS PURE DRUG COMPANY LIMITED

## SALES UP 10 PER CENT

### INTENSIFIED PROGRAMME OF RETAIL DEVELOPMENT

#### MR WILLOUGHBY R. NORMAN ON THE IMPORTANCE OF PHARMACEUTICAL RESEARCH

The Seventy-Third Annual General Meeting of Boots Pure Drug Company Limited will be held on July 13th. The following is a Statement by the Chairman, Mr WILLOUGHBY R. NORMAN, which has been circulated with the report and accounts for the year ended March 31, 1961:

In this my first Statement as Chairman I must begin by paying tribute to my predecessor, Mr J. P. Savage, who retired on March 31st after serving the Company for nearly fifty years, during the last seven of which he was Chairman. With his natural ability and long experience of the business he has made a great contribution to our affairs over many years. On personal grounds too, he will be greatly missed by his colleagues and many friends, and we all wish him a long and happy retirement.

#### YEAR'S RESULTS

I am happy to tell you that the year just ended has been another good one for your Company, though as was forecast, the profit increase is not on the same scale as last year. Home retail sales increased by 10.4 per cent, and wholesale and overseas sales including the sales of our overseas subsidiaries by 6.7 per cent, making the total sales of the Group to outside customers £99,690,000, an overall increase of exactly 10 per cent. As is the general experience gross margins were trimmed during the year but the expense position was again well held resulting in a profit before tax of £8,826,093 compared with £7,560,697 last year, or after tax of £4,263,303 compared with £3,826,004.

#### DIVIDENDS

On these results the Directors are recommending a final dividend of 8 per cent which, with the increased interim of 4 per cent (8 per cent on the old capital) will make a total distribution of 12 per cent for the year on the Ordinary Capital. This represents an increase of 1½ per cent over the total for the previous year adjusted to the new capital, and will still leave a dividend cover of nearly 2½ times.

#### FINANCE

Tax ab-orbs a higher proportion of the profit this year because of the increase in profits tax in the 1960 budget and the inadequacy of depreciation allowances, and this is illustrated by the fact that while our pre-tax profits increased by 17 per cent, profits after tax were only 11 per cent higher. Depreciation charged is up from £1,592,951 to £1,760,065 and undistributed profits increase by £204,599 to £2,322,444, so that the cash flow shows an increase of £371,713 and now exceeds £4 million.

There is nothing else in the accounts to which I need draw your attention except to the increase in the authorised and issued Capital, and the big movements in the capital reserves brought about by the one for one scrip issue of ordinary shares in November last.

On capital account we plan to spend during the current year £3½ million, divided as to £2½

million for the Retail Development Programme, and £1½ million on buildings, plant and machinery for the wholesale side of the business. This is an increase of £350,000 over what was actually spent during the year covered by these accounts, and the new expenditure of £3½ million is well within the cash flow.

Published with the Report and Accounts there is a table setting out a number of figures on a comparative basis over the past ten years.

#### STAFF

This year the profit earning bonus, which is 8½ per cent on the pre-tax profit and is divisible amongst the staff according to earnings and length of service, amounts to £819,911. This is an increase of 17 per cent and it rises, or falls, in exactly the same proportions as the pre-tax profits, thereby giving the staff as is right and proper a direct interest proportionate to the success of the Group.

During the year we introduced a forty-hour week for everyone in our factories, warehouses, and works.

It is very important as salaries increase and retail competition grows fiercer to watch most closely the percentage of salary to sales, and I am glad to say that because of another good sales increase this percentage figure is still moving in the right direction. This matter is particularly pertinent at the moment because if the Chancellor of the Exchequer used his pay roll tax "regulator" it would fall most brutally on organisations like Boots with a very large retail staff where opportunities for labour saving are obviously limited.

Here let me tell shareholders how immensely proud we are of our staff, their spirit, their energy and their skill, and I am sure that you also are aware of their quality, as for example from your visits to the Company's shops. On your behalf I would like to thank them all very warmly, wherever they are in the world, for what they are and do, and to assure them that their efforts are really appreciated.

#### RETAIL DEVELOPMENTS

We have two fewer shops than we had last year but that is not significant. Our policy is to close unprofitable ones, and wherever we have shops near together and not ideally placed, we try to close them in favour of a larger one in the best trading position obtainable. All the time the average size of our retail trading unit is getting bigger in order to handle an expanding volume of business in the most economical way possible.

The retail development programme is now really beginning to show results. During the past year modernisation of a major nature was in progress in 110 branches of which 57, including large shops in Slough, Gloucester, Lancaster, Huddersfield, Cambridge and Canterbury, were completed. New shops were opened in nine shopping centres, including Basildon New Town. The rebuilding of our Union Street store in Glasgow is well ahead of schedule and it

is hoped will be finished by April 1962. Other large shops to be completed during the current year will be Kettering, Taunton, Bradford, Bolton and South Shields.

These modernised shops give more selling space, freer circulation of customers and staff, better opportunities for customer self-selection of merchandise, and easier handling of goods from the time of arrival until their display in the fittings, all in well-lit, attractive working conditions. Our object too, is to make the shop fronts as attractive as possible, conforming to the best features of any surrounding architecture.

I do not know whether shareholders generally realise that normally all the shops are planned, designed, and fitted by ourselves, only the building work of the structure, and such things as heating and ventilating, being put out to outside contractors.

#### RETAIL TRADING

Retail business was generally well balanced throughout the year in spite of the wretched summer weather. We had another record Christmas, and our dispensing staff, who during the year dispensed more than 37 million prescriptions accounting for 14 per cent of our turnover, was fully extended during the post-Christmas epidemic.

Our chemist inventory has been extended by a number of new lines including a triple-action cold-relief tablet called Febs, Nasofen nasal drops for the relief of congestion in head colds and hay fever, and Paxedin tablets for relief of pain and feverish conditions. The toilet and household ranges also have a considerable number of additions and reformulations.

#### STOCKS

Stocks show a further considerable increase. In large degree this is a reflection of the increase in sales, but with higher sales an improvement should be possible in the rate of stock turnover and measures are being taken to this end. This is a very complicated matter when you consider that we currently carry some 60,000 stock lines in our warehouses, and this number is additional to lines carried for special order only.

The EMIDEC electronic computer was delivered in April last year and has been in commercial operation since September. Two departments, Photographic and Surgical, are now being handled by the computer and additional departments will be added as time goes on. Having regard to the extreme complexity of the task the conversion has been made very successfully. We are already seeing considerable operational benefits from the new system particularly in the warehouses.

#### RESEARCH

Our expenditure on research and development is now running at the rate of £750,000 per annum and is rising. With present profit margins we could not hope to justify expenditure of this order solely from sales in the home

market, and so we are looking more and more to overseas outlets to increase our production and help finance this cost.

Because of our wide manufacturing and selling interests we research actively in many fields, sometimes alone and sometimes in collaboration with other companies. In appropriate cases we market a product containing a new active ingredient offered to us by another company, even if it involves us in substantial research and development which must be done at the expense of products original to ourselves. We believe that such collaboration is sound in that it builds up a desirable contact with other companies while at the same time it develops the rather special marketing position we wish to maintain.

In the field of human medicine we have marketed during the year a new anti-histamine drug, Febramine, which has the special merit of being particularly free from side-effects. Also two new saluretic products, Aprinox and Abicol. The success of our product, Entamide, for the treatment of amoebic dysentery has now been reinforced by our introduction of another new product, Furamide, which has a more extended range.

In the animal husbandry field, we have developed two new poultry pesticides which have proved very successful in use, and we have also introduced Eludon, a new anthelmintic for sheep which has particular application in the Australian market.

Among new plant protection products are a Codling Moth spray and a product for controlling Big-bud Mite in blackcurrants. The range of fungicides has been extended by a new Potato Blight spray. Keeping our lead in the selective weed-killer market, we have added to our well-known Cornox range two new products, Cornox RK, for control of red shank and other weeds, and Cornox G, which offers a new product and technique for control of weeds in grassland.

New and improved drugs and chemical compounds are the life-blood of our industry, and through them enormous advances have been made since the war in the prevention and cure of human, animal and plant disease. But unless British manufacturers are enabled to earn profits from pharmaceutical manufacture sufficient to support the very complicated and expensive research which is necessary, we shall lose our place in the markets of the world and have to import these vital products from overseas. Pharmaceutical manufacture in America is much more profitable than here and in 1960 was able to support a research expenditure of £76 million. Expenditure for Britain was probably about £5½ million, and it is common knowledge that at least five of the biggest United States pharmaceutical companies each spend annually on research more than all the British firms put together.

#### NATIONAL HEALTH SERVICE

I cannot leave this matter without referring to the National Health Service which closely concerns your Company both as retail chemists and as pharmaceutical manufacturers.

For the coming year the total estimates of gross expenditure on the National Health Service amount to more than £800 million. This is an enormous figure and it is only right and proper that it should be the subject of careful scrutiny. But the cost of the pharmaceutical services accounts for only £96 million, or less than one-eighth of the total, and of this £23 million is paid by the patient in prescription

charges, leaving the net cost to the Government as £73 million.

The "drug bill" is said to be rising all the time, and first the patients are accused of excessive demands and the doctors of excessive prescribing; then the retail chemist is accused of making excessive profits and the manufacturer for charging excessive prices. But the statement that the national drug bill is an increasing burden is not true. The cost of the pharmaceutical services has remained a virtually constant proportion of the national income during the whole life of the National Health Service. When the Hinchliffe Committee in 1959 examined the matter it reported that between 1951/52 and 1957/58 hospital service and local and general medical services all rose more than the cost of the pharmaceutical services. Such statistics as are available from the United States and Europe show that the great majority of countries spend a higher proportion of their national income on pharmaceutical services than we do. The Board of Trade wholesale price index records that "pharmaceutical preparations" rose 0.9 per cent between 1954 and 1960 whilst over the same six years "all manufacturers' products" rose 13.1 per cent—fourteen times as much. The improvement in the health of our citizens brought about by the pharmaceutical industry must save the nation many millions of pounds in the cost of hospitals, doctors, and nurses, as well as through improved efficiency and less sick absence.

We are all tax payers and we all have an interest in efficient and economical administration but it is difficult to escape the conclusion that the continual attacks made on the size of the "drug bill" are inspired more by ignorance than by the merits of the case. There is in fact very close control over the cost of the pharmaceutical services and the chemist cannot charge what he likes but is only paid an amount allowed by the Ministry. Any suggestion that great profits can be derived from supplying drugs to the National Health Service is wide of the mark. The Government is getting the business done not only efficiently and economically but at a lower cost than would be possible in any other way.

#### WHOLESALE DIVISION

Good progress was made in our Home wholesale business during the year. Sales of our medical specialities again showed a significant increase and bulk sales of pharmaceutical and industrial chemicals, despite intense price competition, were higher than before.

#### INTERNATIONAL DIVISION

Although still small in relation to our home business we have continued to put much effort into developing our International business, and sales to agency markets showed a marked improvement during the year. Sales and profitability of the overseas Companies set up a new record, and progress is shown by the fact that sales have doubled in the last six years.

There have been several interesting new developments overseas during the year. The Indian Government has given a licence to our Indian Company for the manufacture of solid and vialled Insulin, which we propose to carry out at our Bombay factory. Plans are now well in hand for this important addition to India's basic manufacturing resources.

In order to give us a foothold within the Common Market we have opened a Benelux

Branch Office in Rotterdam. Work has commenced on the construction of a new head office and warehouse building in Wellington for our New Zealand Company, and in Nigeria, where we have been trading for some years, we have formed a new subsidiary Company.

Our thanks go out to all our overseas agents, as well as staff, for their efforts throughout the year.

#### SUMMARY AND PROSPECTS

Taken generally I feel that the year has been one of steady progress for your Company, and we look ahead with quiet confidence. Consumer expenditure is rising in real as well as monetary terms and I forecast increasing sales, but we may have to face lower profit margins in certain sections of the business. Tax burdens will again be higher as a result of the recent budget, but we see no reason why these difficulties should not be met by bigger turnover and improved efficiency.

## FOY, MORGAN & CO., LIMITED

### DIVIDEND FORECAST EXCEEDED

#### MR. PETER MORGAN ON THE VERY SATISFACTORY RESULTS

The 26th annual general meeting of Foy, Morgan & Co., Limited, was held on June 8th at the Offices of the Company, 16, Eastcheap, London, E.C.3, Mr. Peter Morgan (the chairman) presiding.

The following is the statement by the chairman which had been circulated with the report and accounts:

I have pleasure in submitting the Accounts for the year ended December 31, 1960, which show a very satisfactory year's trading.

The forecast I made in my last year's Statement has been amply fulfilled, and we have been able, not only to pay a Dividend of 18 per cent. on the Ordinary Share Capital, which I then indicated, but to increase this to 20 per cent. for the year. This has been paid in two equal instalments.

We have also felt justified in writing off the sum of £11,000 against the item of Goodwill in the Balance Sheet, and, thereafter, as you will see, have added a substantial amount to the net balance remaining on the Profit and Loss Account.

1960 was a very good year in the Timber Trade generally, and larger quantities of wood than usual were imported. As a result, the stocks in the country at the beginning of 1961 were considered by many to be dangerously high. Consumption has, however, continued to be good, and although I do not anticipate that the same quantity of wood will be imported during this year, as was imported during 1960, I nevertheless believe that it should be well up to average.

I am happy to say that all Departments and our Subsidiary Companies have contributed to the very satisfactory results and our thanks are once again due to the members of our Staffs for their able and willing work.

The report and accounts were adopted.



# MARKS AND SPENCER LIMITED

RECORD TURNOVER OF £166,500,000

MASSIVE INVESTMENT IN STORES

"ST. MICHAEL" A GUARANTEE OF QUALITY

ADVANCES IN MODERN MANUFACTURING TECHNIQUES

The thirty-fifth Annual General Meeting of Marks and Spencer Limited was held on June 8th at 47-67 Baker Street, London, W1.

Sir Simon Marks, DSc, Hon FRCS (Chairman and Joint Managing Director), who presided, said:

Ladies and Gentlemen, may I take it that, following our customary practice, the Directors' Report and Accounts as circulated may be taken as read?

## PROFIT AND LOSS ACCOUNT

Our net profit for the year amounts to £10,295,000 compared with £9,081,000 last year. This is after the provision of £10,200,000 for taxation compared with £8,725,000 last year. Income tax required £7,700,000; and profits tax £2,500,000. The total available for distribution including £2,407,000 brought forward from last year is £12,702,000.

The directors recommend a final distribution of 32½ per cent, making 47½ per cent for the year against 40 per cent last year.

We propose to transfer £3,988,000 to the general reserve, bringing this reserve to £15,000,000. After the payment of dividends and the appropriations set out in the Directors' Report, there will remain a balance of £2,107,500 in the profit and loss account to be carried forward to next year.

The revenue reserves will thus total £17,107,500; the capital reserve remains at £19,323,000.

We propose to capitalise the sum of £2,171,276 from the general reserve to enable a scrip issue to be made on the basis of one "A" Ordinary share for each ten Ordinary or "A" Ordinary shares.

## PROPERTIES

Our expenditure during the year on the acquisition of sites and the development and modernisation of our stores amounted to £7,650,000, of which £1,591,000 has been charged as Repairs and Maintenance in our profit and loss account. £1,015,000 has been provided for depreciation, and our properties, fixtures and equipment now stand in the balance sheet at £56,340,000 compared with £51,294,000 a year ago.

## STOCK

Our stock-in-trade amounts to £12,541,000 compared with £11,098,000 last year, while the increase in our advances to our subsidiary companies at £1,381,000, and in debtors and amounts paid in advance at £1,983,000, represents the additional cost of financing the supplies of raw materials to our suppliers.

## CASH

Our cash balances and our holdings of Tax Reserve Certificates and Treasury Bills amount

to £12,257,000, compared with £11,052,000 a year ago.

## GENERAL SURVEY

I am glad to be able to report the Company's continued progress during the past year. Our sales, at the record figure of £166,500,000, exceeded last year's figure of £148,000,000 by £18,500,000. Profits after tax were £10,295,000, as compared with £9,081,000 in the previous year, an increase of £1,214,000.

This increase both in turnover and in profit continues the remarkable advance which the Company has made since the war, and especially in recent years. The ten-year statement which has been issued with the accounts shows that in that period sales have increased from £75,900,000 to £166,500,000, and profits after tax from £2,306,000 to £10,295,000.

Such figures tell their own story; but figures can be cold and dry, unless we remember the spirit which is at work in them, and in our case especially the devotion and dedication of our executives and staff and our suppliers, and of course we must not forget the spectacular improvements that have been made in our stores.

Our progressive advance is the result of a policy which has been followed consistently over a long period. It is a policy which reflects the growing prosperity of the community, the higher standards of life, and the discriminating demands and tastes of the public which we are happy to serve.

Our sales have increased year by year, because we have always aimed at improving the quality of our merchandise and of the conditions in which they are offered for sale in our stores. Such an aim is a response to the public's increasing demands for better values. In this the public and the Company are at one, and the best symbol of our common interest is our brand name "St. Michael," both because of what it stands for in quality and value, and because of the popularity it enjoys throughout the country.

In all our efforts to establish "St. Michael" as the mark of high quality, exclusive to our stores, we have been sustained by the goodwill and confidence and, I almost dare to say, the affection of our customers.

## BUILDING DEVELOPMENT

It has been an integral part of our policy that while improving the quality of our goods, we have at the same time continuously increased the selling space, the convenience, the amenities, and I hope I may say, the pleasure of shopping in our stores. Since the end of the war we have invested nearly £50,000,000, provided out of retained profits, on the general development of the business.

The cumulative effect of this massive investment has been that many of our stores have

undergone a complete process of transformation in size and appearance. They have been given an entirely new look, which expresses the nature and scope of our development programme much more clearly than any statistics or a speech could convey. Year by year, we are benefiting, as our volume of trading and our profits show, from the developments we have carried out in the past.

Our building programme is a continuous process. At any particular moment, work on some stores has been completed; some are at various stages of construction; on other building operations have only just begun. Beyond this are a number of schemes in various stages of planning. The weight of our activities is clearly laid on the expansion of our existing stores, which have served us so well in the past. But our plans do not exclude the acquisition of sites in towns where we are not already represented and changes of premises where existing stores are too limited in space to be adequately developed.

Thus we are continuously engaged on a fundamental reconstruction of our stores. In the year under review, expenditure on development amounted to £7,650,000. Of this, £2,200,000 was spent on the acquisition of sites and the enfranchisement of leasehold properties, and the balance of £5,450,000 on building operations and modernisation. Work was completed on 23 stores, and work is now in progress on 25 more; others will follow as our plans are finalised.

It takes two years or more to build and equip a major store. The cost is heavy and its importance is shown by the fact that it may vary from £100,000-£500,000, according to the size and needs of each individual store. In the coming year we estimate that the programme will require a further investment of over £6,000,000.

Our properties, which appear in our balance sheet at £50,285,000, are an asset which cannot be over-estimated. They contribute significantly to our trading profit, because no interest charges are incurred on this large sum; and because they include properties as yet undeveloped, they provide a basis for expansion on a considerable scale for several years to come.

We are able to undertake such developments with all the greater confidence because most of our properties are either freehold or freehold in character, in the sense that they are held on very very long leases.

## "ST. MICHAEL"

Our brand name "St. Michael" continues to grow in popularity. The volume of trading reflects the confidence of the public in the value and quality of "St. Michael" goods. Science, technology and modern manufacturing techniques have enabled us to widen the range and the variety of the merchandise we sell, to the evident appreciation of our customers.

Our technologists keep abreast of scientific developments in the textile field, and in conjunction with the suppliers establish specifications of the construction of the materials to be used in the manufacture of our garments. There follows the study and application of new processes, finishes and dye-stuffs, which make it possible to create new and delightful fabrics, with special performance value.

Our executives and their staffs are responsible for the conversion of these materials into garments of style. They are also responsible for planning the production, and for organising the distribution to stores, of the vast quantity of goods we require.

It is due to this combination of the skills and experience of executives and technologists, working together as a team, that we are able to present so varied a range of fine products which make their appeal to the millions of customers who shop at our stores week by week.

By such methods, which reflect what is in many ways a new approach to the problems of retail organisation, we have created a unique form of collaboration between the basic producer of materials, the manufacturer, and ourselves as distributors. I like to think that in this way we have been in the vanguard of the scientific revolution which has transformed the textile industry in recent years; certainly there can be no doubt that we have greatly helped to make the products of that revolution available to the public with the shortest possible delay.

## FOOD DIVISION

In recent years we have devoted much time and thought to applying to the food side of our business the same fundamental approach which we have applied in the field of textiles and I am glad to say that this policy has shown encouraging results. The progress made by our Food Division, whose turnover last year was £28,500,000, as against £24,500,000 in the previous year, is the best evidence of the public's increasing appreciation of the high quality and freshness of our foodstuffs.

We are concentrating on a large variety of specialised lines of bakery products, and selected and graded fruits of high quality, but are now also developing other food departments. We work in increasingly close co-operation with our suppliers. Together, we try to improve the quality and presentation of our products and the

standards of cleanliness and hygienic food handling in the factories and the stores. We specify the use of only the best ingredients, and aim at the highest standards of freshness.

To meet the standards we set, I am glad to say that many of our suppliers have already engaged technologists and installed laboratories to safeguard the high quality and purity of their products. Their efforts have involved a large capital investment; during the last three years they have spent nearly £6,000,000 on expanding and modernising their plants. They have been able to undertake this investment with confidence because of the increasing market which our stores offer for "St. Michael" fine quality food products at reasonable prices.

## COSTS OF ADMINISTRATION AND SIMPLIFICATION OF PROCEDURES

We continue our efforts to control the costs of administration and to reduce the burden of paper work in our business, and in doing so have achieved results which have made a considerable contribution to the year's profits.

The Simplification Exhibition at Head Office, which illustrates the methods by which we have tried to solve this vexing problem, has attracted some 5,000 businessmen and administrators from all over the world and we are always glad to welcome such visitors. Our campaign against wastefulness in administration has received world-wide publicity, which continues to draw attention to our efforts to overcome one of the troubling problems of management.

## TRIBUTE TO MANUFACTURERS

It has been my privilege year by year to express our thanks for the invaluable co-operation we receive from our manufacturing friends.

I have already emphasised the importance we attach to modern manufacturing techniques. It is pleasing to record the progress our suppliers are making towards increasing productive efficiency, which is the objective we both have at heart.

We set high standards for the manufacture and finish of "St. Michael" garments. They can only be achieved by the use of modern plant and equipment, skilled management of trained labour, and appropriate factory layout which ensures flow production on a large scale.

An important service which we freely offer our friends is provided by the Production Engineering Department, which we set up in 1947 at a time when British industry was all too slowly recovering from the effects of the war. This department advises manufacturers on all aspects of factory administration and production problems. I am glad to say that nearly three hundred of our friends have taken advantage of this service, which has proved so mutually beneficial.

We gratefully acknowledge the efforts and enthusiasm which our suppliers devote to the task of increasing efficiency and it is because of their efforts that we are proud to be able to say that our goods are 99 per cent of British manufacture. Without the wholehearted support of our friends it would be impossible for us to achieve this object and therefore I wish to thank them once again on behalf of the Board for their splendid co-operation.

## TRIBUTE TO STAFF

No speech would be complete without my thanking the staff for their devoted work. Throughout the years it has been our constant concern to give our staff a sense of pride and satisfaction in their labours. We have tried to do so by providing good conditions of employment, the most modern amenities, and proper security against old age, so that they may have confidence in their future.

For all this we are amply repaid by the spirit of loyalty and devotion which animates the staff in the stores and at Head Office. Such a spirit of goodwill and enthusiasm creates an invaluable asset for our business, and we believe that it is a spirit which radiates beyond the staff; it is an integral part of the goodwill and confidence which the public has increasingly shown towards us. Of the many compliments we have been paid by our customers, none is more frequent than a customer's thanks for the friendly and individual care and attention which he, or more often she, has received from the staff in our stores. In that sense our staff is the best advertisement any business could well ask for.

We deeply appreciate the loyalty and devotion of all who serve the Company, and on behalf of the Board I wish to thank them most warmly and sincerely.

The report and accounts were unanimously adopted.

| MARKS AND SPENCER LIMITED      |                       |              |              |               |               |               |               |               |               |               |
|--------------------------------|-----------------------|--------------|--------------|---------------|---------------|---------------|---------------|---------------|---------------|---------------|
| 10 YEAR STATEMENT              |                       |              |              |               |               |               |               |               |               |               |
|                                | YEAR ENDED 31st MARCH |              |              |               |               |               |               |               |               |               |
|                                | 1952                  | 1953         | 1954         | 1955          | 1956          | 1957          | 1958          | 1959          | 1960          | 1961          |
| TURNOVER                       | £ 75,856,000          | £ 86,831,000 | £ 94,506,000 | £ 106,375,000 | £ 119,400,000 | £ 125,617,000 | £ 130,429,000 | £ 134,449,000 | £ 148,023,000 | £ 166,500,000 |
| PROFIT BEFORE TAXATION         | 4,996,000             | 6,741,000    | 7,867,000    | 9,268,000     | 10,130,000    | 12,806,000    | 14,143,000    | 15,059,000    | 17,806,000    | 20,495,000    |
| TAXATION                       | 2,690,000             | 4,275,000    | 4,850,000    | 4,809,000     | 5,175,000     | 7,200,000     | 7,950,000     | 7,350,000     | 8,725,000     | 10,200,000    |
| NET PROFIT AFTER TAXATION      | 2,306,000             | 2,466,000    | 3,017,000    | 4,459,000     | 4,955,000     | 5,606,000     | 6,193,000     | 7,709,000     | 9,081,000     | 10,295,000    |
| DIVIDENDS (NET)                | 1,005,000             | 1,262,000    | 1,675,000    | 2,365,000     | 2,890,000     | 3,181,000     | 3,441,000     | 4,132,000     | 5,384,000     | 6,381,000     |
| FUNDS RETAINED IN THE BUSINESS |                       |              |              |               |               |               |               |               |               |               |
| PROFIT RETAINED                | 1,251,000             | 1,071,000    | 1,242,000    | 1,963,000     | 2,145,000     | 2,290,000     | 2,362,000     | 3,277,000     | 3,527,000     | 3,868,000     |
| DEPRECIATION                   | 714,000               | 765,000      | 794,000      | 680,000       | 662,000       | 876,000       | 804,000       | 944,000       | 943,000       | 1,015,000     |

# MONTECATINI

Società Generale per l'Industria Mineraria e Chimica

MILANO, ITALY

## SIGNIFICANT PROGRESS IN ALL SPHERES OF ACTIVITY

### GROWING EXPANSION ABROAD

### OUTSTANDING RESULTS IN SCIENTIFIC RESEARCH

### NEW PLANT, INCREASED PRODUCTION AND FULLER EMPLOYMENT

The Ordinary and Extraordinary General Meetings of Montecatini took place in Milan on April 26th under the chairmanship of Cav. del Lav. Count Dr Faina, Chairman and Managing Director of the company, in the presence of 557 shareholders representing in person or by proxy 89,572,556 shares. Dr Faina, reviewing the Report of the Board of Directors, said that 1960 had generally been a favourable year for both the European and Italian economies, and that one of Montecatini's main reasons for deciding to step up its level of investment in 1960 was its ambition to make an even greater contribution to the development of Southern Italy, combined with a desire to achieve production levels appropriate to the Common Market. He quoted a number of examples, including the huge petrochemical plant under construction at Brindisi, destined to be amongst the largest in Europe, the potash workings in Sicily and the discovery of a natural gas field in the Abruzzi which had led to the building of the first natural gas pipeline in the South and had enabled a large-scale petrochemicals programme to be embarked upon at the Montecatini works at Bussi. There were also other reasons. The fierce competition on a continental scale now met with in the economies of the main capitalist countries could be severely detrimental to enterprises whose scientific knowledge was allowed to fall below modern standards and whose application of this knowledge in the form of large-scale production was not immediately forthcoming. At this point Dr Faina asked whether Montecatini, to which the credit was largely due for an important scientific and technical revolution in the petrochemicals field, could possibly allow itself to be overtaken by other developments in this sector. The substantial projects of the past year had, the Chairman said, been intended not only to benefit the development of Southern Italy but also to keep Montecatini in the forefront of the most promising branch of the chemical industry, thus strengthening the company as a whole and making it European in size and organisation. In 1960 the Italian Montecatini Group achieved a global turnover of 350,000 million Lire, a figure which ranges her as a large international concern. The Chairman then passed on to the main results of the Group's various activities.

Mineral output had been more than satisfactory, including 240,000 tons of bauxite and 1,397,783 tons of pyrites. The extraction of pyrites in the Maremma for use as iron ore was especially important in view of the state of the sulphur market, and original patented processes would enable the Maremma pyrites to be converted into iron ore which ranked amongst the best in the world in quality. Galena production had been maintained at the average level for the past five years and there had been a further increase in the output of marble; sales had increased and 33.5 per cent had been exported to

sixty-six countries. In Sicily the production of potash at the new San Cataldo mine had reached 3,000 tons per day and a further two deposits had been discovered, one at Palo, where operation would begin in 1962, and the other at Racalmuto.

The progress of the Group's chemical activities had been equally promising. Plant had operated at full capacity and the market had proved capable of absorbing a generally steady rise in output. 1,237,449 tons of MH sulphuric acid had been produced in 1960, a phosphorus plant had started operations at Crotone and a substantial output of alcohols and aldehydes had been achieved. In addition there had been continuous progress in the production of natural pigments and a big new titanium dioxide plant would come into operation at Spinetta Marengo in 1961. Substantial progress had been recorded in the precious metals and fertiliser fields, in the second of which Montecatini held a dominating position, as it did with fungicides and insecticides.

In the plastics and synthetic fibre sectors the Group's manufacturing programme was proceeding largely on the basis of the new scientific discoveries concerning the polymerisation of the olefines made by Professor Natta and Montecatini's research workers. A second "Moplen" production unit had commenced operating at Ferrara and a third would follow within a few months. The Brindisi unit would be brought into service early in 1962. Outside Italy, too, "Moplen" continued to forge ahead, as shown by the latest manufacturing licence agreement with Svenska Esso for the Scandinavian countries. Other negotiations were in progress.

The Company's plans did not stop short at "Moplen," however—new polyolefines were in an advanced stage of development. A particularly interesting example was polybutylene, for which a pilot production plant had been brought into service at Ferrara, along with a further pilot plant for the production of ethylene-propylene copolymers, known on the international market as "Dutral." The latter would be manufactured industrially at Brindisi in 1962. Excellent progress had also been recorded with other plastic materials, of which Montecatini produces the largest range in the world, e.g., "Fertene," which had passed the 24,000 tons per annum mark in 1960, "Vipla," the "Crilat" acrylic esters, the "Vedril" metacrylic monomers and polymers, "Montivel" polyester film, "Moplefan" polypropylene film, etc.

In the sphere of synthetic fibres Dr Faina stressed the importance of the new polypropylene fibre "Meraklon," which showed great possibilities throughout the textile field. Extensions were at present under construction at Terni in order to increase production, which would rise even further when the Brindisi plant came into

operation. Abroad manufacturing licences for "Meraklon" had recently been granted to ICI for the United Kingdom and to three large Japanese groups. Excellent results had been obtained in the manufacture of nylon and "Terital," and the figures for "Movil" were more than satisfactory.

As regards other chemicals, there had been a noteworthy increase in the production and sales of paint and intermediate paint products, particularly "Ducotone." Activities in the field of coal derivatives were normal and very good results were recorded in the mining explosives and fireworks. ACNA's output of intermediate products and dyes had been maintained at a thoroughly satisfactory level, and the same was true of Farmitalia's pharmaceutical products, and Vetrocoke. No less vigorous and rewarding had been the activities of Montecatini's associated companies abroad. Production by the Compagnie Néerlandaise de l'Azote (Netherlands) was increasing; the Novamont Corporation was well ahead with the construction of a polypropylene plant at Neal, West Virginia (USA); Danubia Petrochemie AG would shortly start manufacturing polypropylene at its Schwechat plant in Vienna; Rotterdamse Polyolefinen Maatschappij, a joint venture with the Royal Dutch-Shell Group for the manufacture of polypropylene in the Benelux countries, had begun construction of a plant at Pernis, Holland; Fertilizantes Sintéticos SA (FERTISA) had finalised production arrangements at its works in Lima (Perú); Corporación Venezolana de Aluminio SA (Covenal) was now operating normally.

Lastly, in the hydrocarbons field, the partnership consisting of the French PREPA group on the one hand, and Montecatini, Fiat and Snia Viscosa on the other, had commenced operations in the Algerian Sahara and preparatory geological surveys were in progress in the two zones for which licences had been obtained.

The Montecatini Group's activities in the patents field had also been outstanding: more than 3,000 applications had been filed in 1960, 2,800 of them abroad. There were now 277 nitrogen plants throughout the world employing the Fauser-Montecatini processes, representing a total output of some 4 million tons of pure nitrogen.

Turning to the Group's remaining activities, Dr Faina stated that the production of electric power in 1960 had been 3,500 million kWh, an increase of 22 per cent over 1959, and that of aluminium 51,378 tons, representing an increase of 15.11 per cent. Two new 100,000-amp furnace units were being installed at the Bolzano factory and modernisation and extension programmes were in hand at Mori and at the Porto Marghera alumina works. As regards plans for new factories these were as always subject to the

availability of energy at a price which enabled costs to be kept down to a competitive level from an international point of view. Lead production had been 15,225 tons and zinc 19,503 tons, the latter being a record for the 25 years of operations at Porto Marghera.

Dr Faina terminated his remarks with a reference to jute and building materials and to the active and vital work carried on by the various Research Laboratories and Institutes. He then thanked all the Company's employees—executives, office and industrial workers—for their valuable contribution to the favourable progress reported.

After the report of the Board of Auditors points were raised by a number of shareholders to whom the Chairman replied in detail. His remarks were greeted with warm applause. All the resolutions proposed were carried unanimously, with a single abstention by a shareholder representing 100 out of the 89,572,556 shares present.

The dividend for 1960 of 115 Lire per share (effective as normal) and 28.75 Lire per share (effective October 1, 1960) would be payable as from May 2, 1961. At the Extraordinary General Meeting the Chairman Dr Faina reviewed the proposal for the issue of a 50,000 million Lire debenture loan carrying interest at 5½ per cent and repayable after 20 years, which would enable a much broader programme to be pursued in the field of plastics, synthetic fibres and elastomers on the basis of the successful results of the research work carried out in the Group's Laboratories. The resolution was carried unanimously.

## ESTATE DUTIES INVESTMENT TRUST

The 9th annual general meeting of Estate Duties Investment Trust Limited was held on June 9 in London, The Rt. Hon. Lord Piercy, CBE (the chairman), presiding.

The following is an extract from his circulated statement:

The year under review, while not specially remarkable, was a satisfactory one. As usual a considerable number of propositions was examined. In the upshot, about the same number as in the preceding year resulted in business. The investments at book value increased by £271,962 (1959-60: £42,643); offers outstanding for the purchase of stocks and shares amounted at March 31, 1961, to £329,000 (£222,875).

Income for the year, after all expenses but before tax, at £271,470 compares with £237,694 for 1959-60, and £200,027 for 1958-59. The Directors recommend the payment of a dividend of 9 per cent (8½ per cent in 1959-60, equal to 7.7 per cent on the present issued capital).

Capital and Revenue Surplus, taken together, stand in the Balance Sheet at £380,778 (£427,982), despite the capitalisation and distribution of £200,000 from reserves during the year.

In providing a solution to the problem of Estate Duty liability on private companies in a way which leaves control of the undertaking still in the hands of the family or group, Estate Duties Investment Trust can claim to make a real contribution to the peace of mind of those upon whose efforts the economic development of this country so greatly depends.

The report was adopted.

## THE METROPOLITAN RAILWAY SURPLUS LANDS COMPANY, LIMITED

The Twenty-eighth Annual General Meeting of The Company will be held on June 21, 1961. The following is an extract from the Chairman's Statement issued with Report and Accounts for the year ended March 31, 1961.

**PROFITS AND DIVIDEND.** The steady improvement in gross and net rents averaging 12½ per cent per annum over the last five years and the regular improvement in other investment income have continued and have been coupled this year with an exceptional increase in profits on the purchase and re-sale of properties in our principal subsidiary.

Net rents increased by £42,680, interest and dividends on investments increased by £20,563 and profits on purchase and re-sale of properties increased by £163,357. The profit before taxation, which was £608,784, showed an increase of £174,819. Net profit after taxation was £301,371, an increase of £74,801.

We propose a final dividend of 6½ per cent making 10½ per cent for the year, leaving £153,223 to be carried forward against £106,618 brought in.

**NEW FINANCE.** We are proposing (subject to the completion of underwriting arrangements) to make an issue of 10s. shares at the price of 20s. per share on the basis of one share for each ten such shares held. Furthermore, negotiations are well advanced for the placing of £2,000,000 of Debenture stock secured by way of first charge on selected properties held by the parent Company.

**THE CONSOLIDATED BALANCE SHEET** shows an increase of nearly £1,000,000 to £7,364,183 in the total assets; £350,000 is in freehold and long leasehold properties held for investment, £300,000 in properties held for re-sale and £225,000 in trade investment. These increases in assets are reflected in an increase in liabilities, principally loans. The new share and loan capital proposed will enable us to clear the overdraft with a margin to spare for the initial finance of the developments we have in hand.

Furthermore we have arranged loans secured on some of the assets of Ortem Estates Limited, and with our co-partners on the assets of The Whelmar Property Company Limited. These arrangements are part of our policy of financing our trading interests in subsidiary and associated companies to a considerable extent from outside sources, reserving the bulk of our own resources for the expansion of the parent Company's property investments.

**DEVELOPMENTS.** Our development programme falls into three classes. Firstly there is our existing London Estate with which we are dealing in various ways. Secondly, there are sites acquired for development as permanent investments; these require over £4,000,000 in the next three years. Thirdly, The Whelmar Property Co. Ltd., which The Metropolitan Railway Country Estates Ltd., and ourselves own jointly, is likely to build and sell over one thousand houses in 1961.

**GENERAL AND PROSPECTS.** The Chairman then referred to the record of growth circulated with the Accounts showing increases in profits before taxation from £257,575 in 1957 to £608,784 in 1961 and in profits after taxation from £98,988 to £301,371 in the same years, and continued:

Our primary aim is to expand our income on a permanent and steadily improving basis from rents derived from modern properties. The current year seems likely to be a year of consolidation, but we hope to maintain the dividend although this must depend on the continued success of our subsidiary and associated companies. Looking to 1962-63 and beyond the prospects seem to be well assured.

(A copy of the full Report and Accounts together with the Chairman's Statement will be sent on application to the Secretary, Kensal House, 553/579, Harrow Road, W.10.)

## BANQUE DU CAIRE

Head Office: Cairo, Egypt, U.A.R.

### CONDENSED BALANCE SHEET AS AT 31st DECEMBER, 1960\*

| LIABILITIES                                 |                   | ASSETS                                                    |                   |
|---------------------------------------------|-------------------|-----------------------------------------------------------|-------------------|
|                                             | L.E.              |                                                           | L.E.              |
| Capital .....                               | 1,100,000         | Cash in Hand and Balances with Banks and Correspondents.. | 13,119,289        |
| Reserves .....                              | 669,250           | Investments .....                                         | 7,822,856         |
| Deposits .....                              | 52,875,120        | Bills Discounted .....                                    | 4,266,597         |
| Central Bank of Egypt .....                 | 3,200,000         | Loans .....                                               | 37,507,337        |
| Provisions and Sundry Credit Balances ..... | 8,952,230         | Sundry Debit Balances .....                               | 4,522,908         |
| Profits .....                               | 442,387           |                                                           |                   |
|                                             | <u>67,238,987</u> |                                                           | <u>67,238,987</u> |
| CONTRA ACCOUNTS .....                       | 38,370,585        | CONTRA ACCOUNTS .....                                     | 38,370,585        |

\* Not including figures of our former Amman branch which became an Independent Jordanian Shareholding Company under the name of Cairo Amman Bank, on 1st July, 1960.



# THE NATIONAL BANK OF NEW ZEALAND LIMITED

EXTRACTS FROM THE STATEMENT BY THE CHAIRMAN  
MR. ARTHUR H. ENSOR, TO BE PRESENTED  
AT THE EIGHTY-NINTH ANNUAL GENERAL MEETING  
ON JULY 6th, 1961



## BALANCE SHEET AND PROFIT & LOSS ACCOUNT

Our deposits at £78,115,000 show an increase of some £8,000,000 over last year but the major part of the increase is accounted for by abnormal and special deposits in London.

The demand for bank loans has been stronger than for many years and our advances at £48,460,000 show an increase of more than £8,000,000. The Banks endeavour to co-operate with the Authorities with the object of restricting advances but the pressure for finance has sprung from a number of causes.

Our net profit at £316,586 is slightly higher than last year but, as I have mentioned on previous occasions, our earning capacity is severely limited by official policy.

From the net profit £100,000 has been allocated to General Reserve. In January last an interim dividend of 4%, less income tax at 7/9 in the £, was paid and the Directors now recommend for your approval a final dividend of 5%, less income tax at 7/9 in the £, leaving a balance of £180,344 to be carried forward.

## BUSINESS DEVELOPMENT

Internal business activity has been running at a high level this year and the number of our accounts has increased at a very satisfactory rate. During the year our Civic Centre Branch at Wellington was opened and five new Agencies have been commenced in areas of growing commercial importance.

## NEW ZEALAND'S OVERSEAS PAYMENTS PROBLEM

Several measures have been announced recently which will, in time, make an important contribution to relieving the present overseas payments difficulty and will help to establish more stable conditions, which should enable a steady expansion of the economy to proceed.

The measures taken by the Government may be expected gradually to improve the overseas payments position but, meanwhile, a £20,000,000 issue of New Zealand Government 6% Stock has been made in London.

## THE INTERNAL ECONOMIC SITUATION

The past year has been a very prosperous one for business in New Zealand, with retail trade turn-overs and the production of most consumer goods attaining high figures. At the same time, the liquid resources of the community increased markedly and at the end of the year the volume of money was 14% greater than at the end of the previous year, the larger part of which was due to increased Government borrowing from the Reserve Bank. Nevertheless, prices, as measured by the official consumers' index, rose by less than 2% over the year and a large share of the credit for this should go to the multitude of small savers and the rather smaller but increasing number of Stock Exchange investors.

## MONETARY POLICY

It is reassuring to learn that the Government is intending to screen public expenditure more carefully in future, for the surplus ultimately achieved in the public accounts in the last financial

year was largely the result of some non-recurring items on the credit side and the under-spending of some appropriations. The very large amount of Government indebtedness to the banking system at the end of last year confirms the necessity for a much tighter rein on the public purse, as well as the private sector of the economy. However, it is encouraging to see that there has been a substantial reduction in Government short-term borrowing in recent months.

The Government has also considered it necessary to re-impose hire purchase controls on household goods and furnishings, as well as increasing the minimum deposit and reducing the repayment periods on new and secondhand cars. This is a highly discriminatory form of control but will probably have a marked effect on consumption.

It may well be that fiscal measures and further Government loans will also be needed to contribute to the policy of restoring a proper balance to the economy. On the other hand, additional restrictions on demand may not be necessary, as there is a certain truth in the adage that "time is a great healer", even as applied to economic affairs. There is a time lag between cause and effect, often overlooked, which must be allowed for in assessing future trends, but Government policy is of the first importance. If prices cannot be kept down in the next few months, a General Wage Order is probably inevitable, which will lead to a rise in costs likely to be far more damaging to the New Zealand economy than a temporary surplus of liquid funds.

As the result of increased business activity, new industrial development and the demand for more imports following last year's liberalisation of licensing, the Trading Banks' average advances rose this year by 11%, but in the last half year to March there was a much sharper rise of 18% over the comparable figure of 1960. In order to maintain the credit squeeze at a time when funds were rising, the statutory ratios have been kept at high levels this year and the Trading Banks have been forced to keep on the average one quarter of their total deposits frozen at the Reserve Bank where no interest is earned. It may be questioned if the statutory ratio system, operated as it is, can be considered a very effective control, as it is difficult to give priority to desirable and approved projects while at the same time restricting the total level of bank advances. It is also well to remember that increasing Trading Bank advances are frequently a symptom of increasing demand and it is, therefore, to the root causes of credit creation, largely through excessive Government expenditure, that the monetary authorities will have to direct their attention, if persistent inflation, albeit in small doses, is to be successfully avoided. The restriction of bank lending by itself is not a deflationary policy. It must form part of a reduction of the over-all liquidity of the economy, and if that is lacking, the fall in advances will have little meaning.

## NEW ZEALAND'S CAPITAL NEEDS & INDUSTRIAL DEVELOPMENT

Recent studies have clearly shown the need for large amounts of fresh capital investment if New Zealand's economy is to expand as rapidly as those

of other progressive countries. New industries, many of them on a large scale, will need to be established and much investment in essential services will be necessary to maintain the country's present high living standards and relieve the burden which in the past has so largely fallen upon the primary industries.

In the past two years important new industrial developments have been initiated and several others are now being investigated. Large amounts of capital are involved in such developments. Although it is desirable that some new industries should be wholly financed by local funds or with a substantial New Zealand participation, considerable investment from overseas will be necessary for financing the larger enterprises. The servicing charges on this investment could be heavy, perhaps leading in the short run to a net drain on overseas reserves, but if the industries established were either export producing or import saving industries, they should save overseas exchange as well as making a valuable contribution to the country's economic progress.

All this development must be subject to the steady growth of population so that the present over-full employment position is not aggravated.

## NEW ZEALAND'S OVERSEAS TRADE

In company with other commodities, New Zealand's main export earners have had to contend with marketing difficulties and lower prices this year. Wool continues to be the largest earner of overseas exchange, whilst meat has displaced dairy produce as the next most important export earner. This change has arisen mainly as a result of the variations in the levels of prices received overseas.

New Zealand's trade pattern is gradually becoming more diversified and every effort to develop new markets is being made by the producer organisations, marketing boards and the Government, through trade surveys and by new trade agreements. Nevertheless, the United Kingdom is still New Zealand's most important market and single largest supplier. Thus, there is a natural concern to safeguard this privileged trade relationship. New Zealand is at the moment apprehensive lest any closer association between the United Kingdom and the countries of the Common Market should adversely affect her trade. The New Zealand attitude was made clear during the Commonwealth Prime Ministers' Conference and it is certain that in any future negotiations between the United Kingdom and the Economic Community, New Zealand's trading interests will not be forgotten. However, it could well be that an agreement between the United Kingdom and the six countries of the Common Market would be to New Zealand's ultimate advantage, provided due allowance was made for the special position of Commonwealth primary products in the United Kingdom market.

## PROSPECTS

New Zealand is entering a fresh phase of economic development and a fresh approach is needed to help solve the new problems likely to arise. The necessity for employing more capital more effectively carries with it the obligation of using labour more productively. The sciences of organisation and management are not being ignored but they should become more readily accepted. A new scale of national priorities will have to be adopted if orderly economic expansion is to proceed. The amount of capital and labour at present available is insufficient to support—all at the same time—the development of new industries and public utilities, the high level of personal consumption and the generous amount of social welfare being provided. There is a widespread appreciation that present over-consumption must not be allowed to jeopardise the development necessary to give a proper balance to the New Zealand economy, and it is to be hoped that the good sense of the New Zealand public can be relied upon to support the policies required to achieve this end.

# THE UNITED SUA BETONG RUBBER ESTATES, LIMITED

## COMPETITION BETWEEN NATURAL AND SYNTHETIC RUBBER INTENSIFIES

### SIR JOHN HAY'S VIEWS

The fifty-second annual general meeting of the United Sua Betong Rubber Estates, Limited, was held at 19, Fenchurch Street, London, E.C.3, on Wednesday, June 14th at 12 noon.

Sir John Hay, the chairman, in the annual statement to stockholders, deals with the year's successful operations and the Company's sound financial position and pays tribute to the services of the staff and labour force.

Sir John goes on to say:

### RUBBER OUTLOOK

In his recent speech the Chairman of the Rubber Growers' Association did well to draw attention to the technological advances in the development of new synthetics and the greater competition with natural that is likely to result. Although this prospect should not cause dismay, the warning implicit in his address should not pass unheeded. The first safeguard for the producer of natural rubber is to modernise his plantations and render his processes efficient in all phases, with the ultimate aim of getting costs down to the lowest level, and in working to that purpose he will rely confidently on the continued co-operation of Government and labour.

Taxation should not exceed the level appropriate to a highly competitive industry and the same consideration must influence the rate of rewards to labour. A continuing prosperous rubber industry is essential to the welfare of the main producing territories and to the maintenance of employment at the present high wage rate, with its generous standard of social services and amenities.

Past experience would seem to demonstrate that research would prove more fruitful if in its primary aim it was more concerned than hitherto with the problems of production. We still remain in a state of ignorance regarding such a fundamental matter as the function of latex in the tree, whilst in many of our plantation difficulties we are without any scientific findings upon which to base our treatment.

Without such guidance we are still at the stage in some important matters of following with uncertain results the practices that were in force 30 or 40 years ago. Research activities directed to the production of specialised rubber have had little or no commercial success. It is significant that the highest claim made by synthetic is that it is "as good as natural." It is as producers of natural rubber that the plantation industry will stand or fall. Expertness in that field is of first importance.

Happily, the course of events is likely to be such that the plantation industry will be granted a respite in time to adjust itself to the stronger competition that is in prospect, for the new rubber substitutes are not likely to come into production on a significant commercial scale for some time to come. If that opportunity is wisely used, and supported in the sense indicated here, our industry should be well equipped

to meet and match the achievements of other products in terms of price and quality. The existing disparity in price between synthetic and natural is not so wide as would appear by a comparison between the fixed price of the former and the published quotation for the latter which is generally expressed in terms of first grade.

Not more than about half of total production is in that form, and other grades are available at lower prices. The true differential can be bridged without rendering plantation rubber unprofitable. It is encouraging to note that despite its higher price this year's total demand for natural rubber is expected to exceed the total consumption of synthetic, despite the sobering fact that demand from the USA is likely to be in the proportion of 70 per cent synthetic and 30 per cent natural.

### PROBLEMS OF PRICE

There still remains the problem of the fluctuating price of natural rubber, a consideration which often determines the choice in favour of a product selling at a fixed price. Wide variations in price are not only vexatious to the producer and consumer alike, they are productive of economic difficulties in territories such as Malaya which are heavily dependent on one or two primary commodities and encumbered with a rapidly increasing population eager for a higher standard of living. The net exports of rubber from the Federation of Malaya in 1960 were 659,000 tons. Export Duty thereon forms a major portion of Government revenue. Under the sliding scale now in force a moderate fall in price can result in a quite disproportionate fall in revenue.

On the 1960 exports, at a \$1 per lb, duty would amount to over \$210,000,000. At 80 cents per lb the figure would be little more than \$90,000,000. This fall of 20 per cent in value involves a 57 per cent drop in Government receipts. With this consideration in mind it is perhaps not surprising that the search for means to establish stability in price should be revived from time to time. Wide variations in price are by no means peculiar to rubber, they afflict many commodities and in a number of cases to a greater degree. In the six years 1955/60 the spread between the highest and the lowest prices of rubber, expressed as a percentage of the latter, was 108, copper 172, sugar 158, cocoa 138 and coffee 200. The one exception to these wide movements is tin, which comes out at 39, but if the present trend is continued that relatively modest percentage may well be changed, despite the support of the present scheme of control operating under conditions to which there is no parallel in rubber.

This is not the occasion for a detailed examination of any scheme for stabilising rubber prices. The very existence of a powerful synthetic industry and the possession by the USA of a stockpile of natural rubber amounting to over 1,000,000 tons, part of which is now in the process of liquidation and neither of which could

be brought under control, would constitute a serious threat to the success of any regulation of rubber supplies.

No less formidable would be the difficulty of reaching agreement on fair and equitable terms between producing countries operating under different systems of Government and with widely varying administrative capacities. It is well to recognise that the circumstances under which rubber supplies were regulated from 1934 to 1940 have profoundly changed and that any attempt to repeat that or apply any similar device would be fraught with danger.

Admitting that the rubber market is unpredictable, it is yet not unreasonable to expect that the course of events will bring in its train some limitation in price movements. With a continuing increase in the demand for rubber, which cannot be wholly met by natural, synthetic must necessarily be required to increase its supplies and thus exercise a steadying influence on prices and if the manner of disposing of stockpile rubber can be made more flexible the violent upward surges in price to be followed by corresponding falls could largely be checked. In its contest with synthetic the plantation industry is not likely to be helped by any fettering of its freedom to produce, export and market.

# SIMMS MOTOR & ELECTRONICS CORPORATION

## MR G. E. LIARDET'S STATEMENT ON 1960 ACCOUNTS

At the Annual General Meeting of Simms Motor & Electronics Corporation Limited held on June 9th at Finchley, Mr G. E. Liardet (Chairman) presided and in the course of his circulated speech said:

Group profit before tax was £1,408,147, an increase of £370,457 over 1959. This is a record although the assets employed have increased substantially in recent years. Profit margins have narrowed considerably and only the great expansion in turnover, both home and export, enabled us to offset to some extent the higher material prices and rising labour costs.

Taxation takes £705,500, leaving a net profit of £702,647 compared with £489,490 for the previous year.

Your Directors have transferred £100,000 to General Reserve and recommend a final ordinary dividend of 12½ per cent for 1960 on the increased capital making a total of 17½ per cent, which compares with 15 per cent for 1959 on the smaller capital. All major companies have contributed to the Group profit.

In July 1960 a Rights Issue of one Ordinary share for each five held was made at a price of 10s. per share. Later in the year we capitalised Reserves by the issue of one fully paid share for each ten held.

For the Simms Group 1961 will be a year of considerable capital investment, which will certainly bring us benefit in future years.

I have already said that profit margins are narrowing but if we can maintain high volume output I have reason to believe you will not be disappointed with our results at this time next year.



## THE EVER READY COMPANY (GREAT BRITAIN) LTD.

### A proud export achievement

#### STATEMENT BY THE CHAIRMAN,

##### MR. E. N. ROWBOTHAM

It is with a deep sense of personal loss that I refer to the death on the 15th November 1960 of our colleague Mr. R. H. Spettigue. Mr. Spettigue was chiefly concerned with research and production; he had served with this Company for 41 years and was elected a Director of the Company in 1943. His death is a great loss to my colleagues and myself.

The Directors have appointed Mr. H. L. Taylor, formerly Secretary of the Company, to be a Joint General Manager responsible for the Company's overseas investments, and Mr. A. E. Gibbins, Joint General Manager responsible for development and research. Mr. B. G. Phelvin has been appointed Secretary of the Company.



#### Record Sales and Profits

It is with considerable satisfaction that for the eighth year in succession I am able to report in this the Jubilee Year of the business an increase in the sales and net profits of the Company. The Accounts for the fifty-two week period ended 25th February 1961 show that the net profit after taxation has increased from £1,550,982 to £1,706,526. I am particularly gratified that the export business of the Company under our trade mark "BEREC" has again made an increased contribution to the sales and profits. In view of the many statements by Government officials and press reports that this country must increase her exports, it may interest shareholders to know that the dry battery industry exported approximately £7,000,000 worth of goods during 1960. This figure is 4½ times greater than ten years ago.

I again pay my tribute to the work of all employees of the Company, both at home and overseas, who have contributed so much to the successful result of the year's work.



#### Increased Dividend

In view of the good results achieved during this period the Directors recommend a Final Dividend of 17½% making 22½% for the year on the Ordinary Shares compared with 20% for the previous year. Your Directors are concerned, however, at the continuing increases of costs year by year, particularly the cost of

labour. While the measures which the Board have taken for the modernisation and improvement of plant and machinery, combined with the increased turnover which it has been possible to achieve, have more or less offset these increases to date, the Board feel that any further substantial increases must have their effect on the profits of the Company.

In the domestic market in the United Kingdom, in spite of increasing costs, we have not increased the list prices of any of our battery products since 1951, in fact battery prices today are lower than they were 10 years ago and approximately double pre-war prices in spite of the fact that the cost of living index has increased by approximately 300 per cent.



#### Expansion of Overseas Interests

As indicated in my statement last year, during the course of this year we have extended further our interests in the Common Market and we acquired a majority interest in the largest dry battery Company in Italy trading under the name "SUPERPILA".

In France, as was announced in the press on 19th May 1960, we acquired a substantial interest in the largest dry battery manufacturers in that country trading under the names "CIPEL" and "MAZDA". These new interests together with our subsidiaries in Germany trading under the name "DAIMON" will strengthen substantially the position of this Company on the Continent of Europe.

In accordance with the Company's usual practice, all Intangible Assets relating to the acquisition of new subsidiaries have been written off.



#### Progress of Subsidiaries and Trade Investments

All our subsidiaries, both at home and abroad, have experienced satisfactory trading and profits have been increased. The new interests on the Continent of Europe are showing very satisfactory results and Eveready South Africa Limited, in which we have a large investment, has recently announced a Capitalisation Issue of one share for every two shares held in order to bring its Issued Capital more into line with the present-day value of its assets.



#### Strong Financial Position

Following the normal practice of showing the assets of the Company at realistic values your Directors have decided to increase the book value of its investment in The Ever Ready Trust Company Limited as shown in the Capital Reserve Account, and as a result of this and the new investment in France, the book value of the Trade Investments of the Group has increased from £773,017 to £1,505,787 an increase of £732,770 and, in addition, a sum of £1,495,518 has been expended on Land, Buildings, Plant, Machinery, Equipment and Vehicles chiefly for the further expansion of the Group's productive capacity. In spite of these large capital payments the surplus of Current Assets over Current Liabilities (including Deferred Liability for future taxation) has decreased only slightly from £4,102,288 to £3,948,794, immediately available Cash Assets being decreased from £2,866,473 to £2,234,266, but Stock-in-Trade, Debtors and Creditors have all increased substantially due in the main to the inclusion for the first time of the Assets and Liabilities of the Italian subsidiary acquired during the year. The same acquisition has resulted in a considerable increase in the minority shareholders' interest in subsidiaries. The market value of the Group's Trade Investments has increased substantially during the year.

In the Parent Company's Balance Sheet the figure of Subsidiary Companies' Share Capital is increased from £1,054,499 to £1,435,300 as the result of the acquisitions made during the year. Subsidiary Companies' Loans and Current Balances, less Deposits, are also increased from £591,967 to £1,186,636 partly because of increased temporary finance for certain expanding subsidiaries and partly due to a reorganisation of the businesses of other subsidiaries which has resulted in an increase in the figure of Loans and Current Balances accompanied by a corresponding reduction in the figure of Debtors of the Parent Company from £783,930 to £658,165. Creditors have increased from £1,103,247 to £1,287,190 by reason of increased purchases of raw materials in the last months of the year.

Shareholders will also notice that, due to the fact that the Parent Company receives the benefit of the Income Tax Capital Allowances on all the new plant, the liability for future taxation in the Parent Company's Balance Sheet has fallen from £436,000 to £393,625. The total Liability for Future Taxation shown in the Consolidated Balance Sheet has increased from £931,853 to £1,046,928.

The current trading year has started satisfactorily, sales to date being in excess of those for the corresponding period last year.

The Ever Ready Company (Great Britain) Limited, Hercules Place, Holloway, London, N.7.

## CITY DEEP, LIMITED

(Incorporated in the Republic of South Africa)

The Sixtieth Ordinary General Meeting of shareholders was held in Johannesburg on June 15, 1961.

The following is an extract from the circulated statement by the Chairman, Mr P. H. Anderson, dated June 1, 1961.

#### ACCOUNTS

In the Directors' Report it is stated that capital expenditure during the current financial year is estimated at approximately R200,000. As a result of a decision taken after the Directors' Report was prepared, to re-open and equip 45 Haulage, this estimate should now be increased to approximately R300,000.

#### OPERATIONS AT THE MINE

In the K1 area below the dyke the develop-

ment footage sampled on Main Reef Leader during the year totalled 1,340 feet. From the start of development in this area, the total footage sampled on Main Reef Leader up to the end of April, 1961, was 3,390 feet averaging 17.5 dwt. over a channel width of 20 inches, or 349 inch-dwt. In the K4 Shaft area, further east and above the dyke but also in the deep levels of the mine, the footage sampled during the year totalled 450 feet of an average value of 17.1 dwt. over a channel width of 18 inches, equal to 308 inch-dwt.

As the longwall system of mining is, or will be, in use in these areas it is important to note that the values given above for the K1 and K4 Shaft areas relate to all the footage sampled and not only to the payable footage.

It can be said that the good values now being encountered in the deeper levels indicate a better "ore in sight" position than has been the case for many years, and it is hoped that future work will give the mine greater flexibility by removing the shortage of stope faces which has ad-

versely affected operations in past years.

At the end of the year the ore reserves below the Vierfontein dyke were much greater than at the end of the previous year, but in total the ore reserves decreased by 310,000 tons to 3,151,000 tons; this position is accounted for partly by a reduced development footage on reef and partly by the increased rate of mining. At 5.8 dwt. per ton the average value of the available reserve increased by 0.1 dwt., the width being 0.5 inch less.

Now that the main zone of stoping operations has moved below 45 Haulage elevation, work has started on the reopening and equipping of this haulage in order to provide a common working level between the various shaft banks. Once this is accomplished it should be possible to close down several of the upper incline shafts between 32 and 45 levels and so reduce hoisting costs.

The Company has adequate funds to meet the overall expenditure now contemplated for the mine.

## THE CITY OF LONDON REAL PROPERTY COMPANY

#### PROGRESS OF CURRENT DEVELOPMENTS

The ninety-seventh annual general meeting of The City of London Real Property Company, Limited, will be held on July 4th in London.

The following is an extract from the circulated review of the Chairman, Mr Leonard J. Williams:

In my review accompanying last year's accounts I informed you that ordinary stockholders would be invited to subscribe for a further 1,000,000 ordinary shares (subsequently converted into stock) of £1 each in the proportion of one share for every £10 ordinary stock held on May 16, 1960. The shares were issued at 65s. per share and the issue was substantially over-subscribed.

In the following August a bonus issue of ordinary capital was made on the basis of one

ordinary share of £1 (subsequently converted into stock) for each £2 of ordinary stock then held. This was effected by capitalising £5,500,000 of the amount standing to the credit of share premium account.

In the result the ordinary capital of the Company now stands at £16,500,000.

There has been a further substantial rise in Gross Rents and Service Charges, and after deducting the usual outgoings the balance credited in the consolidated revenue account amounts to £2,615,109, an increase of £166,291 over the corresponding figure last year.

Your Directors recommend a final dividend of 7½ per cent on the ordinary stock, making a total of 11 per cent for the year.

#### GROUP ACTIVITIES

Excellent progress has been made with our important development on the Stag Brewery site, the whole development should be completed well ahead of the programme date of December, 1962.

Work on the office building on the adjoining

site Nos. 1-9 Warwick Row and No. 25 Allington Street, S.W.1, has started and completion is expected in September, 1962.

The development of Kempson House, Camomile Street, E.C.2 was completed in October of last year and the building is wholly occupied.

The office and shop development at 70 Brompton Road, S.W.1, is virtually complete. The property is fully let and income producing.

Good progress is being made with the redevelopment of the sites of Nos. 35/38 Trinity Square, E.C.3, which will form an extension to the Company's existing leasehold building No. 40 Trinity Square.

The first stage of the redevelopment of Nos. 14/15 Seething Lane and Byward Street, E.C.3, is making satisfactory progress.

Negotiations are still afoot with regard to some of the matters mentioned in my March review; in addition, other propositions have come forward since that date. Consistent with our policy of expansion your Directors are still concerned to see that our investments are made on the lines of sound security and potential revenue.

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| Egypt .....       | £7 15s. | —           | Iran, Iraq .....       | £7 15s. | —           | Nigeria .....     | £9 0s.  | —           |
| Europe .....      | £6 0s.  | —           | Israel .....           | £7 15s. | —           | Pakistan .....    | £9 0s.  | —           |

NOTES: A. Air Freight is normally 24/48 hours slower than airmail. B. Proportionate Rates are acceptable for subscriptions for less than a year (minimum four weeks). H.M. Forces at official service addresses can enter Airmail Subscriptions in Europe at £5, elsewhere overseas at £7 15s. a year; surface mail rates and airmail rates for Gibraltar and Malta are as shown above.

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## EUROPE'S LARGEST DRY BATTERY MANUFACTURERS



# COMPANY AFFAIRS

## Seven League Boots

IN the last two years, the shares of Boots Pure Drug have really captured the attention of investors and have taken an established place among the leading growth stocks. Investors, in fact, were slow to recognise that Boots, like Marks and Spencer, is a cash multiple with a considerable say in the quality and price of the goods it sells. Like Marks and Spencer its shops are its advertisement. Much of its capital investment has been used to make the shops more attractive and to add to their trading area, drawing the customer right into the shop, so that as well as buying his bottle of aspirin he buys something else, a cake of soap, or a garden fertiliser or anti-

example been a sharp fall in the number of prescriptions dispensed since the patients' charges were doubled. He is hopeful, however, that the effect upon trading results will be mitigated by an increase in sales and a further improvement in efficiency. Boots shares have fallen from a peak of 36s. to 28s. 3d., and still yield only 2 per cent on a dividend of 12 per cent. Certainly 36s. was too high, but is 28s. 3d.? The return is low, but so consistently has been the return on Marks and Spencer and investors have not fared badly in following that star.

## Marks and Spencer

FOOD sales of Marks and Spencer rose in 1960-61 slightly more than the average rise in total sales of 12½ per cent; at £28½ million, compared with £24½ million, they represented just over 17 per cent of the group's total turnover of £166½ million. This proportion is likely to become bigger, for Sir Simon Marks, who is now to be made a baron, told shareholders that the group is developing other food departments, besides those specialising in bakery, confectionery and fruit. Suppliers of food products to Marks and Spencer have already spent £3 million on adding to their plants so as to satisfy the demands that will be made upon them.

Since the end of the war Marks and Spencer has used nearly £50 million of retained profits to develop the business; some £7,650,000 was spent last year, £2,200,000 on site acquisitions and the enfranchisement of leasehold properties and the remainder on the modernisation of its stores. The development of 23 stores was completed in 1960-61 and work is under way on 25 more; capital expenditure this year is likely to exceed £6 million. With a cash flow of almost £6½ million and liquid assets of £12½ million the company should have no financial difficulties.

Spending at a level as high as this shows clearly how confident the directors are—as they have every reason to be on the past record of growth. Over the past ten years, for example, sales have risen from £76 million to £166½ million; net profits from £2½ million to £10½ million; and the net amount paid in dividends from £1 million to £6.4 million. If anything can justify the present yield of just over 2 per cent these figures do. There can be little doubt that the current dividend rate as increased from 40 to 47½ per cent will be at least maintained on the capital to be increased by the proposed one-for-ten scrip issue. On this assumption the return on the 5s. "A" shares at 114s. 10½d. improves to 2½ per cent.

## House of Fraser

THE preliminary statement of the House of Fraser is not as clear as it should be. In his statement a year ago, Sir Hugh Fraser hoped for a "satisfactory measure of progress" in 1960-61 and a 9 per cent rise in trading profits from £5.9 million to £6.4 million would seem just sufficient to fulfil that hope. But this is not the full story, for the comparison is distorted by the large amount of £1.1 million deducted for Harrods' pre-acquisition profits in 1959-60. A very small sum was deducted for pre-acquisition profits in 1960-61 and to arrive at a true comparison of profitability of the House of Fraser plus Harrods in the two years pre-acquisition profits have to be added back. Then it appears that profits before tax, which ostensibly have risen by 22 per cent, have in fact actually fallen slightly, from £5.5 million to £5.4 million, and net profits have declined from £2.7 million to £2.4 million. As forecast the dividend is maintained at 45 per cent but on the capital as increased by a 5 per cent scrip issue, so that the effective increase is 2.1 percentage points. This payment is covered only 1.3 times, so that the implications of the proposed one for two scrip issue for future dividends are limited.

The principal reason for the marked difference between trading profits and gross profits, with the former going up and the latter going down, would appear to be interest charges, which largely reflect the cost of acquiring Harrods. Unfortunately the preliminary statement does not specify how much these charges were. The 1959-60 balance sheet showed a loan of £10 million from the National Commercial Bank of Scotland (from which Sir Hugh has now resigned as a director) to finance part of the Harrods purchase; and development schemes, including Harrods' £4 million site in Birmingham, required a further £5½ million. Funding of the bank loan, which Sir Hugh said last year had been reduced by "temporary adjustments of cash balances within the group," was to be carried out by borrowings on mortgages and by the realisation of certain freehold and leasehold properties. How far and in what way the funding has proceeded is a matter that Sir Hugh should make plain in his statement to shareholders. Lacking any up-to-date information on these matters and confronted with disappointing trading results the stock market marked the 5s. shares down by 4s. 6d. to 64s. 1½d., at which they yield 3½ per cent. This return appears to discount the growth prospects of various developments within the group. Sir Hugh has still to justify the high price paid for Harrods.

## Tesco Stores

A PIONEER in self service stores, Tesco Stores (Holdings) has expanded rapidly by investing money in the shops it already owned and by acquiring other chains. Last year, for example, John Irwin and Harrow

Stores (Watford) were brought into the Tesco group and these acquisitions make profit comparisons difficult; but on the basis of these companies' earlier profits it would appear that they contributed about £300,000 to the increase of £388,000 in profits before tax for the group as a whole in the year to end-February, 1961. Thus Tesco's own increase in earnings does not match those scored in earlier years, but even so it represents a sizeable increase in turnover in the face of lower profit margins. Shareholders, however, are unlikely to grumble at the advance from £819,000 to £1,207,000 in gross profits and from £441,000 to £607,000 in net profits.

As forecast, the ordinary dividend rate is maintained at 22½ per cent, but this in fact represents an increase of 50 per cent in the payment as the latest dividend is payable on the capital as increased by a one-for-two scrip issue. The directors expect to pay a similar dividend in the current year on the capital to be increased by a one-for-five scrip issue and a one-for-eight rights issue. The latter is at 10s. a share and it will raise just under £1½ million. The funds will be needed to carry through the group's "biggest ever" expansion scheme, in which the aim is to have more than 50 supermarkets (compared with the present 20) in operation before the end of next year. The directors hope to extend trading to cover the whole of this country; this could mean more takeovers. At an estimated ex all price of 18s. the 1s. shares yield only 1½ per cent on the forecast dividend and just under 4 per cent on earnings. This looks well ahead for a company which, however well-managed, has many powerful competitors.

## Smith's Potato Crisps

THE exceptionally wet summer of 1960 hit Smith's Potato Crisps in two ways, affecting sales in the peak holiday period and reducing the yield of crisps per ton of potatoes, which were of unusually poor quality. These factors led to a sharp reduction in profit margins though trading results in the year to March 31st were not quite as bad as had been inferred by the directors' cautious interim statement. Sales over the full year were slightly higher but net profits fell from just over £1,000,000 to £876,000. An ordinary dividend of 55 per cent has been maintained on the capital as increased by a one-for-five scrip issue, and this payment was covered over twice by earnings.

Partly as a result of a "bear squeeze" the 5s. shares have risen by 6s. 9d. and at 85s. 3d. now yield 3½ per cent. The present price seems to discount further growth fairly fully, particularly when it is borne in mind that the company's results are often at the mercy of the cost and quality of one commodity—the potato. Competition, moreover, appears to be growing: Marks and Spencer for one has been actively promoting the sale of its family packs of crisps under the "St. Michael" trade mark.

## United Sua Betong

A YEAR ago, during a period of acute scarcity, the price of rubber soared to 40d. a lb. But over the year, average prices did not differ much from those of 1959, and United Sua Betong's profit before tax was only £36,000 higher at £1,188,000. Since the beginning of this year, rubber has been unusually stable with prices at a level which makes natural rubber quite competitive with synthetic and which some producers believe might be the long-term average price for rubber unless synthetic rubber achieves a major advance. In his annual statement, Sir John Hay reveals that about half United Sua Betong's expected output this year (23.5 million lbs., according to a published estimate, compared with 23.7 million lbs in 1960) has already been sold at higher prices than those now current. Sir John implies that if prices remain at about the present level for the rest of the marketing period profits will not be substantially short of those for 1960.

Only half of all the rubber produced is in the form of RSS, the premier grade

## American Aid

TWO ailing companies have this week received help from across the Atlantic and this has pushed up the price of their shares, the injection of money and in one case "know how" being interpreted as signs of a brighter future. The past history of Dollar Land Holdings has been short—and bleak. Issued at 28s. each in January, 1960, through London and Yorkshire Trust, the shares had fallen early this year to 13s. Within a few months of its inception, the company, with property interests in the United States and Canada, was the subject of a struggle for control on the part of Mr Kenneth de Courcy, who has a large shareholding, and by then it was already apparent that profits would fall short of the estimate in the prospectus.

Its accounts now reveal pre-tax profits of £173,000, compared with an estimate of £409,000. Less than half this short-fall can be attributed to exceptional expenses and the failure of New Townships to pay its £80,000 contribution towards administrative expenses, for rentals were £54,000 less than expected, while New York real estate taxes were £75,000 higher than had been originally estimated. Instead of a forecast dividend of 7½ per cent shareholders are to receive 2 per cent.

It does not need the delayed report on the company's affairs from Peat Marwick and Mitchell to show the need for the injection of expert property management into the group, for the trading results prove quite conclusively that this is what Dollar Land lacked. This the company hopes to achieve in the persons of Mr Tankoos and Mr Yarmon, two North American property developers. Recently these gentlemen have bought 170,000 shares in Dollar Land, presumably at depressed prices; they have

which is normally accepted as reflecting rubber prices; lower grades are closer to the price of synthetics. Though fluctuating prices still give synthetic rubber a competitive advantage, Sir John is sceptical of any attempt to stabilise them. The United States is liquidating part of its million ton stockpile of rubber, and synthetic production could jeopardise the success of such a scheme. It would be difficult to implement fairly and conditions have altered radically since 1934-1940, when supplies were regulated. But Sir John does believe that as synthetic rubber takes a bigger share of the market, it will exert a stronger stabilising influence on the price of natural rubber. A more flexible policy in releasing stockpile rubber could also help to check any surge in prices. Sir John points to shortcomings of research which neglect problems of production, noting that the quest for specialised rubbers has not met with success. In the interval before synthetics can be produced in quantity, he feels that greater efforts should be made to reduce costs. At 80s., the £1 units of United Sua Betong yield 12½ per cent on the unchanged dividend of 50 per cent.

now been granted options on 500,000 shares for which they will now pay a non-returnable 2s. 6d. each. They will have the right to buy 200,000 shares at 20s. till the end of 1963, another 200,000 shares at 22s. 6d. and a further 100,000 at the original issue price of 28s. before the end of 1965. If they exercise their options in full and hold on to the shares they already own Mr Tankoos and Mr Yarmon will control nearly 20 per cent of the equity. They are to be co-opted on the boards of the subsidiaries but not for the moment on the board of the holding company. Their aim is to invest funds in income-producing properties and the chairman, Mr H. J. S. French, seems to be confident that funds will be available for further developments. Shareholders would probably be well advised to support this plan, for although it will involve a certain dilution of the equity it seems to provide the best chance of some recovery in the price of the shares, which now stand at 16s. 4½d.

From America has also come the promise of a loan to Arusha Industries. Mr Lindsay Carstairs, the former chairman of the company, has thus fulfilled the undertaking he made at the annual meeting in April to raise £1½ million within two months. Full details of the loan have not yet been announced, but it is for a minimum period of 3 years at an interest rate of 6½ per cent and it gives the lender, an American finance corporation, certain conversion rights. While this loan must come as a welcome relief to Sir Harold Gillett, the new chairman, he and his colleagues still face the long and difficult task of putting this company back on its feet as a trading concern. The shares have improved from the "low" of 7s. to 12s. 3d.

Continued on page 1314

| SALES AND PROFITS                                                                    |          |        |        |        |      |
|--------------------------------------------------------------------------------------|----------|--------|--------|--------|------|
|                                                                                      | (£'000s) | 1956   | 1960   | 1961   |      |
| Years to March 31                                                                    | 1952     | 4      | 5-6    | 10-5   | 12-0 |
| World sales                                                                          | 49,771   | 67,848 | 90,615 | 99,690 |      |
| Gross profits                                                                        | 2,254    | 4,079  | 7,561  | 8,826  |      |
| Net profits                                                                          | 670      | 1,820  | 3,826  | 4,263  |      |
| Ordinary dividend                                                                    | 470      | 824    | 1,646  | 1,882  |      |
| Ordinary dividend (%)                                                                | 4        | 5-6    | 10-5   | 12-0   |      |
| Capital expenditure                                                                  | 1,797    | 2,781  | 3,047  | 3,410  |      |
| Capital employed                                                                     | 21,813   | 26,352 | 46,220 | 48,832 |      |
| Profits/capital employed                                                             | 10-9     | 15-9   | 16-6   | 18-3   |      |
| Adjusted for scrip issues. † Figures for 1960 and 1961 reflect property revaluation. |          |        |        |        |      |

freeze for his car. Not long ago Boots' lending libraries were a great draw but nowadays, though it has not followed W. H. Smith in closing its libraries altogether, it devotes less space in its shops to them. This is perhaps a sign of how well the shops are established in the customer's esteem. So far the group has financed its modernisation programme from its own resources. Clearly this has paid handsome dividends, margins on sales having risen from 6 per cent in 1958-59 to 8.3 per cent in 1959-60 and to 8.8 per cent in 1960-61. Over the last ten years, as the table shows, the growth in sales and profits has been remarkable, not least because the total number of branches has risen by only two, from 1,303 to 1,305. Clearly more than two new branches have been opened but a number of less profitable shops, particularly where there were two close together, have been shut down.

In the current year the group is to spend another £2½ million on store development and £1½ million on new plant for the expanding wholesale side of the business but the new chairman, Mr Willoughby R. Norman, says that the total expenditure of £3½ million is well within the group's cash flow, which in 1960-61 was of the order of £4 million.

For the current year Mr Norman forecasts bigger sales, but foresees the possibility of lower profit margins in some sections of the business; there has for

## LONDON AND NEW YORK STOCKS

| Prices, 1961                             |                 | BRITISH FUNDS AND GUARANTEED STOCKS | Price, June 14, 1961 | Net Yield, June 14, 1961 | Gross Yield, June 14, 1961 | Prices, 1961 |         | Last Two Dividends (a) (b) (c) | ORDINARY STOCKS             | Price, June 7, 1961 | Price, June 14, 1961 | Yield, June 14, 1961 | Cover |
|------------------------------------------|-----------------|-------------------------------------|----------------------|--------------------------|----------------------------|--------------|---------|--------------------------------|-----------------------------|---------------------|----------------------|----------------------|-------|
| High                                     | Low             |                                     |                      |                          |                            | High         | Low     |                                |                             |                     |                      |                      |       |
| 92 1/2                                   | 89 1/2          | Savings Bonds 3% .....              | 91 1/2               | 4 1/2                    | 4 1/2                      | 94 1/2       | 65 1/2  | 6 1/2                          | BANKS, DISCOUNT & HP        | 89 1/2              | 88 1/2               | 2 95                 | ...   |
| 100 1/2                                  | 99 1/2          | Conversion 4 1/2% .....             | 100 1/2              | 4 1/2                    | 4 1/2                      | 100 1/2      | 74 1/2  | 7 1/2                          | Barclays .....              | 95 1/2              | 93 1/2               | 3 42                 | ...   |
| 96 1/2                                   | 95 1/2          | Exchequer 3% .....                  | 96 1/2               | 3 1/2                    | 3 1/2                      | 96 1/2       | 58 1/2  | 6 1/2                          | District .....              | 75 1/2              | 74 1/2               | 2 94                 | ...   |
| 101 1/2                                  | 100 1/2         | Treasury 5 1/2% .....               | 101 1/2              | 5 1/2                    | 5 1/2                      | 101 1/2      | 18 1/2  | 7 1/2                          | Marlins .....               | 25 1/2              | 24 1/2               | 3 09                 | ...   |
| 93 1/2                                   | 92 1/2          | Exchequer 2 1/2% .....              | 93 1/2               | 2 1/2                    | 2 1/2                      | 93 1/2       | 92 1/2  | 8 1/2                          | Midland .....               | 129 1/2             | 128 1/2              | 3 42                 | ...   |
| 99 1/2                                   | 98 1/2          | Conversion 4 1/2% .....             | 99 1/2               | 4 1/2                    | 4 1/2                      | 99 1/2       | 73 1/2  | 7 1/2                          | Nat. Provincial .....       | 87 1/2              | 87 1/2               | 3 22                 | ...   |
| 98 1/2                                   | 97 1/2          | Conversion 4 1/2% .....             | 98 1/2               | 4 1/2                    | 4 1/2                      | 98 1/2       | 58 1/2  | 5 1/2                          | Westminster 'B' .....       | 85 1/2              | 83 1/2               | 3 21                 | ...   |
| 101 1/2                                  | 98 1/2          | Exchequer 5 1/2% .....              | 101 1/2              | 5 1/2                    | 5 1/2                      | 101 1/2      | 37 1/2  | 8 1/2                          | Australia & N.Z. .....      | 43 1/2              | 44 1/2               | 5 45                 | ...   |
| 89 1/2                                   | 87 1/2          | Funding 3% .....                    | 89 1/2               | 3 1/2                    | 3 1/2                      | 89 1/2       | 47 1/2  | 4 1/2                          | Bk. Lond. & S. Amer. .....  | 50 1/2              | 49 1/2               | 4 08                 | ...   |
| 79 1/2                                   | 77 1/2          | Savings Bonds 3% .....              | 79 1/2               | 3 1/2                    | 3 1/2                      | 79 1/2       | 22 1/2  | 2 1/2                          | Bank of Montreal .....      | 22 1/2              | 22 1/2               | 3 09                 | ...   |
| 84 1/2                                   | 82 1/2          | Savings Bonds 2 1/2% .....          | 84 1/2               | 2 1/2                    | 2 1/2                      | 84 1/2       | 33 1/2  | 3 1/2                          | Bank of New S. Wales .....  | 28 1/2              | 28 1/2               | 5 01                 | ...   |
| 72 1/2                                   | 70 1/2          | Savings Bonds 3% .....              | 72 1/2               | 3 1/2                    | 3 1/2                      | 72 1/2       | 49 1/2  | 4 1/2                          | Barclays D.C.O. .....       | 40 1/2              | 38 1/2               | 5 19                 | ...   |
| 83 1/2                                   | 81 1/2          | Funding 3% .....                    | 83 1/2               | 3 1/2                    | 3 1/2                      | 83 1/2       | 14 1/2  | 1 1/2                          | Chartered .....             | 59 1/2              | 58 1/2               | 5 06                 | ...   |
| 97 1/2                                   | 93 1/2          | Victory 4% .....                    | 97 1/2               | 4 1/2                    | 4 1/2                      | 97 1/2       | 53 1/2  | 5 1/2                          | Hongkong & Shang. .....     | 118 1/2             | 118 1/2              | 4 11                 | ...   |
| 82 1/2                                   | 81 1/2          | Conversion 3 1/2% .....             | 82 1/2               | 3 1/2                    | 3 1/2                      | 82 1/2       | 22 1/2  | 2 1/2                          | Nat. Com. Bk. Scot. .....   | 66 1/2              | 62 1/2               | 2 65                 | ...   |
| 93 1/2                                   | 90 1/2          | Conversion 5% .....                 | 93 1/2               | 5 1/2                    | 5 1/2                      | 93 1/2       | 96 1/2  | 9 1/2                          | Royal Bk. Canada .....      | 110 1/2             | 115 1/2              | 3 05                 | ...   |
| 95 1/2                                   | 92 1/2          | Conversion 5 1/2% .....             | 95 1/2               | 5 1/2                    | 5 1/2                      | 95 1/2       | 34 1/2  | 3 1/2                          | Royal Bk. of Scotland ..... | 116 1/2             | 116 1/2              | 3 20                 | ...   |
| 73 1/2                                   | 70 1/2          | Treasury 3 1/2% .....               | 73 1/2               | 3 1/2                    | 3 1/2                      | 73 1/2       | 95 1/2  | 9 1/2                          | Stand. Bk. of Africa .....  | 37 1/2              | 37 1/2               | 8 11                 | ...   |
| 72 1/2                                   | 69 1/2          | Treasury 3 1/2% .....               | 72 1/2               | 3 1/2                    | 3 1/2                      | 72 1/2       | 59 1/2  | 5 1/2                          | Hambros .....               | 137 1/2             | 137 1/2              | 3 27                 | ...   |
| 97 1/2                                   | 95 1/2          | Funding 5 1/2% .....                | 97 1/2               | 5 1/2                    | 5 1/2                      | 97 1/2       | 50 1/2  | 5 1/2                          | Schroders .....             | 78 1/2              | 78 1/2               | 1 91                 | ...   |
| 59 1/2                                   | 57 1/2          | Redemption 3% .....                 | 59 1/2               | 3 1/2                    | 3 1/2                      | 59 1/2       | 10 1/2  | 1 1/2                          | Union Discount .....        | 55 1/2              | 53 1/2               | 4 72                 | ...   |
| 88 1/2                                   | 85 1/2          | Treasury 5% .....                   | 88 1/2               | 5 1/2                    | 5 1/2                      | 88 1/2       | 17 1/2  | 1 1/2                          | Bowmaker .....              | 22 1/2              | 21 1/2               | 4 16                 | ...   |
| 93 1/2                                   | 90 1/2          | Treasury 5 1/2% .....               | 93 1/2               | 5 1/2                    | 5 1/2                      | 93 1/2       | 15 1/2  | 1 1/2                          | Lombard Banking .....       | 20 1/2              | 20 1/2               | 4 75                 | ...   |
| 63 1/2                                   | 62 1/2          | Consols 4 1/2% .....                | 63 1/2               | 4 1/2                    | 4 1/2                      | 63 1/2       | 210 1/2 | 21 1/2                         | Mercantile Credit .....     | 18 1/2              | 18 1/2               | 3 38                 | ...   |
| 59 1/2                                   | 54 1/2          | War Loan 3 1/2% .....               | 59 1/2               | 3 1/2                    | 3 1/2                      | 59 1/2       | 7 1/2   | 7 1/2                          | United Domin. Tst. .....    | 208 1/2             | 206 1/2              | 2 57                 | ...   |
| 50 1/2                                   | 46 1/2          | Treasury 3% .....                   | 50 1/2               | 3 1/2                    | 3 1/2                      | 50 1/2       | 20 1/2  | 2 1/2                          |                             |                     |                      |                      |       |
| 44 1/2                                   | 40 1/2          | Consols 2 1/2% .....                | 44 1/2               | 2 1/2                    | 2 1/2                      | 44 1/2       | 13 1/2  | 1 1/2                          |                             |                     |                      |                      |       |
| 91 1/2                                   | 89 1/2          | Treasury 2 1/2% .....               | 91 1/2               | 2 1/2                    | 2 1/2                      | 91 1/2       | 14 1/2  | 1 1/2                          |                             |                     |                      |                      |       |
| 75 1/2                                   | 73 1/2          | British Electric 4 1/2% .....       | 75 1/2               | 4 1/2                    | 4 1/2                      | 75 1/2       | 31 1/2  | 3 1/2                          |                             |                     |                      |                      |       |
| 70 1/2                                   | 68 1/2          | British Electric 3 1/2% .....       | 70 1/2               | 3 1/2                    | 3 1/2                      | 70 1/2       | 31 1/2  | 3 1/2                          |                             |                     |                      |                      |       |
| 81 1/2                                   | 80 1/2          | British Electric 4 1/2% .....       | 81 1/2               | 4 1/2                    | 4 1/2                      | 81 1/2       | 106 1/2 | 10 1/2                         |                             |                     |                      |                      |       |
| 73 1/2                                   | 71 1/2          | British Electric 3 1/2% .....       | 73 1/2               | 3 1/2                    | 3 1/2                      | 73 1/2       | 70 1/2  | 7 1/2                          |                             |                     |                      |                      |       |
| 84 1/2                                   | 83 1/2          | British Gas 4 1/2% .....            | 84 1/2               | 4 1/2                    | 4 1/2                      | 84 1/2       | 23 1/2  | 2 1/2                          |                             |                     |                      |                      |       |
| 81 1/2                                   | 79 1/2          | British Gas 3 1/2% .....            | 81 1/2               | 3 1/2                    | 3 1/2                      | 81 1/2       | 18 1/2  | 1 1/2                          |                             |                     |                      |                      |       |
| 75 1/2                                   | 73 1/2          | British Gas 3 1/2% .....            | 75 1/2               | 3 1/2                    | 3 1/2                      | 75 1/2       | 13 1/2  | 1 1/2                          |                             |                     |                      |                      |       |
| 80 1/2                                   | 78 1/2          | British Transport 4 1/2% .....      | 80 1/2               | 4 1/2                    | 4 1/2                      | 80 1/2       | 22 1/2  | 2 1/2                          |                             |                     |                      |                      |       |
| 61 1/2                                   | 58 1/2          | British Transport 3 1/2% .....      | 61 1/2               | 3 1/2                    | 3 1/2                      | 61 1/2       | 140 1/2 | 14 1/2                         |                             |                     |                      |                      |       |
| Prices, 1961                             |                 | DOMINION AND CORPORATION STOCKS     | Price, June 7, 1961  | Yield, June 14, 1961     | Yield, June 14, 1961       | Prices, 1961 |         | Last Two Dividends (a) (b) (c) | ORDINARY STOCKS             | Price, June 7, 1961 | Price, June 14, 1961 | Yield, June 14, 1961 | Cover |
| High                                     | Low             |                                     |                      |                          |                            | High         | Low     |                                |                             |                     |                      |                      |       |
| 82 1/2                                   | 79 1/2          | Australia 3 1/2% .....              | 81 1/2               | 3 1/2                    | 3 1/2                      | 81 1/2       | 25 1/2  | 2 1/2                          |                             |                     |                      |                      |       |
| 10 1/2                                   | 9 1/2           | Ceylon 4 1/2% .....                 | 10 1/2               | 4 1/2                    | 4 1/2                      | 10 1/2       | 58 1/2  | 5 1/2                          |                             |                     |                      |                      |       |
| 72 1/2                                   | 70 1/2          | New Zealand 6% .....                | 72 1/2               | 6 1/2                    | 6 1/2                      | 72 1/2       | 43 1/2  | 4 1/2                          |                             |                     |                      |                      |       |
| 101 1/2                                  | 98 1/2          | Rhodesia & Nyasaland 6% .....       | 101 1/2              | 6 1/2                    | 6 1/2                      | 101 1/2      | 26 1/2  | 2 1/2                          |                             |                     |                      |                      |       |
| 81 1/2                                   | 79 1/2          | South Africa 3 1/2% .....           | 81 1/2               | 3 1/2                    | 3 1/2                      | 81 1/2       | 24 1/2  | 2 1/2                          |                             |                     |                      |                      |       |
| 59 1/2                                   | 56 1/2          | Southern Rhodesia 4 1/2% .....      | 59 1/2               | 4 1/2                    | 4 1/2                      | 59 1/2       | 58 1/2  | 5 1/2                          |                             |                     |                      |                      |       |
| 94 1/2                                   | 93 1/2          | Agricultural Mortgage 5 1/2% .....  | 94 1/2               | 5 1/2                    | 5 1/2                      | 94 1/2       | 45 1/2  | 4 1/2                          |                             |                     |                      |                      |       |
| 89 1/2                                   | 87 1/2          | Birmingham 4 1/2% .....             | 89 1/2               | 4 1/2                    | 4 1/2                      | 89 1/2       | 59 1/2  | 5 1/2                          |                             |                     |                      |                      |       |
| 92 1/2                                   | 90 1/2          | Corporation of London 5 1/2% .....  | 92 1/2               | 5 1/2                    | 5 1/2                      | 92 1/2       | 90 1/2  | 9 1/2                          |                             |                     |                      |                      |       |
| 93 1/2                                   | 90 1/2          | L.C.C. 3 1/2% .....                 | 93 1/2               | 3 1/2                    | 3 1/2                      | 93 1/2       | 55 1/2  | 5 1/2                          |                             |                     |                      |                      |       |
| 48 1/2                                   | 45 1/2          | L.C.C. 3 1/2% .....                 | 48 1/2               | 3 1/2                    | 3 1/2                      | 48 1/2       | 87 1/2  | 8 1/2                          |                             |                     |                      |                      |       |
| 89 1/2                                   | 87 1/2          | Middlesex 5 1/2% .....              | 89 1/2               | 5 1/2                    | 5 1/2                      | 89 1/2       | 91 1/2  | 9 1/2                          |                             |                     |                      |                      |       |
| 93 1/2                                   | 90 1/2          |                                     | 93 1/2               |                          |                            | 93 1/2       |         |                                |                             |                     |                      |                      |       |
| Prices, 1961                             |                 | NEW YORK PRICES AND INDICES         | June 7, 1961         | June 14, 1961            | June 14, 1961              | Prices, 1961 |         | Last Two Dividends (a) (b) (c) | ORDINARY STOCKS             | Price, June 7, 1961 | Price, June 14, 1961 | Yield, June 14, 1961 | Cover |
| High                                     | Low             |                                     |                      |                          |                            | High         | Low     |                                |                             |                     |                      |                      |       |
| Atch. Topeka .....                       | 26 1/2          | Boeing .....                        | 43 1/2               | 45                       | Int. Harvester .....       | 54           | 53 1/2  |                                |                             |                     |                      |                      |       |
| Can. Pacific .....                       | 25 1/2          | Celanese .....                      | 36 1/2               | 39 1/2                   | Inter. Nickel .....        | 76 1/2       | 75 1/2  |                                |                             |                     |                      |                      |       |
| Pennsylvania .....                       | 14 1/2          | Chrysler .....                      | 44 1/2               | 42 1/2                   | Inter. Paper .....         | 33 1/2       | 32 1/2  |                                |                             |                     |                      |                      |       |
| Union Pacific .....                      | 33 1/2          | Col. Palmolive .....                | 45 1/2               | 43 1/2                   | Kennecott .....            | 88           | 85 1/2  |                                |                             |                     |                      |                      |       |
| Amer. Electric .....                     | 66 1/2          | Crown Zeller .....                  | 59 1/2               | 58 1/2                   | Monsanto .....             | 51 1/2       | 52      |                                |                             |                     |                      |                      |       |
| Am. Tel. & Tel. .....                    | 121 1/2         | Distillers Seag. .....              | 41                   | 40                       | Nat. Distillers .....      | 28 1/2       | 29 1/2  |                                |                             |                     |                      |                      |       |
| Cons. Edison .....                       | 84              | Douglas .....                       | 32 1/2               | 32 1/2                   | Pan-American .....         | 19 1/2       | 18 1/2  |                                |                             |                     |                      |                      |       |
| Int. Tel. & Tel. .....                   | 57 1/2          | Dow Chemical .....                  | 80 1/2               | 81 1/2                   | Procter & Gamble .....     | 78 1/2       | 80 1/2  |                                |                             |                     |                      |                      |       |
| Standard Gas .....                       | 5 1/2           | Du Pont .....                       | 216 1/2              | 219                      | Radio Corp. .....          | 61 1/2       | 59 1/2  |                                |                             |                     |                      |                      |       |
| United Corp. .....                       | 8 1/2           | East Kodak .....                    | 105 1/2              | 106 1/2                  | Sears Roebuck .....        | 65 1/2       | 65 1/2  |                                |                             |                     |                      |                      |       |
| Western Union .....                      | 43 1/2          | Ford Motor .....                    | 87 1/2               | 88 1/2                   | Shell Oil .....            | 41           | 40 1/2  |                                |                             |                     |                      |                      |       |
| Alcoa .....                              | 75 1/2          | Gen. Electric .....                 | 67 1/2               | 64 1/2                   | Socony-Mobil .....         | 47           | 45 1/2  |                                |                             |                     |                      |                      |       |
| Aluminum .....                           | 35 1/2          | General Foods .....                 | 82                   | 81 1/2                   | Stand. Oil N.J. .....      | 46           | 45 1/2  |                                |                             |                     |                      |                      |       |
| Amer. Can. .....                         | 41 1/2          | Goodyear .....                      | 41 1/2               | 41 1/2                   | Union Carbide .....        | 141          | 142 1/2 |                                |                             |                     |                      |                      |       |
| Am. Smelting .....                       | 70 1/2          | Guil Oil .....                      | 38 1/2               | 39 1/2                   | U.S. Steel .....           | 86 1/2       | 85 1/2  |                                |                             |                     |                      |                      |       |
| Am. Viscose .....                        | 55 1/2          | Heinz .....                         | 39 1/2               | 39 1/2                   | West. Electric .....       | 45 1/2       | 44 1/2  |                                |                             |                     |                      |                      |       |
| Ansoconda .....                          | 55 1/2          | Int. Bus. Mach. .....               | 496                  | 483                      | Woolworth .....            | 85           | 79 1/2  |                                |                             |                     |                      |                      |       |
| Bath Steel .....                         | 45 1/2          |                                     |                      |                          |                            |              |         |                                |                             |                     |                      |                      |       |
| Standard and Poor's Indices (1941-43=10) |                 | Yield %                             |                      | Yield %                  |                            | Yield %      |         | Yield %                        |                             | Yield %             |                      | Yield %              |       |
| 1961                                     | 425 Industrials | 25                                  | 25                   | 25                       | 25                         | 25           | 25      | 25                             | 25                          | 25                  | 25                   | 25                   | 25    |
| May 17                                   | 71 25           | 2 80                                | 33 94                | 4 76                     | 60 45                      | 3 19         | 92 33   | 3 67                           |                             |                     |                      |                      |       |
| " 24                                     | 69 85           | 2 83                                | 33 34                | 4 75                     | 59 85                      | 3 22         | 91 27   | 3 75                           |                             |                     |                      |                      |       |
| " 31                                     | 70 57           | 2 83                                | 33 05                | 4 89                     | 59 35                      | 3 25         | 91 46   | 3 75                           |                             |                     |                      |                      |       |
| June 7                                   | 70 22           | 2 83                                | 33 04                | 4 89                     | 59 33                      | 3 23         | 90 39   | 3 85                           |                             |                     |                      |                      |       |
| " 14                                     | 69 06           | 2 89                                | 32 64                | 4 95                     | 58 81                      | 3 28         | 90 49   | 3 84                           |                             |                     |                      |                      |       |

\* Ex dividend. † Tax free. ‡ Assumed average life 8 years. § The net redemption yields allow for tax at 7s. 9d. in £. || Ex capitalisation. ¶ Ex rights. \*\* Ex all.  
(a) Interim dividend. (b) Final dividend. (c) Year's dividend. (d) Capital distribution of 1s. 6d. per share. (e) To earliest date. (f) Flat yield. (g) Equivalent to 7.2 sterling.

| Prices, 1961       |           | Last Two Dividends (a) (b) (c) |     | ORDINARY STOCKS       |        | Price, June 7, 1961 |           | Price, June 14, 1961 |       | Yield, June 14, 1961 |           | Cover     |     | Prices, 1961 |     | Last Two Dividends (a) (b) (c) |        | ORDINARY STOCKS |           | Price, June 7, 1961 |       | Price, June 14, 1961 |     | Yield, June 14, 1961 |     | Cover |  |
|--------------------|-----------|--------------------------------|-----|-----------------------|--------|---------------------|-----------|----------------------|-------|----------------------|-----------|-----------|-----|--------------|-----|--------------------------------|--------|-----------------|-----------|---------------------|-------|----------------------|-----|----------------------|-----|-------|--|
| High               | Low       | %                              | %   |                       |        |                     |           |                      |       | High                 | Low       | %         | %   |              |     |                                |        |                 |           |                     |       |                      |     |                      |     |       |  |
| FOOD & TOBACCO     |           |                                |     |                       |        |                     |           |                      |       |                      |           |           |     |              |     |                                |        |                 |           |                     |       |                      |     |                      |     |       |  |
| 34/-               | 20/6      | 10                             | c   | Allied Suppliers      | 10/-   | 21/9                | 21/-      | 4.76                 | 2 1/4 | 62/-                 | 43/-      | 40        | b   | 20           | a   | Assoc. British Picture         | 5/-    | 58/6            | 57/-      | 5.26                | 1 1/4 |                      |     |                      |     |       |  |
| 15/-               | 7 3/4     | 21                             | c   | Assoc. British Foods  | 11/-   | 14/6                | 14/3      | 1.47                 | 2 1/2 | 34/6                 | 26/9      | 30        | b   | 20           | a   | Assoc. Television 'A'          | 5/-    | 32/6            | 32/9      | 7.63                | 2     |                      |     |                      |     |       |  |
| 74 1/2             | 57 1/2    | 4                              | a   | Bovril                | 11/-   | 64/-                | 64/-      | 3.75                 | 2 1/2 | 51/9                 | 41/4      | 16        | a   | 14           | b   | British Match                  | 5/-    | 49 11/2         | 49 10/2   | 3.01                | 2     |                      |     |                      |     |       |  |
| 15/6               | 13 1/2    | 14 1/2                         | b   | Brooke Bond           | 12/-   | 13/6                | 13/4 1/2  | 4.06                 | 3     | 54/3                 | 42/-      | 63        | a   | 31/3         | a   | British Oxygen                 | 5/-    | 49/-            | 49/-      | 4.19                | 2     |                      |     |                      |     |       |  |
| 19/3               | 15/4 1/2  | 10                             | b   | International Tea     | 5/-    | 16/8 1/2            | 16/4 1/2  | 3.82                 | 1 1/2 | 28/4 1/2             | 17/6      | 6         | a   | 4            | b   | British Ropes                  | 5/-    | 23/6            | 21/3      | 2.51                | 2 1/2 |                      |     |                      |     |       |  |
| 107/9              | 83/-      | 5                              | a   | J. Lyons 'A'          | 10/-   | 87/3                | 83/-      | 3.82                 | 1 1/4 | 13/1                 | 10/3      | 3         | a   | 7            | b   | De La Rue                      | 10/-   | 11/-            | 10 7/12   | 4.71                | 2 1/4 |                      |     |                      |     |       |  |
| 35/6               | 26 10/12  | 9                              | b   | Ranks                 | 10/-   | 33/-                | 31 7/12   | 4.43                 | 2     | 70/-                 | 56/-      | 7 1/2     | a   | 15           | b   | Gestetner 'A'                  | 5/-    | 62/9            | 60 9/16   | 3.70                | 2     |                      |     |                      |     |       |  |
| 56/3               | 43/-      | 22                             | a   | Spillers              | 10/-   | 55/3                | 54/6      | 3.67                 | 1 3/4 | 50/-                 | 31/9      | 6         | a   | 14           | b   | Glaxo                          | 10/-   | 40/-            | 38/6      | 2.60                | 3 1/4 |                      |     |                      |     |       |  |
| 55/-               | 46/6      | 9                              | b   | Tate & Lyle           | 10/-   | 49 10 1/2           | 46/6      | 5.16                 | 2     | 73/9                 | 57/-      | 14        | c   | 6            | a   | Hoover 'A'                     | 5/-    | 62/6            | 60/6      | 2.48                | 3 3/4 |                      |     |                      |     |       |  |
| 20 10/12           | 18 4/12   | 9                              | b   | Unigate               | 10/-   | 50 10 1/2           | 49 10 1/2 | 5.16                 | 2     | 57/6                 | 42/-      | 12        | b   | 3            | a   | Harrisons & Cr. Delf.          | 10/-   | 54/6            | 54/-      | 5.56                | 2 1/2 |                      |     |                      |     |       |  |
| 51/6               | 40/-      | 5                              | a   | Brit. Amer. Tobac.    | 10/-   | 70/3                | 69/9      | 5.07                 | 2     | 35/6                 | 48/3      | 5         | a   | 40           | b   | Ilford                         | 5/-    | 51/3            | 49/9      | 4.52                | 2 1/4 |                      |     |                      |     |       |  |
| 51/6               | 40/-      | 5                              | a   | Gallaher              | 10/-   | 49 11 1/2           | 49 11 1/2 | 4.07                 | 2     | 28/-                 | 23/3      | 5         | a   | 12 1/2       | b   | I.C.T.                         | 10/-   | 27/-            | 27 11/12  | 3.23                | 2     |                      |     |                      |     |       |  |
| 71/6               | 65/3      | 8 1/2                          | a   | Imperial Tobacco      | 10/-   | 68/3                | 71/6      | 6.29                 | 1 3/4 | 107 1/2              | 56/3      | 7 1/4     | a   | 12 1/2       | c   | National Canning               | 10/-   | 97/3            | 95 7/12   | 2.35                | 2 3/4 |                      |     |                      |     |       |  |
| INSURANCE          |           |                                |     |                       |        |                     |           |                      |       |                      |           |           |     |              |     |                                |        |                 |           |                     |       |                      |     |                      |     |       |  |
| 15 1/4             | 11 1/2    | 150                            | a   | Britannic             | 5/-    | 141 1/2             | 144       | 2.98                 | ...   | 37/3                 | 30 10 1/2 | 10        | b   | 6            | a   | Powell Duffryn                 | 10/-   | 72/6            | 71/3      | 3.51                | 2 1/4 |                      |     |                      |     |       |  |
| 86/3               | 31 1/2    | 20                             | a   | Commercial Union      | 5/-    | 76/9                | 71 10 1/2 | 3.13                 | ...   | 30/3                 | 24 7 1/2  | 15        | b   | 6            | a   | Radio Rentals                  | 5/-    | 36/6            | 36/-      | 4.44                | 2 1/4 |                      |     |                      |     |       |  |
| 32                 | 17 1/2    | 141 17 1/2                     | a   | Equity & Law Life     | 8/6    | 29                  | 28        | 1.02                 | ...   | 37/3                 | 32 10 1/2 | 7 1/2     | a   | 16           | b   | Rank Organisation              | 5/-    | 32/9            | 30 7/12   | 3.67                | 2 3/4 |                      |     |                      |     |       |  |
| 176/9              | 103/9     | 20                             | a   | General Accident      | 5/-    | 173/9               | 167/6     | 1.79                 | ...   | 39/-                 | 27/6      | 20        | c   | 25           | c   | Sears 'A'                      | 5/-    | 38/9            | 37 2 1/4  | 3.36                | 2 1/4 |                      |     |                      |     |       |  |
| 171/6              | 118/-     | 35                             | a   | Guardian              | 5/-    | 165/-               | 155/-     | 2.42                 | ...   | 29/3                 | 22/-      | 8 1/2     | a   | 11 1/2       | b   | Thomas Tilling                 | 4/-    | 28/-            | 27/3      | 2.94                | 2     |                      |     |                      |     |       |  |
| 39 1/2             | 23 1/4    | 80                             | a   | Legal & General       | 5/-    | 36 1/4              | 35        | 1.36                 | ...   | 78/-                 | 55/-      | 12        | c   | 4            | a   | Turner & Newall                | 10/-   | 70/6            | 70/-      | 3.43                | 2 1/4 |                      |     |                      |     |       |  |
| 146/-              | 100/-     | 8 1/2                          | a   | Northern & Empl.      | 10/-   | 146/-               | 137/3     | 2.91                 | ...   | 166/6                | 144/3     | 9 04 1/2  | a   | 15 5/8       | b   | Unilever                       | 10/-   | 148/3           | 144/3     | 3.40                | 3 1/4 |                      |     |                      |     |       |  |
| 172/6              | 156/3     | 120                            | a   | Pearl                 | 5/-    | 258/9               | 240/-     | 3.06                 | ...   | 11 1/2               | 8 1/4     | 8         | a   | 13           | b   | Unilever N.V.                  | 12 1/2 | 108             | 101 3/2   | 2.41                | 3 1/4 |                      |     |                      |     |       |  |
| 182/-              | 149/9     | 150                            | a   | Prudential 'A'        | 5/-    | 235/3               | 235/3     | 3.04                 | ...   | 22/6                 | 18/6      | 10        | a   | 10           | b   | United Glass                   | 5/-    | 18/6            | 18/6      | 4.05                | 2 1/2 |                      |     |                      |     |       |  |
| 129/3              | 105 7/12  | 7 1/2                          | a   | Royal                 | 5/-    | 168/-               | 159/3     | 3.16                 | ...   | 42 11/2              | 32 10 1/2 | 14 1/2    | a   | 110 1/2      | b   | United Molasses                | 10/-   | 34 11/2         | 33/3      | 7.37                | 1     |                      |     |                      |     |       |  |
| ROYAL EXCHANGE     |           |                                |     |                       |        |                     |           |                      |       |                      |           |           |     |              |     |                                |        |                 |           |                     |       |                      |     |                      |     |       |  |
| 18 10 1/2          | 15/3      | 12 1/2                         | b   | British Motor         | 5/-    | 16 11 1/2           | 16 4 1/2  | 6.11                 | 2 1/2 | 20/3                 | 37 11 1/2 | 6 1/2     | a   | 13 1/2       | b   | Brit. & Com. wealth.           | 10/-   | 40/-            | 37 11 1/2 | 5.39                | 1 1/4 |                      |     |                      |     |       |  |
| 66/3               | 66/3      | 20                             | c   | Jaguar Cars 'A'       | 5/-    | 79/9                | 78/6      | 6.27                 | 7 1/4 | 24/9                 | 15/3      | 8         | c   | 6            | c   | Cunard                         | 10/-   | 15 10 1/2       | 15/3      | 7.87                | 1 1/4 |                      |     |                      |     |       |  |
| 48/6               | 41 10 1/2 | 2                              | c   | Rolls-Royce           | 5/-    | 43 3/4              | 42/9      | 5.15                 | 2     | 20/9                 | 20/9      | 17        | c   | 7            | c   | France Fenwick                 | 10/-   | 22 3/4          | 22/3      | 6.29                | 1 1/2 |                      |     |                      |     |       |  |
| 10/-               | 8/-       | 15                             | b   | Rootes Motors 'A'     | 4/-    | 8 11 1/2            | 8/-       | 6.00                 | 5 1/4 | 50/6                 | 42/6      | 10        | c   | 10           | c   | Furness Withy                  | 10/-   | 43/9            | 42/6      | 4.71                | 2 1/4 |                      |     |                      |     |       |  |
| 88/9               | 52 1/2    | 15                             | b   | A.C.V.                | 10/-   | 86/3                | 84/9      | 3.81                 | 2 1/2 | 15/-                 | 11/6      | 7         | a   | 10           | b   | London & Overseas              | 5/-    | 12 11 1/2       | 12/3      | 7.14                | ...   |                      |     |                      |     |       |  |
| 99 10 1/2          | 79/-      | 15                             | c   | Leyland Motors        | 10/-   | 95 10 1/2           | 94/9      | 4.22                 | ...   | 48/6                 | 39/6      | 2 1/2     | c   | 9            | b   | L & Delf.                      | 10/-   | 42/-            | 40/3      | 5.00                | 1     |                      |     |                      |     |       |  |
| 18/6               | 14/-      | 31 1/2                         | a   | Bristol Aeroplane     | 10/-   | 18/6                | 18 11 1/2 | 6.90                 | 2 1/4 | 25/9                 | 12 10 1/2 | 2         | c   | 2            | c   | Reardon Smith                  | 10/-   | 13 4 1/2        | 12 10 1/2 | 9.50                | ...   |                      |     |                      |     |       |  |
| 33/3               | 28 11 1/2 | 10                             | a   | Hawker Siddeley       | 10/-   | 30 9/16             | 30 5/16   | 6.97                 | 1 1/4 | 17/9                 | 16/6      | 8         | c   | 5            | c   | Royal Mail                     | 10/-   | 17/-            | 16 7/12   | 6.02                | ...   |                      |     |                      |     |       |  |
| 34/3               | 34/-      | 15 1/2                         | b   | President Brand       | 5/-    | 47 1/4              | 46 1/2    | 6.31                 | 3     | ...                  | ...       | ...       | ... | ...          | ... | ...                            | ...    | ...             | ...       | ...                 | ...   | ...                  | ... | ...                  | ... | ...   |  |
| 28 10 1/2          | 21/6      | 11 1/2                         | a   | Dunlop Rubber         | 10/-   | 26 7/12             | 25 10 1/2 | 6.12                 | 2     | ...                  | ...       | ...       | ... | ...          | ... | ...                            | ...    | ...             | ...       | ...                 | ...   | ...                  | ... | ...                  | ... | ...   |  |
| 72/-               | 62 7/12   | 9                              | a   | Joseph Lucas          | 10/-   | 64 4 1/2            | 63/-      | 4.37                 | 3     | 81/3                 | 70 10 1/2 | 6         | a   | 10           | b   | Colvilles                      | 10/-   | 75/-            | 73 10 1/2 | 4.33                | 4 1/2 |                      |     |                      |     |       |  |
| 36/3               | 25 2 1/4  | 9                              | a   | Pressed Steel         | 5/-    | 27/-                | 25/6      | 5.88                 | 1 1/4 | 43 7 1/2             | 34 4 1/2  | 3 1/2     | a   | 6 1/2        | b   | Dorman Long                    | 10/-   | 36/3            | 35/6      | 5.63                | 2 1/2 |                      |     |                      |     |       |  |
| 33/3               | 36/-      | 10                             | c   | Triplex Holdings      | 10/-   | 44 10 1/2           | 44 7 1/2  | 3.36                 | 3     | 49 10 1/2            | 41 7 1/2  | 7 1/2     | b   | 3 1/2        | a   | Lancashire Steel               | 10/-   | 43 4 1/2        | 42 10 1/2 | 5.13                | 3 1/2 |                      |     |                      |     |       |  |
| MINES              |           |                                |     |                       |        |                     |           |                      |       |                      |           |           |     |              |     |                                |        |                 |           |                     |       |                      |     |                      |     |       |  |
| 168/9              | 113/9     | 20                             | a   | Anglo-American        | 10/-   | 131/3               | 128/9     | 6.99                 | 1 1/2 | 42/-                 | 33 11 1/2 | 8         | b   | 4            | a   | Steel Co. of Wales             | 10/-   | 41/6            | 41/6      | 6.10                | 2 3/4 |                      |     |                      |     |       |  |
| 67/3               | 46/6      | 18 1/2                         | b   | Consolid. Gold Fields | 10/-   | 51 3/4              | 50/6      | 9.90                 | 2     | 47 8 1/2             | 38/6      | 15        | b   | 5            | a   | Stewarts & Lloyds              | 10/-   | 58 4 1/2        | 48 10 1/2 | 5.41                | 2 3/4 |                      |     |                      |     |       |  |
| 108/9              | 78/9      | 15                             | a   | General Mining        | 10/-   | 87/6                | 86/3      | 8.12                 | 2     | 69/6                 | 56/-      | 6         | a   | 12           | b   | John Summers                   | 5/-    | 57 11 1/2       | 56 4 1/2  | 6.52                | 2 3/4 |                      |     |                      |     |       |  |
| 68/6               | 40/-      | 40                             | a   | Union Corporation     | 2/6    | 50/9                | 50/-      | 8.00                 | 3     | 63/6                 | 51 11 1/2 | 6 1/4     | a   | 8 1/2        | b   | Unired Steel                   | 10/-   | 62/6            | 60 5 1/2  | 15.55               | 3     |                      |     |                      |     |       |  |
| 25/3               | 16/-      | 40                             | a   | Daggafontein          | 5/-    | 17/-                | 17/-      | 28.53                | 3 1/2 | ...                  | ...       | ...       | ... | ...          | ... | ...                            | ...    | ...             | ...       | ...                 | ...   | ...                  | ... | ...                  | ... | ...   |  |
| 125 1/2            | 81/6      | 100                            | b   | Free State Geduld     | 10/-   | 91/3                | 90/-      | 9.44                 | 2     | 42 7 1/2             | 33/6      | 5         | a   | 7 1/2        | b   | English Sewing Cotton          | 10/-   | 34 11 1/2       | 34 11 1/2 | 7.33                | 1 1/2 |                      |     |                      |     |       |  |
| 64/6               | 37 10 1/2 | 35                             | b   | Harbeestfontein       | 10/-   | 51/9                | 50/9      | 9.84                 | 1 1/2 | 31 10 1/2            | 25 11 1/2 | 7 1/2     | a   | 5            | a   | Fine Spinners                  | 10/-   | 26 4 1/2        | 27 4 1/2  | 9.13                | 1 1/4 |                      |     |                      |     |       |  |
| 157/6              | 101/3     | 110                            | b   | Western Holdings      | 5/-    | 120 7 1/2           | 118/9     | 8.42                 | 1 1/2 | 70 4 1/2             | 57/6      | 7 1/2     | a   | 17 1/2       | b   | Lancashire Cotton              | 10/-   | 58 4 1/2        | 59 11 1/2 | 8.46                | 1 1/2 |                      |     |                      |     |       |  |
| 28/6               | 15/9      | 8 1/2                          | a   | Winkelhaak            | 10/-   | 21/9                | 21/3      | ...                  | 8 1/2 | 39 7 1/2             | 39 7 1/2  | 4 1/2     | a   | 5 1/2        | b   | Courtaulds                     | 10/-   | 43 4 1/2        | 39 9 1/2  | 0.03                | 2 1/2 |                      |     |                      |     |       |  |
| 75/3               | 57/3      | 13 1/2                         | a   | Chartered             | 15/-   | 61/6                | 62/6      | 12.00                | 2     | 13 11 1/2            | 10 11 1/2 | 14        | b   | 6            | a   | Illingworth Morris             | 10/-   | 11 10 1/2       | 11 7 1/2  | 6.88                | 1 1/2 |                      |     |                      |     |       |  |
| 63/6               | 51/6      | 60                             | b   | Rhod. Anglo-Amer.     | 10/-   | 58/9                | 59/9      | 13.99                | 2     | 74/6                 | 65/6      | 13        | b   | 8            | a   | West Riding Worsted            | 10/-   | 72/9            | 72/-      | 5.83                | 2     |                      |     |                      |     |       |  |
| 11 7 1/2           | 8/3       | 12 1/2                         | b   | Rhod. Selection       | 10/-   | 10 11 1/2           | 10 11 1/2 | 14.33                | 2 1/4 | 37/3                 | 30/6      | 21 1/2    | a   | 7 1/2        | b   | Woolcombers                    | 10/-   | 31/9            | 32/-      | 6.25                | 2     |                      |     |                      |     |       |  |
| 6 11 1/2           | 5 11 1/2  | 10 1/2                         | a   | Roan Antelope         | 10/-   | 5 7 1/2             | 5 7 1/2   | 14.56                | 1 1/2 | 20 7 1/2             | 16 11 1/2 | 3         | c   | 6            | a   | Bradford Dyers                 | 10/-   | 17 10 1/2       | 17/12     | 7.22                | 1 1/4 |                      |     |                      |     |       |  |
| 39/9               | 22/-      | 22                             | b   | Tanganyika Cons.      | 10/-   | 23/-                | 25/9      | 14.56                | 1 1/2 | 16 2 1/4             | 43/6      | 13 1/2    | b   | 7 1/2        | a   | Coats Paton & B.               | 5/-    | 13/6            | 13/9      | 7.22                | 1 1/4 |                      |     |                      |     |       |  |
| 81/6               | 64/-      | 6 1/4                          | a   | Consolidated Zinc     | 10/-   | 71/6                | 72/-      | 5.56                 | 1 1/2 | 13 7 1/2             | 10/9      | 3         | a   | 10           | c   | Jute Industries                | 10/-   | 11 10 1/2       | 11 10 1/2 | 10.95               | 3     |                      |     |                      |     |       |  |
| 159 4 1/2          | 112/6     | 100                            | a   | De Beers Delf. Reg.   | 5/-    | 131/3               | 130/-     | 9.62                 | 1 1/2 | 35/3                 | 28 11 1/2 | 7 1/2     | c   | 10           | c   | Tootal                         | 10/-   | 33 4 1/2        | 31 10 1/2 | 6.27                | 1     |                      |     |                      |     |       |  |
| 152 1/2            | 104       | 11 50c                         | a   | Internat. Nickel      | n.p.v. | 139 1/2             | 139       | 1.93                 | ...   | ...                  | ...       | ...       | ... | ...          | ... | ...                            | ...    | ...             | ...       | ...                 | ...   | ...                  | ... | ...                  | ... | ...   |  |
| 18/-               | 12 10 1/2 | 20                             | b   | London Tin            | 10/-   | 16 10 1/2           | 16 10 1/2 | 7.89                 | ...   | ...                  | ...       | ...       | ... | ...          | ... | ...                            | ...    | ...             | ...       | ...                 | ...   | ...                  | ... | ...                  | ... | ...   |  |
| 45/-               | 30/-      | 20                             | c   | Rio Tinto             | 10/-   | 38 11 1/2           | 38 11 1/2 | 7.2                  | 1 1/2 | ...                  | ...       | ...       | ... | ...          | ... | ...                            | ...    | ...             | ...       | ...                 | ...   | ...                  | ... | ...                  | ... | ...   |  |
| 65/6               | 35/6      | 62 1/2                         | c   | Tronoh                | 10/-   | 63/6                | 65/3      | 5.36                 | ...   | ...                  | ...       | ...       | ... | ...          | ... | ...                            | ...    | ...             | ...       | ...                 | ...   | ...                  | ... | ...                  | ... | ...   |  |
| OIL                |           |                                |     |                       |        |                     |           |                      |       |                      |           |           |     |              |     |                                |        |                 |           |                     |       |                      |     |                      |     |       |  |
| 61/6               | 47/-      | 13 1/2                         | a   | British Petroleum     | 10/-   | 50/6                | 50/3      | 7.58                 | 2 1/4 | 57 10 1/2            | 42/6      | 12 1/2    | a   | 25           | b   | Alliance Trust                 | 5/-    | 66/3            | 62/9      | 2.99                | 1 1/4 |                      |     |                      |     |       |  |
| 49/6               | 38/3      | 12 1/2                         | a   | Burmah Oil            | 10/-   | 40/3                | 40/3      | 7.66                 | 1 1/4 | 20/-                 | 12 7 1/2  | 10        | a   | 30           | b   | B.E.T. 'A' Delf.               | 10/-   | 19 4 1/2        | 19 4 1/2  | 2.58                | 1 1/4 |                      |     |                      |     |       |  |
| 52/-               | 41/6      | 6 1/4                          | a   | Castrol               | 10/-   | 43 1/2              | 43 1/2    | 4.47                 | 2 1/2 | 65/9                 | 56/3      | 20        | a   | 23 1/2       | a   | Cable & Wireless               | 10/-   | 62/-            | 64/3      | 1.97                | 3 1/4 |                      |     |                      |     |       |  |
| 15 11 1/2          | 10 10 1/2 | 13 6 1/2                       | a   | Royal Dutch           | 20 1/2 | 131 1/2             | 131 1/2   | 3.64                 | 2 1/2 | 95/6                 | 65/6      | 31 1/2    | a   | 7 1/2        | b   | City Centre Props.             | 5/-    | 83/3            | 86/3      | 2.55                | 1 1/4 |                      |     |                      |     |       |  |
| 139 7 1/2          | 108/9     | 18 1/2                         | a   | Shell Transport       | 10/-   | 129 6 1/2           | 130 9 1/2 | 5.20                 | 3     | 107 1/2              | 75 1/2    | 14 08 1/2 | a   | 18 08 1/2    | b   | City Lond. Real Prop.          | 10/-   | 10 10 1/2       | 10 10 1/2 | 3.16                | 1 1/4 |                      |     |                      |     |       |  |
| 41/3               | 27/9      | ...                            | ... | Ultramar              | 10/-   | 33/6                | 32/9      | ...                  | d     | 36/-                 | 23/3      | 2         | a   | 4            | b   | Hudson's Bay                   | 10/-   | 34/6            | 36/-      | 1.67                | 1     |                      |     |                      |     |       |  |
| PAPER & NEWSPAPERS |           |                                |     |                       |        |                     |           |                      |       |                      |           |           |     |              |     |                                |        |                 |           |                     |       |                      |     |                      |     |       |  |
| 14 7 1/2           | 9 10 1/2  | 8                              | b   | Daily Mirror          | 5/-    | 13 7 1/2            | 13/-      | 5.77                 | 1 1/4 | 39/6                 | 26/9      | 10 1/2    | c   | 21 1         |     |                                |        |                 |           |                     |       |                      |     |                      |     |       |  |



## Booker Brothers McConnell

A STRONG hint that Booker Brothers McConnell is considering its first substantial issue since 1949 is contained in its full report. Though ordinary dividends have been raised in all but one of the past ten years, something like two-thirds of the group's net profits have been ploughed back into the business. But rapid expansion and diversification have begun to reduce liquid resources. Bank loans have grown steadily from under £400,000 to £4,600,000 and liquid assets have been brought down to less than £200,000. Since the beginning of this year, £2½ million has been raised from outside sources—£1½ million on a 20-year loan in Canada and £900,000 through a sale and lease-back arrangement involving the group's new bulk sugar carrier.

The group likes to maintain a fairly consistent balance between ordinary distributions and capital employed, and in his review, the deputy-chairman, Mr David Powell, says that "in due course" more permanent or long term capital might be raised to finance expansion. The group's low capital gearing favours an issue of loan stock, but the political risks emphasised by Mr Powell may pull in the opposite direction. On average, about 60 per cent of the group's profits are earned in British Guiana and the West Indies, and almost 30 per cent are derived from sugar, though these proportions are declining. Moreover, the group is adding to its interests in Africa, as well as developing its business in Britain and Canada.

The Booker group is anxious to offer local shareholders an increasing stake in its enterprises, but in British Guiana, for instance, local capital is scarce, and because of its overwhelming importance in the economy, the group is often obliged to extend its activities there. Booker's chairman, Sir Jock Campbell, has said that the *raison d'être* of the group is to invest in the under-developed countries of the Commonwealth. But the group's policy is far from being one of blind faith. Increasing its stake in Britain and Canada has given the group a more stable base. Expansion has been confined to projects which fit in conveniently with its existing business and all these new ventures are located so as to facilitate the tasks of the management. Consolidated trading profits rose from £4½ million to £5 million last year and further investments will begin to earn profits this year. The 10s. units at 28s. 4½d. yield 5½ per cent on the tax-free dividend of 10 per cent.

## Steel of Wales

THE interim statement from Steel Company of Wales is far from exciting, for though the production of ingots was maintained sales of tinplate and sheet steel fell below those in the same period of the previous year. Because of higher prices for

fuel and increases in wages, costs were higher and while total sales fell by only 3 per cent, compared with the first half of 1959-60, trading profits fell by as much as 16 per cent and compared with the second half of the financial year, they were as much as 22½ per cent down.

Depreciation has not risen very much, but £1,500,000 has been appropriated to fixed assets replacement reserve, compared with £1,350,000 a year ago, and though tax fell sharply net profits fell by nearly 30 per cent, from £3,010,000 to £2,133,000. The

| Six months to        | April 2, 1960 | Oct. 1, 1960 | April 1, 1961 |
|----------------------|---------------|--------------|---------------|
| Sales & other income | 70,901        | 72,195       | 68,650        |
| Trading profit       | 14,610        | 15,869       | 12,300        |
| Depreciation         | 4,025         | 4,192        | 4,200         |
| Tax                  | 3,800         | 3,600        | 2,100         |
| Net profit           | 3,010         | 4,017        | 2,133         |

interim dividend has been maintained at 5 per cent and though this week's increase in steel prices may relieve some of the pressure on margins, shareholders must expect a sharp fall in the earnings cover this year. The stock market was disappointed with the results and immediately marked the £1 ordinary shares down by 2s., but they have since risen slightly to 39s. 9d. and yield 6.3 per cent on the assumption of an unchanged final dividend of 7½ per cent.

## Wall Paper Manufacturers

IN 1959-60 Wall Paper Manufacturers earned a record trading profit of £7½ million, with the sales of almost all its wallpapers, paints and plastics rising. This year it has added to its holdings in two other companies manufacturing and distributing wallpaper and paint, Smith and Walton and K. L. Holdings, to secure absolute control. But when it did so its directors said that competition in the paint and paper divisions was beginning to cut into profit margins.

The decision to make these big acquisitions at a time when profits were falling has put a strain upon the WPM's financial resources and bank overdrafts have risen from £1½ million at the end of June to £8½ million. Not surprisingly, the directors have announced a three-for-ten rights issue at 120s. per share, making the rights worth about 6s. 9d. The issue will bring in £9.8 million net, which will be used to repay bank overdrafts and to finance additional working capital. In making this announcement, the directors say that they expect gross profits in the year to June 30th to fall from £6.2 million to £5 million, though they hope for an improvement in 1961-62. They intend to maintain the final dividend on the increased capital at 17½ per cent. On the assumption that the full year's dividend will not be less than 25 per cent on the increased capital, the £1 shares at an ex rights price of 142s. 3d. yield 3½ per cent. The size of the issue, designed primarily to cover past expenditure, and the news that profits are falling, unsettled the market in the WPM shares, which fell back from 168s. 9d. to 149s. on the announcement.

## London Stock Exchange

|                 |         |         |         |
|-----------------|---------|---------|---------|
| FIRST DEALINGS: | May 29  | June 12 | June 26 |
| LAST DEALINGS:  | June 9  | June 23 | July 7  |
| ACCOUNT DAY:    | June 20 | July 4  | July 18 |

As the account drew to its close last week-end prices of both gilt-edged and equities fell; both were depressed by the weakness of sterling. Interest in equities did not revive at the opening of the new account but the volume of stock sold fell towards mid-week and prices rallied a little. This was not enough to offset earlier losses and over the week to Wednesday *The Economist* indicator fell by 8.4 points to 402.3. On Wednesday the number of bargains marked was the lowest for five months.

The improvement in sterling led to a rally rise in short and medium dated gilt-edged stocks on Tuesday, and a sharp increase in all gilt-edged prices on Wednesday. The losses in gilt-edged when the Treasury Bill Rate rose before the week-end were thus made good and over the week the *Financial Times* index of government securities was unchanged. Some of the short dated stocks made notable gains, including Treasury 5½ per cent 1962, which rose by ½ to 100½. Among medium dated stocks Conversion 5 per cent 1971 gained ¼ to 90½ xd. War Loan failed to rise above 55 and 2½ per cent Consols lost ½ to 40½ xd. Corporation and Dominion stocks moved little over the week but there were some small gains on Wednesday.

Nearly all sections of the equity market made net losses over the week. Bank shares fell, with Barclays losing 1s. to 88s. and Lloyds 1s. 6d. to 74s. Insurance shares were also dull and some of the leaders sustained heavy falls; Legal and General were 1½ lower at 35. Among Brewery shares Vaux were again mentioned in take over rumours and gained 3s. 9d. to 187s. 6d. Among store shares House of Fraser lost 4s. 7½d. to 64s. 9d. on the disappointing results but demand for Marks and Spencer in a market short of stock pushed them up by 2s. 7½d. to 115s. 3d. Steel shares were depressed by the news from Steel of Wales and the temporary shut down of some of Stewarts and Lloyds' plants. But there was a rally on Wednesday on the expectation of higher steel prices so that over the week Steel of Wales lost only 6d. to 41s. Engineering shares were also rather dull and Guest Keen lost 4s. 3d. to 93s. There was a strong demand for London Grocers and they gained 10½d. to 22s. 10½d.

Further news of narrowing profit margins depressed prices of several shares; BTR Industries, for example, lost 3s. 6d. to 13s. 6d. The interim statement from British Oxygen led to a fall of 2s. 3d. to 21s. 3d. Following early falls BMC made net gains of 3d. to 16s. 4½d. when its name was linked with Borgward. British Drug Houses gained 2s. 7½d. to 24s. 9d. after take-over rumours. Kaffir shares fell after Mr Oppenheimer spoke of a more conservative dividend policy and the dangers of racial tensions, with Anglo-American losing 2s. 6d. to 128s. 9d.

## EXCHEQUER RETURNS

For the week ended June 10, 1961, there was an "above-line" deficit (after allowing for sinking funds) of £342,000 compared with a deficit of £10,005,000 in the previous week and a deficit of £17,324,000 in the corresponding period of last year. There was a net expenditure "below-line" of £12,265,000 leaving a total cumulative deficit to date of £129,486,000 compared with £162,384,000 in 1960-61.

| £'000                                  | Estimate 1961-62 | April 1, 1960, to June 11, 1960 | April 1, 1961, to June 10, 1961 | Week ended June 11, 1960 | Week ended June 10, 1961 |
|----------------------------------------|------------------|---------------------------------|---------------------------------|--------------------------|--------------------------|
| <b>Ordinary Revenue</b>                |                  |                                 |                                 |                          |                          |
| Income Tax                             | 2,728,500        | 240,131                         | 277,669                         | 19,170                   | 22,338                   |
| Surplus                                | 210,000          | 21,200                          | 25,000                          | 1,100                    | 1,600                    |
| Death Duties                           | 240,000          | 46,000                          | 57,700                          | 3,100                    | 7,600                    |
| Stamps                                 | 94,000           | 18,800                          | 20,500                          | 1,900                    | 1,500                    |
| Profits tax, EPT and EPL               | 325,500          | 39,100                          | 47,100                          | 4,500                    | 7,500                    |
| Other Inland Rev. Duties               | ...              | ...                             | ...                             | ...                      | ...                      |
| <b>Total Inland Rev.</b>               | <b>3,598,000</b> | <b>365,231</b>                  | <b>427,969</b>                  | <b>29,770</b>            | <b>40,538</b>            |
| Customs                                | 1,550,000        | 290,547                         | 311,157                         | 26,004                   | 33,861                   |
| Excise                                 | 960,000          | 199,700                         | 191,390                         | 4,600                    | 4,505                    |
| <b>Total Customs and Excise</b>        | <b>2,510,000</b> | <b>490,247</b>                  | <b>502,547</b>                  | <b>30,604</b>            | <b>38,366</b>            |
| Motor Duties                           | 155,000          | 14,226                          | 12,197                          | 386                      | 2,344                    |
| PO (Net Receipts)                      | ...              | 9,700                           | ...                             | 2,800                    | ...                      |
| Broadcast Lic.                         | 40,000           | 4,600                           | 5,000                           | 145                      | ...                      |
| Sundry Loans                           | 205,000          | 11,144                          | 94,469                          | 241                      | 10086                    |
| Miscellaneous                          | ...              | 24,700                          | ...                             | ...                      | ...                      |
| <b>Total</b>                           | <b>6,508,000</b> | <b>919,848</b>                  | <b>1,042,182</b>                | <b>63,946</b>            | <b>91,334</b>            |
| <b>Ordinary Expenditure</b>            |                  |                                 |                                 |                          |                          |
| Debt Interest                          | 660,000          | 136,915                         | 149,216                         | 9,770                    | 12,300                   |
| Payments to N. Ireland Exch.           | 92,000           | 16,880                          | 16,879                          | ...                      | 3,717                    |
| PO Fund—Initial settlement             | 15,000           | ...                             | ...                             | ...                      | ...                      |
| Other Consolidated Funds               | 8,000            | 1,119                           | 1,101                           | 10                       | 9                        |
| Supply Services                        | 5,186,902        | 859,146                         | 927,286                         | 71,200                   | 75,000                   |
| <b>Total</b>                           | <b>5,961,902</b> | <b>1,014,060</b>                | <b>1,094,482</b>                | <b>80,980</b>            | <b>91,026</b>            |
| <b>Sinking Funds</b>                   | <b>40,000</b>    | <b>5,611</b>                    | <b>5,300</b>                    | <b>290</b>               | <b>650</b>               |
| <b>"Above-line" Surplus or Deficit</b> |                  | <b>99,823</b>                   | <b>57,600</b>                   | <b>17,324</b>            | <b>342</b>               |
| <b>"Below-line" Net Expenditure</b>    |                  | <b>62,561</b>                   | <b>71,886</b>                   | <b>9,534</b>             | <b>12,265</b>            |
| <b>Total Surplus or Deficit</b>        |                  | <b>162,384</b>                  | <b>129,486</b>                  | <b>26,858</b>            | <b>12,607</b>            |
| <b>Net receipts from:</b>              |                  |                                 |                                 |                          |                          |
| Tax Reserve Certificates               | 33,692           | 36,558                          | 889                             | 1,619                    | 500                      |
| Savings Certificates                   | 19,000           | 3,990                           | 1,800                           | ...                      | ...                      |
| Defence Bonds                          | 17,398           | 13,319                          | 1,121                           | 2,083                    | ...                      |
| Premium Savings Bonds                  | 8,860            | 9,200                           | 330                             | 200                      | ...                      |
| <b>Total</b>                           | <b>78,940</b>    | <b>55,176</b>                   | <b>4,141</b>                    | <b>4,402</b>             | <b>...</b>               |

\* Net receipts of the Civil Contingencies Fund of £4 million in 1961-62 compared with £2 million in 1960-61.

## FLOATING DEBT (£ million)

|         | Treasury Bills | Ways and Means Advances | Public Debt | Bank of England | Total Floating Debt |
|---------|----------------|-------------------------|-------------|-----------------|---------------------|
| 1960    |                |                         |             |                 |                     |
| June 11 | 3,470.0        | 1,929.2                 | 216.9       | ...             | 5,616.2             |
| 1961    |                |                         |             |                 |                     |
| Mar. 4  | 3,050.0        | 1,696.1                 | 199.5       | ...             | 4,955.6             |
| " 11    | 3,060.0        | 1,603.5                 | 312.3       | ...             | 4,975.8             |
| " 18    | 3,080.0        | 1,595.9                 | 307.9       | ...             | 4,983.7             |
| " 25    | 3,100.0        | 1,606.0                 | 300.5       | 4.3             | 5,010.7             |
| " 31    | 4,648.1        | ...                     | 307.3       | ...             | 4,955.4             |
| Apr. 8  | 3,110.0        | 1,599.2                 | 299.4       | ...             | 5,008.6             |
| " 15    | 3,130.0        | 1,928.5                 | 269.5       | 6.0             | 5,333.9             |
| " 22    | 3,140.0        | 1,911.3                 | 336.3       | ...             | 5,387.6             |
| " 29    | 3,110.0        | 1,993.1                 | 247.9       | ...             | 5,351.0             |
| May 6   | 3,130.0        | 1,887.3                 | 293.3       | ...             | 5,310.6             |
| " 13    | 3,160.0        | 1,893.0                 | 275.3       | ...             | 5,328.2             |
| " 20    | 3,180.0        | 1,839.1                 | 316.3       | ...             | 5,335.5             |
| " 27    | 3,210.0        | 1,843.3                 | 249.7       | ...             | 5,303.0             |
| June 3  | 3,240.0        | 1,825.3                 | 258.5       | ...             | 5,323.8             |
| " 10    | 3,270.0        | 1,827.6                 | 242.2       | ...             | 5,339.8             |

## Money and Exchanges

## THE MONEY MARKET

AFTER maintaining its agreed bid at £98 17s. 10d. for three successive weeks the syndicate of discount houses lowered its bid by 2d. (a rise of 8d. in the annual rate of discount) to £98 17s. 8d. at last Friday's Treasury bill tender. The weakness of sterling and the rumours prevailing on the Continent provided ample justification for this move. The average rate of discount rose by 6.53d. to £4 9s. 4.14d. per cent. The market received the fairly low quota of 39 per cent compared with 61 per cent a week earlier; there was a sharp rise in total applications for the £270 million bills on offer of £43 million to £463 million, and in the event the allotment was cut down to £260 million.

Credit conditions in Lombard Street followed the pattern of the previous two weeks—comparative ease in the three working days to last week-end and an abrupt change to difficult conditions on Monday, which persisted through to Wednesday. For the fourth week running the market balanced its books without borrowing from the Bank of England.

In New York the three months bill rate fell sharply last week from 2.516 per cent to 2.295 per cent.

## MONEY RATES

| LONDON             |                   |               |               |
|--------------------|-------------------|---------------|---------------|
| Bank rate (from %) | Discount rates: % | Bank bills: % | Bank bills: % |
| 5½, 8, 12/60       | 5                 | 60 days       | 4½-4½-32      |
|                    |                   | 3 months      | 4½-4½-32      |
|                    |                   | 6 months      | 4½-4½-32      |
|                    |                   | 12 months     | 4½-4½-32      |
|                    |                   | 18 months     | 4½-4½-32      |
|                    |                   | 24 months     | 4½-4½-32      |
|                    |                   | 30 months     | 4½-4½-32      |
|                    |                   | 36 months     | 4½-4½-32      |
|                    |                   | 42 months     | 4½-4½-32      |
|                    |                   | 48 months     | 4½-4½-32      |
|                    |                   | 54 months     | 4½-4½-32      |
|                    |                   | 60 months     | 4½-4½-32      |
|                    |                   | 66 months     | 4½-4½-32      |
|                    |                   | 72 months     | 4½-4½-32      |
|                    |                   | 78 months     | 4½-4½-32      |
|                    |                   | 84 months     | 4½-4½-32      |
|                    |                   | 90 months     | 4½-4½-32      |
|                    |                   | 96 months     | 4½-4½-32      |
|                    |                   | 102 months    | 4½-4½-32      |
|                    |                   | 108 months    | 4½-4½-32      |
|                    |                   | 114 months    | 4½-4½-32      |
|                    |                   | 120 months    | 4½-4½-32      |
|                    |                   | 126 months    | 4½-4½-32      |
|                    |                   | 132 months    | 4½-4½-32      |
|                    |                   | 138 months    | 4½-4½-32      |
|                    |                   | 144 months    | 4½-4½-32      |
|                    |                   | 150 months    | 4½-4½-32      |
|                    |                   | 156 months    | 4½-4½-32      |
|                    |                   | 162 months    | 4½-4½-32      |
|                    |                   | 168 months    | 4½-4½-32      |
|                    |                   | 174 months    | 4½-4½-32      |
|                    |                   | 180 months    | 4½-4½-32      |
|                    |                   | 186 months    | 4½-4½-32      |
|                    |                   | 192 months    | 4½-4½-32      |
|                    |                   | 198 months    | 4½-4½-32      |
|                    |                   | 204 months    | 4½-4½-32      |
|                    |                   | 210 months    | 4½-4½-32      |
|                    |                   | 216 months    | 4½-4½-32      |
|                    |                   | 222 months    | 4½-4½-32      |
|                    |                   | 228 months    | 4½-4½-32      |
|                    |                   | 234 months    | 4½-4½-32      |
|                    |                   | 240 months    | 4½-4½-32      |
|                    |                   | 246 months    | 4½-4½-32      |
|                    |                   | 252 months    | 4½-4½-32      |
|                    |                   | 258 months    | 4½-4½-32      |
|                    |                   | 264 months    | 4½-4½-32      |
|                    |                   | 270 months    | 4½-4½-32      |
|                    |                   | 276 months    | 4½-4½-32      |
|                    |                   | 282 months    | 4½-4½-32      |
|                    |                   | 288 months    | 4½-4½-32      |
|                    |                   | 294 months    | 4½-4½-32      |
|                    |                   | 300 months    | 4½-4½-32      |
|                    |                   | 306 months    | 4½-4½-32      |
|                    |                   | 312 months    | 4½-4½-32      |
|                    |                   | 318 months    | 4½-4½-32      |
|                    |                   | 324 months    | 4½-4½-32      |
|                    |                   | 330 months    | 4½-4½-32      |
|                    |                   | 336 months    | 4½-4½-32      |
|                    |                   | 342 months    | 4½-4½-32      |
|                    |                   | 348 months    | 4½-4½-32      |
|                    |                   | 354 months    | 4½-4½-32      |
|                    |                   | 360 months    | 4½-4½-32      |
|                    |                   | 366 months    | 4½-4½-32      |
|                    |                   | 372 months    | 4½-4½-32      |
|                    |                   | 378 months    | 4½-4½-32      |
|                    |                   | 384 months    | 4½-4½-32      |
|                    |                   | 390 months    | 4½-4½-32      |
|                    |                   | 396 months    | 4½-4½-32      |
|                    |                   | 402 months    | 4½-4½-32      |
|                    |                   | 408 months    | 4½-4½-32      |
|                    |                   | 414 months    | 4½-4½-32      |
|                    |                   | 420 months    | 4½-4½-32      |
|                    |                   | 426 months    | 4½-4½-32      |
|                    |                   | 432 months    | 4½-4½-32      |
|                    |                   | 438 months    | 4½-4½-32      |
|                    |                   | 444 months    | 4½-4½-32      |
|                    |                   | 450 months    | 4½-4½-32      |
|                    |                   | 456 months    | 4½-4½-32      |
|                    |                   | 462 months    | 4½-4½-32      |
|                    |                   | 468 months    | 4½-4½-32      |
|                    |                   | 474 months    | 4½-4½-32      |
|                    |                   | 480 months    | 4½-4½-32      |
|                    |                   | 486 months    | 4½-4½-32      |
|                    |                   | 492 months    | 4½-4½-32      |
|                    |                   | 498 months    | 4½-4½-32      |
|                    |                   | 504 months    | 4½-4½-32      |
|                    |                   | 510 months    | 4½-4½-32      |
|                    |                   | 516 months    | 4½-4½-32      |
|                    |                   | 522 months    | 4½-4½-32      |
|                    |                   | 528 months    | 4½-4½-32      |
|                    |                   | 534 months    | 4½-4½-32      |
|                    |                   | 540 months    | 4½-4½-32      |
|                    |                   | 546 months    | 4½-4½-32      |
|                    |                   | 552 months    | 4½-4½-32      |
|                    |                   | 558 months    | 4½-4½-32      |
|                    |                   | 564 months    | 4½-4½-32      |
|                    |                   | 570 months    | 4½-4½-32      |
|                    |                   | 576 months    | 4½-4½-32      |
|                    |                   | 582 months    | 4½-4½-32      |
|                    |                   | 588 months    | 4½-4½-32      |
|                    |                   | 594 months    | 4½-4½-32      |
|                    |                   | 600 months    | 4½-4½-32      |
|                    |                   | 606 months    | 4½-4½-32      |
|                    |                   | 612 months    | 4½-4½-32      |
|                    |                   | 618 months    | 4½-4½-32      |
|                    |                   | 624 months    | 4½-4½-32      |
|                    |                   | 630 months    | 4½-4½-32      |
|                    |                   | 636 months    | 4½-4½-32      |
|                    |                   | 642 months    | 4½-4½-32      |
|                    |                   | 648 months    | 4½-4½-32      |
|                    |                   | 654 months    | 4½-4½-32      |
|                    |                   | 660 months    | 4½-4½-32      |
|                    |                   | 666 months    | 4½-4½-32      |
|                    |                   | 672 months    | 4½-4½-32      |
|                    |                   | 678 months    | 4½-4½-32      |
|                    |                   | 684 months    | 4½-4½-32      |
|                    |                   | 690 months    | 4½-4½-32      |
|                    |                   | 696 months    | 4½-4½-32      |
|                    |                   | 702 months    | 4½-4½-32      |
|                    |                   | 708 months    | 4½-4½-32      |
|                    |                   | 714 months    | 4½-4½-32      |
|                    |                   | 720 months    | 4½-4½-32      |
|                    |                   | 726 months    | 4½-4½-32      |
|                    |                   | 732 months    | 4½-4½-32      |
|                    |                   | 738 months    | 4½-4½-32      |
|                    |                   | 744 months    | 4½-4½-32      |
|                    |                   | 750 months    | 4½-4½-        |

## Manpower and Output

Labour figures relate to Great Britain and production figures to United Kingdom unless otherwise stated.  
M = Monthly averages or calendar months.  
W = Weekly averages.

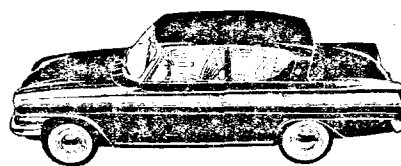
The following list shows the most recent dates on which each statistical page appeared.

BRITISH  
Prices and Wages..... May 20th External Trade..... June 3rd  
Manpower and Output.... This week Industrial Profits..... Apr. 29th

OVERSEAS  
Western Europe..... June 10th United States..... May 6th

| Unit                                                            | Mid-year or averages |        |        | 1960   |        |        | 1961   |        |        |        |       |
|-----------------------------------------------------------------|----------------------|--------|--------|--------|--------|--------|--------|--------|--------|--------|-------|
|                                                                 | 1958                 | 1959   | 1960   | Mar.   | April  | May    | Jan.   | Feb.   | Mar.   | April  | May   |
| <b>TOTAL MANPOWER</b>                                           |                      |        |        |        |        |        |        |        |        |        |       |
| <b>Working population:</b>                                      |                      |        |        |        |        |        |        |        |        |        |       |
| Total.....                                                      | 24,070               | 24,145 | 24,401 | 24,295 | 24,327 | 24,358 | 24,532 | 24,521 | 24,517 | 24,543 | ...   |
| Men.....                                                        | 16,160               | 16,137 | 16,191 | 16,203 | 16,196 | 16,180 | 16,293 | 16,288 | 16,284 | 16,281 | ...   |
| Women.....                                                      | 7,910                | 8,008  | 8,210  | 8,092  | 8,131  | 8,178  | 8,239  | 8,233  | 8,233  | 8,262  | ...   |
| Armed Forces.....                                               | 614                  | 565    | 518    | 526    | 521    | 521    | 500    | 494    | 485    | 479    | ...   |
| <b>Civil employment:</b>                                        |                      |        |        |        |        |        |        |        |        |        |       |
| Total.....                                                      | 23,080               | 23,197 | 23,593 | 23,370 | 23,451 | 23,523 | 23,682 | 23,695 | 23,710 | 23,764 | ...   |
| Manufacturing industries (1).....                               | 8,477                | 8,834  | 8,734  | 8,734  | 8,768  | 8,817  | 8,911  | 8,903  | 8,894  | 8,916  | ...   |
| Manufacturing industries (old basis) (1).....                   | 9,147                | 9,169  | ...    | ...    | ...    | ...    | ...    | ...    | ...    | ...    | ...   |
| <b>Employees (1):</b>                                           |                      |        |        |        |        |        |        |        |        |        |       |
| in engineering (2).....                                         | ...                  | 3,544  | 3,732  | 3,711  | 3,718  | 3,730  | 3,788  | 3,787  | 3,785  | ...    | ...   |
| in consumer goods industries (3).....                           | ...                  | 3,102  | 3,183  | 3,121  | 3,162  | 3,171  | 3,176  | 3,170  | 3,162  | ...    | ...   |
| <b>UNEMPLOYMENT</b>                                             |                      |        |        |        |        |        |        |        |        |        |       |
| <b>By duration:</b>                                             |                      |        |        |        |        |        |        |        |        |        |       |
| All durations—total.....                                        | 457.4                | 475.2  | 360.4  | 413.2  | 391.2  | 341.2  | 418.9  | 389.7  | 350.8  | 340.1  | 299.3 |
| Temporary or under 2 weeks.....                                 | 141.0                | 120.8  | 90.0   | 87.5   | 90.3   | 73.2   | 144.5  | 119.9  | 99.9   | 92.2   | 77.2  |
| Over 8 weeks.....                                               | 197.7                | 243.4  | 187.6  | 231.6  | 222.1  | 198.3  | 184.1  | 180.8  | 174.3  | 171.8  | 158.2 |
| <b>By regions (4):</b>                                          |                      |        |        |        |        |        |        |        |        |        |       |
| Great Britain.....                                              | 2.1                  | 2.2    | 1.6    | 1.9    | 1.8    | 1.5    | 1.9    | 1.7    | 1.6    | 1.5    | 1.3   |
| London and South Eastern.....                                   | 1.3                  | 1.3    | 0.9    | 1.1    | 1.0    | 0.9    | 1.3    | 1.1    | 1.0    | 1.0    | 0.9   |
| Eastern.....                                                    | 1.7                  | 1.5    | 1.2    | 1.4    | 1.4    | 1.1    | 1.7    | 1.6    | 1.2    | 1.2    | 0.9   |
| Southern (5).....                                               | 1.6                  | 2.2    | 1.7    | 2.0    | 1.9    | 1.5    | 1.8    | 1.7    | 1.6    | 1.4    | 1.2   |
| South Western (5).....                                          | 1.6                  | 1.5    | 1.0    | 0.9    | 0.9    | 0.7    | 2.0    | 1.8    | 1.5    | 1.3    | 0.9   |
| Midland.....                                                    | 1.6                  | 1.5    | 1.1    | 1.2    | 1.2    | 1.0    | 1.1    | 1.3    | 1.2    | 1.0    | 1.0   |
| North Midland.....                                              | 1.9                  | 1.9    | 1.2    | 1.4    | 1.3    | 1.1    | 1.1    | 1.0    | 1.0    | 1.0    | 0.9   |
| East and West Ridings.....                                      | 2.7                  | 2.8    | 1.9    | 2.3    | 2.2    | 2.0    | 1.7    | 1.7    | 1.6    | 1.7    | 1.5   |
| North Western.....                                              | 2.4                  | 3.3    | 2.8    | 3.3    | 3.0    | 2.8    | 2.8    | 2.6    | 2.4    | 2.4    | 2.3   |
| Northern.....                                                   | 3.8                  | 4.4    | 3.6    | 4.3    | 4.0    | 3.5    | 3.7    | 3.5    | 3.3    | 3.2    | 3.0   |
| Scotland.....                                                   | 3.8                  | 3.8    | 2.7    | 3.0    | 2.9    | 2.5    | 3.1    | 2.9    | 2.6    | 2.5    | 2.2   |
| Wales.....                                                      | ...                  | ...    | ...    | ...    | ...    | ...    | ...    | ...    | ...    | ...    | ...   |
| <b>VACANCIES</b>                                                |                      |        |        |        |        |        |        |        |        |        |       |
| Unfilled vacancies notified to Employment Exchanges: Total..... | 198                  | 224    | 314    | 267    | 306    | 327    | 281    | 290    | 314    | 337    | 354   |
| <b>INDUSTRIAL PRODUCTION</b>                                    |                      |        |        |        |        |        |        |        |        |        |       |
| <b>Index:</b>                                                   |                      |        |        |        |        |        |        |        |        |        |       |
| All industries.....                                             | 106                  | 113    | 120    | 126    | 120    | 125    | 120    | 124    | 125    | ...    | ...   |
| Seasonally adjusted.....                                        | 94                   | 92     | 89     | 97     | 88     | 95     | 90     | 91     | 90     | ...    | ...   |
| Mining and quarrying.....                                       | 105                  | 111    | 118    | 115    | 117    | 119    | 119    | 120    | 120    | ...    | ...   |
| Construction.....                                               | 119                  | 123    | 133    | 146    | 127    | 129    | 127    | 126    | 127    | ...    | ...   |
| Gas, electricity and water.....                                 | 107                  | 114    | 123    | 129    | 123    | 124    | 121    | 122    | 123    | ...    | ...   |
| Manufacturing, total.....                                       | 111                  | 118    | 127    | 137    | 123    | 128    | 124    | 125    | 126    | ...    | ...   |
| Seasonally adjusted.....                                        | 109                  | 101    | 92     | 94     | 92     | 92     | 92     | 94     | 94     | ...    | ...   |
| Engineering and electrical goods.....                           | 118                  | 131    | 139    | 157    | 148    | 158    | 132    | 137    | 137    | ...    | ...   |
| Shipbuilding.....                                               | 115                  | 131    | 145    | 149    | 146    | 150    | 149    | 153    | ...    | ...    | ...   |
| Vehicles.....                                                   | 91                   | 98     | 102    | 107    | 101    | 105    | 97     | 106    | 109    | ...    | ...   |
| Chemical trades.....                                            | ...                  | ...    | ...    | ...    | ...    | ...    | ...    | ...    | ...    | ...    | ...   |
| Textiles, leather and clothing.....                             | ...                  | ...    | ...    | ...    | ...    | ...    | ...    | ...    | ...    | ...    | ...   |
| <b>BASIC MATERIALS</b>                                          |                      |        |        |        |        |        |        |        |        |        |       |
| <b>Production of:</b>                                           |                      |        |        |        |        |        |        |        |        |        |       |
| Coal (7) (8).....                                               | 4,150                | 3,963  | 3,725  | 4,105  | 3,665  | 3,988  | 3,761  | 3,849  | 3,763  | 3,679  | 3,630 |
| Pig iron.....                                                   | 245                  | 242    | 303    | 312    | 311    | 299    | 309    | 303    | 314    | 308    | ...   |
| Steel, ingots and castings.....                                 | 369                  | 388    | 467    | 485    | 478    | 475    | 478    | 485    | 471    | 472    | ...   |
| Sulphuric acid.....                                             | 186.8                | 202.3  | 225.1  | 239.5  | 221.8  | 215.4  | 229.7  | 210.2  | 242.0  | ...    | ...   |
| Newsprint.....                                                  | 11.81                | 12.87  | 14.25  | 14.69  | 14.10  | 15.48  | 14.61  | 14.39  | 15.06  | ...    | ...   |
| Electricity (9).....                                            | 8,208                | 8,764  | 9,904  | 11,023 | 9,155  | 8,781  | 13,266 | 11,033 | 11,236 | 9,835  | ...   |
| <b>MANUFACTURING</b>                                            |                      |        |        |        |        |        |        |        |        |        |       |
| <b>Textile production:</b>                                      |                      |        |        |        |        |        |        |        |        |        |       |
| Cotton yarn, single.....                                        | 14.77                | 14.58  | 14.44  | 15.47  | 14.02  | 15.65  | 14.21  | 14.47  | 14.28  | 14.33  | ...   |
| Worsted yarn.....                                               | 17.18                | 19.34  | 20.40  | 22.90  | 18.81  | 21.30  | 21.43  | 20.23  | 22.89  | 19.20  | ...   |
| Rayon and synthetic fibres.....                                 | 35.18                | 42.89  | 49.33  | 54.64  | 49.29  | 51.99  | 48.45  | 43.13  | 47.53  | 42.2   | ...   |
| Cotton cloth, woven.....                                        | 27.0                 | 25.7   | 24.9   | 25.7   | 24.9   | 26.5   | 25.1   | 25.2   | 25.4   | 25.7   | ...   |
| Wool fabrics, woven.....                                        | 29.1                 | 30.4   | 30.6   | 33.0   | 25.9   | 30.4   | 31.3   | 28.4   | 31.7   | 24.6   | ...   |
| <b>Engineering production:</b>                                  |                      |        |        |        |        |        |        |        |        |        |       |
| Passenger cars and chassis.....                                 | 19.84                | 22.88  | 26.01  | 32.00  | 30.17  | 34.13  | 14.95  | 15.11  | 19.56  | 19.35  | ...   |
| Commercial vehicles and chassis.....                            | 5.90                 | 7.13   | 8.81   | 9.28   | 8.60   | 9.48   | 9.54   | 10.03  | 9.27   | 9.41   | ...   |
| Internal combustion engines.....                                | 378                  | 468    | 577    | 595    | 574    | 606    | 615    | 586    | ...    | ...    | ...   |
| Metal-working machine tools.....                                | 6,993                | 6,564  | 7,911  | 8,963  | 6,435  | 7,107  | 9,169  | 9,139  | 10,652 | ...    | ...   |
| <b>BUILDING ACTIVITY (10)</b>                                   |                      |        |        |        |        |        |        |        |        |        |       |
| <b>Permanent houses completed:</b>                              |                      |        |        |        |        |        |        |        |        |        |       |
| Total.....                                                      | 20.13                | 20.78  | 22.44  | 22.14  | 22.37  | 22.99  | 18.72  | 20.42  | 22.97  | 21.12  | ...   |
| For local housing authorities.....                              | 9.43                 | 8.29   | 8.60   | 10.09  | 8.27   | 9.14   | 6.23   | 6.95   | 8.98   | 7.14   | ...   |

(1) Current statistics of employment by industry, based on the 1958 Standard Industrial Classification, go back only to May, 1959. Manufacturing employment for earlier dates is shown on the old basis (1948 SIC). (2) Engineering and electrical goods, shipbuilding and marine engineering, vehicles, metal goods. (3) Textiles, leather goods, clothing, food, drink and tobacco, timber, furniture, paper, printing and publishing. (4) Number registered as unemployed expressed as a percentage of the estimated number of employees. (5) Dorset (excluding Poole) was transferred from the Southern to the South Western Region on May 12, 1958. (6) Average for first quarter. (7) Great Britain. (8) Excluding all screening losses normally amounting to around 5,000 tons a week. (9) Average for second quarter. (10) England and Wales.



## MODERN MANAGEMENT TECHNIQUES

FORD MOTOR COMPANY LIMITED has made significant progress in developing the most modern techniques to assist management in formulating policy and controlling the Company's operations. Continued expansion has now provided a number of opportunities in the central staffs employing these techniques. The positions to be filled are suitable for men with experience or special interest in any of the following work:

- Industrial Economics
- Cost Control—Manufacturing or Commercial
- Office Methods and Machines
- Financial Planning—Capital Expenditure
- Financial Planning—New Products
- Operational Research

Applicants are expected to be competent in their own field and at the same time to possess the personal qualities to merit early promotion to broader responsibilities. Prospects and salary depend entirely on results and there are no restrictions on rate of advancement. The minimum qualification is a good honours degree or an appropriate professional qualification passed at the first attempt. The upper age limit is 40; there is no lower age limit provided the ability and will to succeed are apparent.

Men who can fulfil the strict requirements for these positions are invited to send brief particulars, indicating alternative dates and times at which they can be available for interview at Dagenham, to

H. G. PEARMAN, TRAINING & RECRUITMENT DEPARTMENT  
FORD MOTOR COMPANY LIMITED, DAGENHAM, ESSEX

Please mark envelopes C/109E

## ASSISTANT TO EXPORT CREDIT ADVISER

for London office of a major Company in the steel industry with a turnover exceeding £125,000,000 per annum.

He will be principally concerned with (1) the preparation and actual maintenance of status reports; (2) credit control of overseas accounts, and (3) collation of market information. Experience in the Economic Intelligence Section of a bank or finance house and with E.C.G.D. procedures would also be an advantage.

Age between 25 and 35.

Salary will be commensurate with age and experience. Apply in writing with full details to Box No. 1516.



## IMPERIAL CHEMICAL INDUSTRIES LIMITED PHARMACEUTICALS DIVISION

## Organisation and Methods

The Pharmaceuticals Division of Imperial Chemical Industries Limited has a vacancy at Division Headquarters, Fulshaw Hall, Wilmslow, Cheshire, for an Assistant in the Organisation and Methods Section. Candidates should preferably possess a degree or a professional qualification. Previous experience in the techniques of organisation and methods would be an advantage.

The appointment is to the established staff with the benefits of a Pension Fund and participation in the Company's profit-sharing scheme.

Applications, with brief particulars, should be addressed to the

Staff Manager,  
IMPERIAL CHEMICAL INDUSTRIES LIMITED,  
Pharmaceuticals Division,  
Fulshaw Hall, Wilmslow, Cheshire.

## CORNWALL EDUCATION COMMITTEE

CORNWALL TECHNICAL COLLEGE  
TREVENSON, POOL, REDRUTH  
Principal: K. Farnell, B.Sc.(Hons.Eng.);  
M.I.Mech.E.; M.I.Prod.E.; M.I.Mat.E.  
Applications are invited for the following posts, duties to commence on September 1, 1961, or as soon thereafter as possible:—  
**Department of Commerce**  
Two Grade "A" Assistants to teach Book-keeping, Commerce, Commercial Arithmetic and Accounts.  
**Extra-Mural Department**  
The Department is based at St. Austell with subsidiary centres at Wadebridge and Liskeard.  
Two Assistants, Grade "A" to teach Shortland and Typewriting, together with Commercial Arithmetic or English. (One based on St. Austell, the other on Liskeard.)  
Salaries in accordance with Burnham Technical Scales.  
Further particulars and forms of application can be obtained from the Principal, to whom completed forms should be returned not later than July 17, 1961.  
J. G. HARRIES,  
Secretary for Education.

County Hall,  
TRURO.  
UNIVERSITY OF NOTTINGHAM  
DEPARTMENT OF AGRICULTURAL ECONOMICS  
Applications are invited for the appointment of an ASSISTANT AGRICULTURAL ECONOMIST in the above department at the School of Agriculture, Sutton Bonington. Candidates, who should have a good Honours degree in Agriculture or Economics, may read for a Higher Degree. Salary scale (graded as Assistant Lecturer) £500 x £550 to £950 with superannuation benefits and children's allowance. Conditions of appointment and form of application, which should be returned by July 10th, from the Registrar, The University, Nottingham.

THE UNIVERSITY OF MANCHESTER

Applications are invited for the non-resident post of STAFF TUTOR, Extra-Mural Department, to work in Holly Road, the Department's residential college in Manchester. The Tutor should be qualified to teach in the field of the social studies and should have a good honours degree in an appropriate subject. Some experience of industry and an interest in its problems is desirable. The appointment will be in the grade of an Assistant Lecturer for an initial period of three years: salary £500 x £550 plus P.S.S.U. and Children's Allowance. Applications should be sent not later than July 1, 1961, to the Registrar, The University, Manchester 13, from whom further particulars and forms of application should be obtained.

## UNESTABLISHED DISTRICT COMMISSIONERS

NATIONAL SAVINGS COMMITTEE  
Several vacancies, mainly in the Provinces, for men or women with knowledge of economics, organising ability, preferably with experience of public speaking and voluntary organisations. University education desirable. National salary £775 (age 25 and over) to £1,430. Possible establishment later. Application forms from Manager (PE 1547), Ministry of Labour, Professional & Executive Register, Atlantic House, Harrington Street, London, E.C.4. Closing date for completed application forms Friday, June 30, 1961.

CANNING HOUSE  
(THE HISPANIC AND LUSO BRAZILIAN COUNCILS)  
requires Assistant to Director General. He should have a broad knowledge of Latin America, its political and economic affairs, and should speak fluent Spanish and, if possible, Portuguese. The post offers considerable prospects. Salary and conditions of service would be a matter of arrangement. Write to Director General, Canning House, 2 Belgrave Square, London, S.W.1.

## EAST MIDLANDS GAS BOARD

Require an

## ASSISTANT STATISTICIAN

in the Commercial Manager's Department, at Leicester.

The post is open to persons with qualifications in economics and/or statistics, and/or mathematics. Preference will be given to applicants who have a knowledge or experience of market research.

Salary within the range £710 to £1,015 per annum.

Detailed applications should be made within 10 days to

The Secretary.

East Midlands Gas Board,  
Beverly House,  
University Road, Leicester.



## PRESSED STEEL COMPANY LIMITED COWLEY, OXFORD

### DEVELOPMENT OF MANUFACTURING PROCESSES

The Process Development Section forms part of Pressed Steel's expanding Research and Development Department. Projects being tackled at present include:

The application of numerically controlled contour milling to die-sinking.

The electrochemical machining of metals.

Determination of performance criteria for cutting steels in press tools.

Many more projects await the right men to tackle them: We need:

**MECHANICAL ENGINEERS.**

**PRODUCTION ENGINEERS.**

**CONTROL ENGINEERS.** (With experience of servo-mechanisms.)

**MATHEMATICIANS.**

**DRAUGHTSMEN.**

Applications are invited from men whose qualifications and experience will enable them to contribute to this work.

Application forms are available from the STAFF OFFICER, Pressed Steel Company Limited, Cowley, Oxford.

### COUNCIL OF EUROPE RESEARCH FELLOWSHIPS, 1962

Awards of these Fellowships, which are offered annually and are of the value of 6,000 new French francs each, will be made in December 1961. They are intended to encourage research into the following questions, considered in the light of their present-day importance:

(a) Political, legal, economic, scientific, agricultural, social, educational, and youth problems connected with European integration.

(b) European civilisation (philosophy, history, literature and the arts).

Candidates must normally be nationals of a member State of the Council of Europe or of a State which has acceded to the European Cultural Convention. Refugees from European countries which are not members of the Council, but who are resident in the territory of a member State, are also eligible for awards.

Application forms, which must be returned before September 4, 1961, may be obtained from the University Department, The British Council, 65 Davies Street, London, W.1.

### THE UNIVERSITY OF LIVERPOOL

Applications are invited for the post of Temporary Lecturer in Economics. The initial salary will be within the range £1,050-£1,200 per annum, according to age, qualifications and experience.

Applications, stating age, academic qualifications and experience, together with the names of three referees, should be lodged, not later than June 30, 1961, with the undersigned, from whom further particulars may be obtained.

### LEEDS EDUCATION COMMITTEE LEEDS COLLEGE OF COMMERCE

43 Woodhouse Lane, Leeds 2

Principal: E. V. Roberts, B.Com., A.C.A.

Applications are invited for the following posts:

(a) Lecturer in Management Studies. Candidates should have a degree. A recognised professional qualification is desirable. Research and consultancy are encouraged. Salary £1,370 x 135 = £1,850.

(b) Assistant, Grade B, with appropriate qualifications and experience in the production aspects of management, including Work Study. Salary £700 x 127 10s. = £1,150.

Starting salaries for both posts may be above maximum of scale.

Further particulars and application forms may be obtained from the Principal at the College.

### UNIVERSITY OF GLASGOW ASSISTANTSHIP IN POLITICAL ECONOMY

Applications are invited for an Assistantship in Political Economy. Salary scale: £800 - £950 per annum. 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, 1961, with the undersigned, from whom further particulars may be obtained.

ROBT. T. HUTCHESON,  
Secretary of University Court.

## BRITISH TRANSPORT COMMISSION OPERATIONAL RESEARCH UNIT

Applications are invited for the following posts at London Headquarters:

**ASSISTANT DIRECTOR** Commencing salary not less than £2,250 p.a. To assist in managing a growing Operational Research unit including the deployment of research groups, arrangement for outside research contracts, and training and recruitment. Good qualifications and experience are essential with evidence of management ability and leadership.

**TWO LEADERS FOR RESEARCH GROUPS** which are being built up to study problems concerning movement of traffic and optimum size of transport units. They should be well qualified academically and with considerable experience in application of operational research.

Opportunities also exist for graduates who wish to gain experience of operational research in practice in these groups, and later to assume individual responsibility for investigations.

The senior posts carry a salary up to £2,250 p.a.: the others between £780 and £1,290 p.a.

Superannuation scheme. Certain travel facilities. Medical examination. Write stating post desired, age, qualifications and experience to Director of Establishment (Dep. E), British Transport Commission, 222 Marylebone Road, N.W.1, within 14 days.

## THE WIGGINS TEAPE GROUP TECHNICAL LIAISON OFFICER

Applications are invited for a senior technical liaison post in this expanding Group of Paper Makers and Merchants.

The selected candidate will be required to evaluate long term trends, both technical and economic, and to advise top management on the formulation of development policy. He will join a team based on the Group's Research Headquarters at Beaconsfield, Bucks, but must be prepared to travel.

The appointment demands initiative, maturity, tact and considerable judgment. Prior experience of papermaking is not essential but some experience in technical consultancy or market research is desirable. The starting salary will depend on qualifications and experience and will be commensurate with the importance of the work.

Applications, which will be regarded as strictly confidential, should state age, qualifications, and appointments held with the salaries earned. Mark envelopes "Personal (T.L.O.)" and address to Dr. H. F. Rance, Technical Director, The Wiggins Teape Group, Gateway House, 1 Walling Street, London, E.C.4.

### UNIVERSITY OF ADELAIDE

The University invites applications for the following posts, all of which are new:

In the Faculty of Arts:

Lecturers in Education, English (2), History (2), Philosophy and Psychology (2).

SALARY SCALE: £1,675-£2,340, with superannuation on the F.S.S.U. basis. The initial salary may be fixed within the scale in accordance with the successful candidate's qualifications and experience. Salaries are paid monthly.

FURTHER INFORMATION: (a) The Calendar of the University may be consulted in the Library of any University which is a member of the A.U.B.C. or at the office of the Association. Inside the covers are plans of the University buildings and site and of the Waste Agricultural Research Institute at Glen Osmond (four miles from the University).

(b) A potential candidate for any post should also seek from the Registrar of the University or from the Secretary, Association of Universities of the British Commonwealth, 36 Gordon Square, London, W.C.1, the following documents:

(i) General Conditions of Appointment, which include particulars of tenure, superannuation, removal expenses, invalidity and study leave.

(ii) A statement giving further particulars of each post and of such matters as help in housing, conference grants and special support for research.

(c) The University will gladly supply any further information desired on request to the Registrar.

APPLICATIONS, in duplicate, should give the information listed in the final paragraph of the General Conditions of Appointment, and should reach the Registrar, The University of Adelaide, Adelaide, South Australia, not later than July 17, 1961.

APPLICANTS, in duplicate, should give the information listed in the final paragraph of the General Conditions of Appointment, and should reach the Registrar, The University of Adelaide, Adelaide, South Australia, not later than July 17, 1961.

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### LANCASHIRE AND MERSEYSIDE INDUSTRIAL DEVELOPMENT ASSOCIATION

Applications invited from suitably qualified persons for appointment as DEPUTY DIRECTOR OF THE ASSOCIATION. SALARY £1,400 p.a. rising by annual increments of £75 and £500 to £1,575 p.a. Post superannuable.

Further particulars and form of application obtainable from Joint Honorary Secretaries of Association, Town Hall, Manchester. Applications returnable by JULY 7, 1961.

GRADUATE, qualified actuary or accountant, experienced or interested in investment analysis required by leading firm of Stockbrokers. Excellent salary and prospects for right applicant. Write giving details of age, qualifications, experience and previous employment to Box TE-718, c/o Hanway House, Clark's Place, E.C.2.

### UNIVERSITY COLLEGE OF RHODESIA AND NYASALAND

Applications are invited from Chartered Accountants for the post of ACCOUNTANT to the College. Appointee will be required to take full charge of College accounts and staff of seven at present. Salary scale £1,800 x £50 - £2,350 p.a. Superannuation and medical aid schemes. Unfurnished accommodation provided if required at 15 per cent of salary.

aid paid to Salisbury for appointee, wife and dependent children, with allowance for transport of effects. Detailed applications (six copies) naming three referees by July 18, 1961 to Secretary, Inter-University Council for Higher Education Overseas, 29 Woburn Square, London, W.C.1, from whom further particulars may be obtained.

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## IBM

UNITED KINGDOM LIMITED

### COMPUTING SYSTEMS PLANNER

needed to assist in planning a new and versatile system to meet market requirements of the future.

Degree in mathematics, science or engineering, and programming experience required. Experience in logical design desirable. Vacancies also exist in programming development to support this system.

Persons with programming experience and an interest in development of symbolic programming systems are invited to apply.

Please write for application forms to:

Dr. J. F. Blackburn,

c/o IBM British Laboratories,

Hursley Park, Winchester, Hampshire.

### THE NATIONAL INSTITUTE OF ECONOMIC AND SOCIAL RESEARCH

has a vacancy for a Junior or Assistant Research Officer for work in economic research. A good degree in economics essential; research or previous experience in the field of business economics, preferably in the marketing department of a manufacturer selling branded goods nationally. Graduate with mathematics background desirable. Initiative and ability to organise and present statistical information in interesting and logical manner essential. Write giving full details of education and experience to Box 1518.

Further particulars and form of application obtainable from Joint Honorary Secretaries of Association, Town Hall, Manchester. Applications returnable by JULY 7, 1961.

GRADUATE, qualified actuary or accountant, experienced or interested in investment analysis required by leading firm of Stockbrokers. Excellent salary and prospects for right applicant. Write giving details of age, qualifications, experience and previous employment to Box TE-718, c/o Hanway House, Clark's Place, E.C.2.

### UNIVERSITY OF NEW ENGLAND ARMIDALE, N.S.W., AUSTRALIA

Applications are invited from Chartered Accountants for the post of ACCOUNTANT to the College. Appointee will be required to take full charge of College accounts and staff of seven at present. Salary scale £1,800 x £50 - £2,350 p.a. Superannuation and medical aid schemes. Unfurnished accommodation provided if required at 15 per cent of salary.

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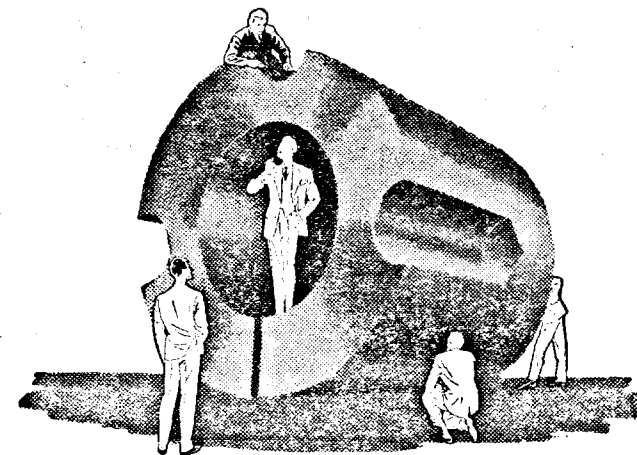
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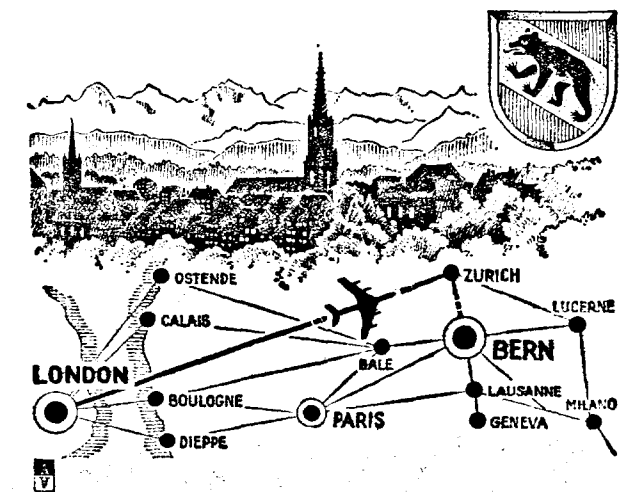
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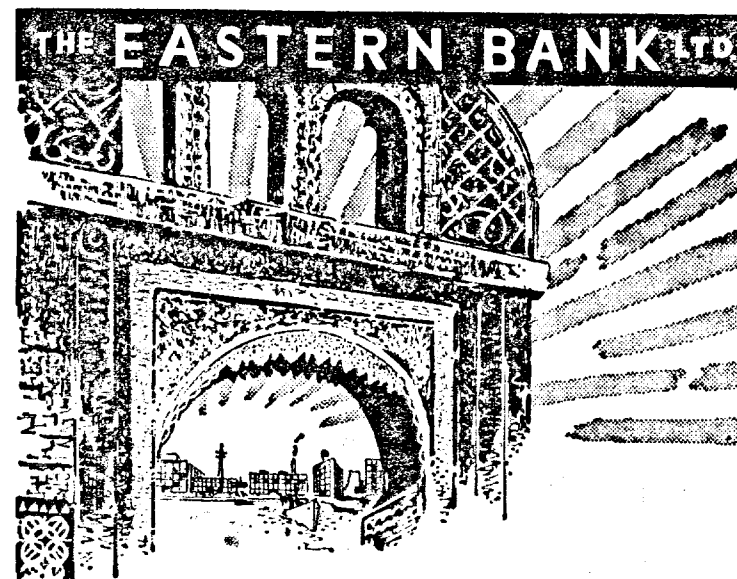
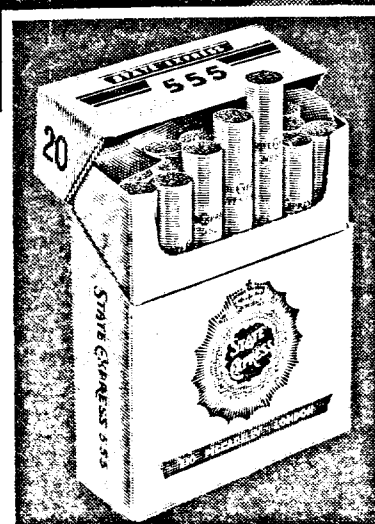


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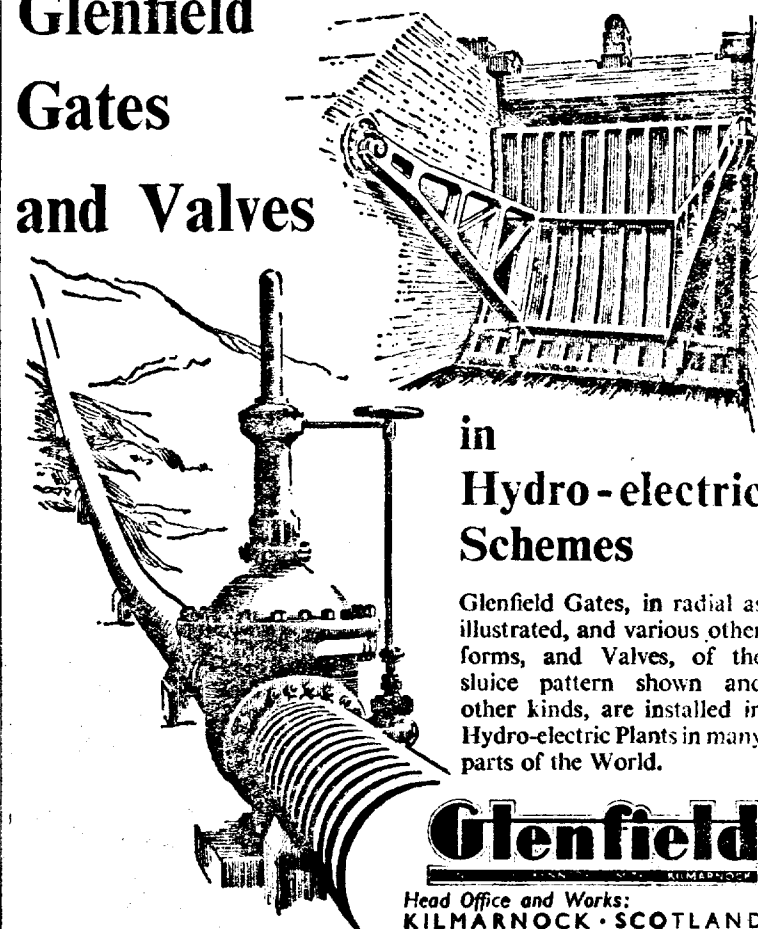
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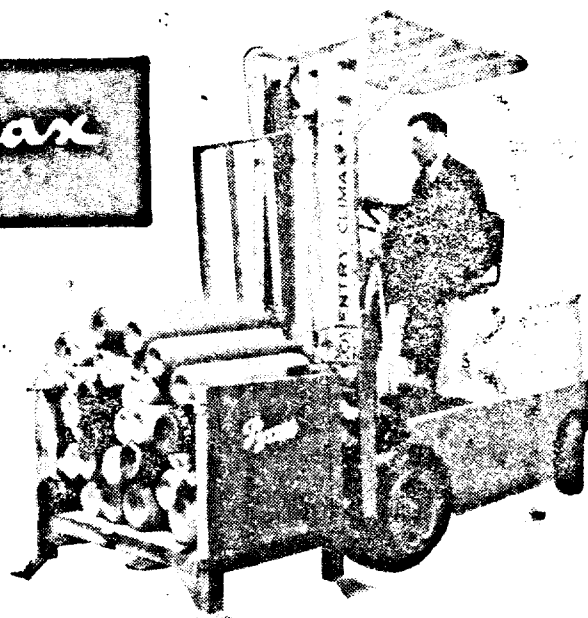
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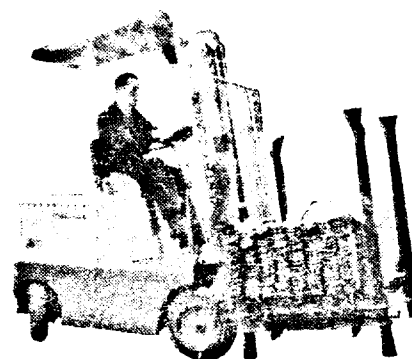
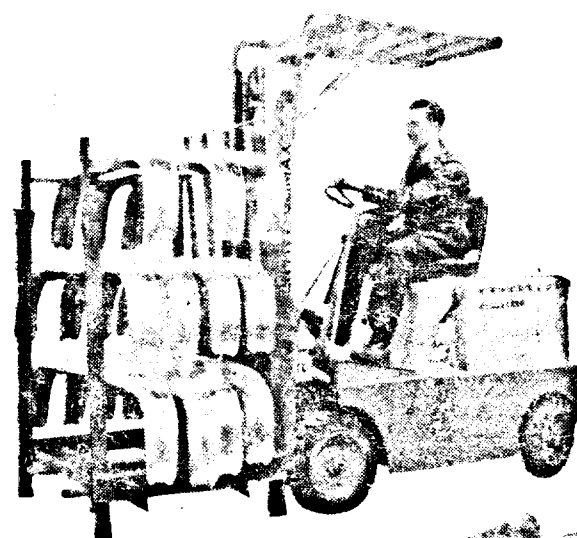


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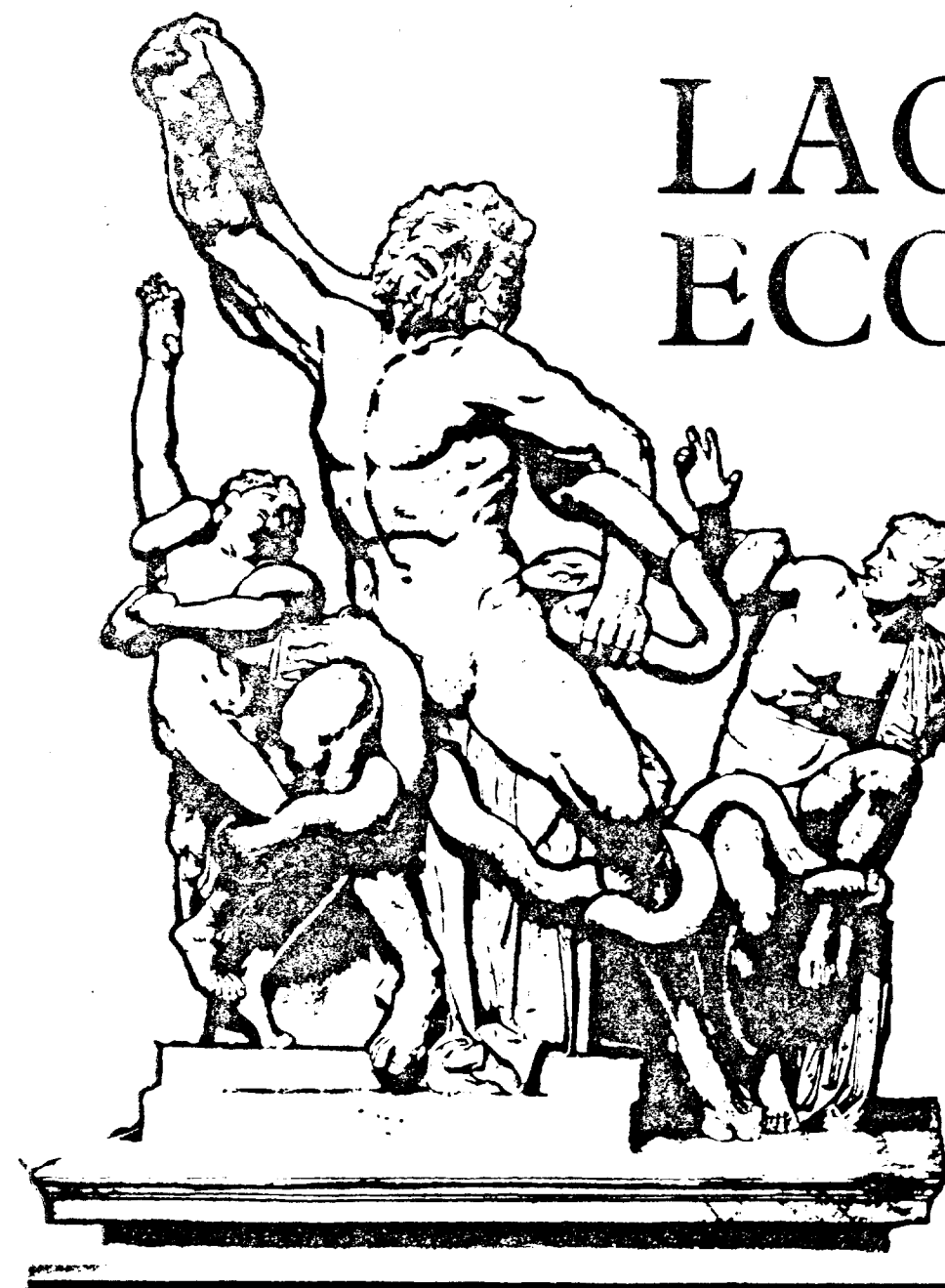


JUNE 24, 1961

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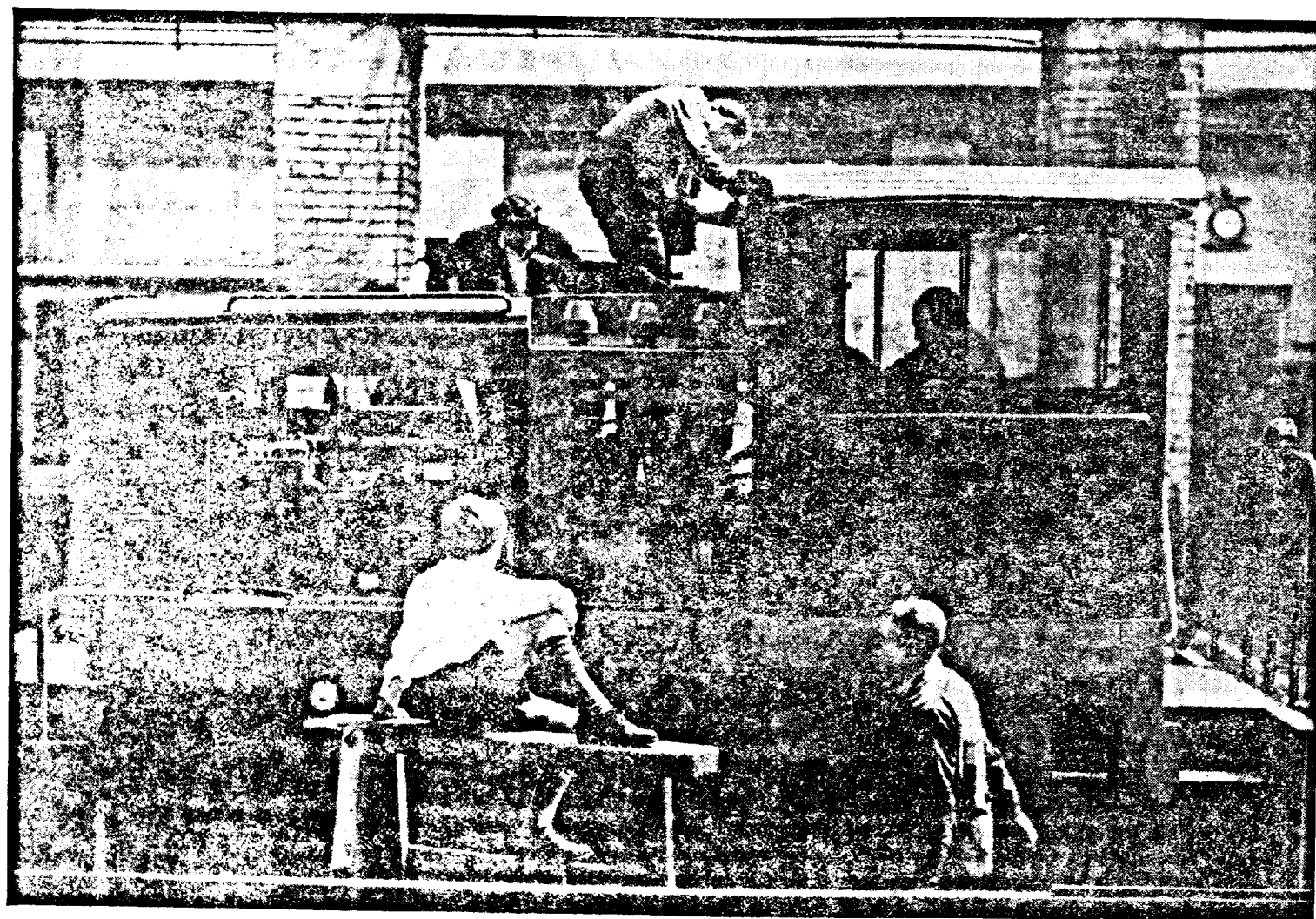
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## In The Economist this Week

June 24, 1961

### HOME

#### STRICTURE

The Chancellor may have to sit hard on Britain's pneumatic economy again: a longer, and franker, look at the pump mechanism (and an extra man to control it) could prevent the same thing from happening in the future (p. 1341).

No rise in the Bank rate was announced on Thursday, but Mr Selwyn Lloyd could offer only the vaguest of placebos in its place (p. 1349).

Too much should not be read into last month's one-point rise in the industrial production index (p. 1395).

There is some ground to fear that the Government intends to deal with immigration from the Commonwealth by restrictions as impracticable as they are indefensible (p. 1349).

#### RUPTURE

The Tin Council's attempts to restrain the market have collapsed with the sweeping aside of its buffer (p. 1391).

Cunard-Eagle have been granted a trans-Atlantic licence by the Air Transport Licensing Board; but there will be loud appeals from BOAC to the Minister (p. 1396).

### INTERNATIONAL

#### DIVISIONS

A divided Berlin in a divided Germany threatens to be the centre of a crisis bringing the most serious danger of nuclear war the world has yet faced. The object of western diplomacy should be to avoid a dead end where the only choice is between ignominious retreat and universal destruction (p. 1343).

Divided Vietnam and divided Korea provide fields for experiments in disengagement and controlled disarmament (p. 1345).

Mrs Bandaranaike's government, with the aid of emergency measures, continues to struggle with the problem posed by Ceylon's division into two linguistic communities (p. 1379).

Divisions within Turkey's ruling junta of soldiers are symptoms of the deeper conflict between the ossifying principles of Ataturk's revolution and the new radicalism (p. 1380).

#### MULTIPLICATIONS OF PROBLEMS

The Canadian finance minister has presented a budget which, coming on top of his quarrel with the governor of the Bank of Canada, can hardly be said to clarify the political situation in Ottawa (p. 1375). Mr Fleming's attempt to force down the exchange rate of the Canadian dollar, although necessary, may be too successful (p. 1393). The record of Mackenzie King, who dealt successfully in his time with Canada's problems, is discussed on p. 1358.

The first full-scale examination of American monetary and credit policy for fifty years finds no need for a basic overhaul but recommends many smaller changes (p. 1367).

The three princes of Laos have not so far talked peace any nearer; and Prince Souphannouvong's expressed wish to substitute a troika for a rickshaw government may have the reverse effect (p. 1349).

Taxi-men and mini-men have tested their vocabularies in London this week: the mini-men are confident of profit (p. 1402).

Teachers are far from unanimous in their desire to strike, but their delegates in conference have forced the adoption of artisan tactics to bolster professional egos (p. 1384).

#### RAPTURE

Only gross national boredom can explain Britain's surrender to the Bingo craze (p. 1346). In London, "news" cinemas relieve a milder ennui (p. 1384).

#### MIXTURE

The proposed infiltration of the public schools by state-educated boys would not remove the worst aspects of those institutions; and it would be the wrong way to spend state money for education (p. 1354).

Mr Brooke's proposals for putting the town in the country have been misunderstood—and they do not go far enough (p. 1350).

#### CENSURE

Mr Faulk's report on the unsavoury Jasper affair takes the banks to task (p. 1399). GEC and British Railways share the blame for last December's electric train failures (p. 1402).

Under conflicting pressures from all sides, Mr Macleod has taken refuge in mystery over Northern Rhodesia (p. 1349).

#### FRACTIOUS FRACTIONS

Austria and Italy should work together to solve the problem of the South Tyrol (alias Alto Adige) (p. 1353).

South Africa has gone back on its word and extended exchange controls to non-residents, thus facing investors with an unpleasant choice (p. 1398).

#### ADDITIONS A LA HUMPTY-DUMPTY

Mr Hammarskjöld and his colleagues may, if the reconvening of the Congolese parliament goes according to plan, have succeeded in putting the Congo together again (p. 1348).

Kenya, Uganda, Zanzibar and Tanganyika could build themselves into one of the strongest and most promising states in Africa (p. 1354). The people of Jamaica have now to decide whether the promising venture of a West Indian federation is worth their support (p. 1355).

Mr Macmillan's individual combination of cwthmanship and Europeanism is shown by his choice of King's men to send round the Commonwealth to explain why Britain hopes to add itself to the European Economic Community (p. 1348). Washington is preparing for its battle next year over tariffs in the age of the common market (p. 1365).

#### EQUATIONS

The British Government will have to decide whether it values Portuguese or African goodwill more (p. 1348). Dr Castro's equation of men with machines has damaged his reputation; and the Republicans may profit, now that his proposed exchange of prisoners for tractors looks like falling through (p. 1368).

Detailed contents on page 1341

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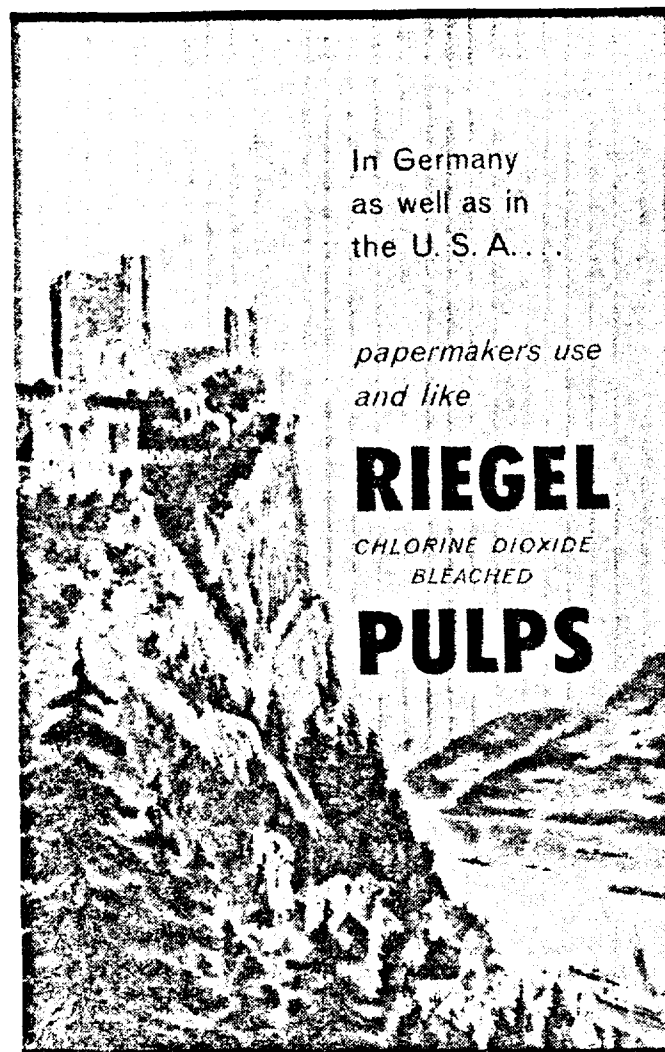
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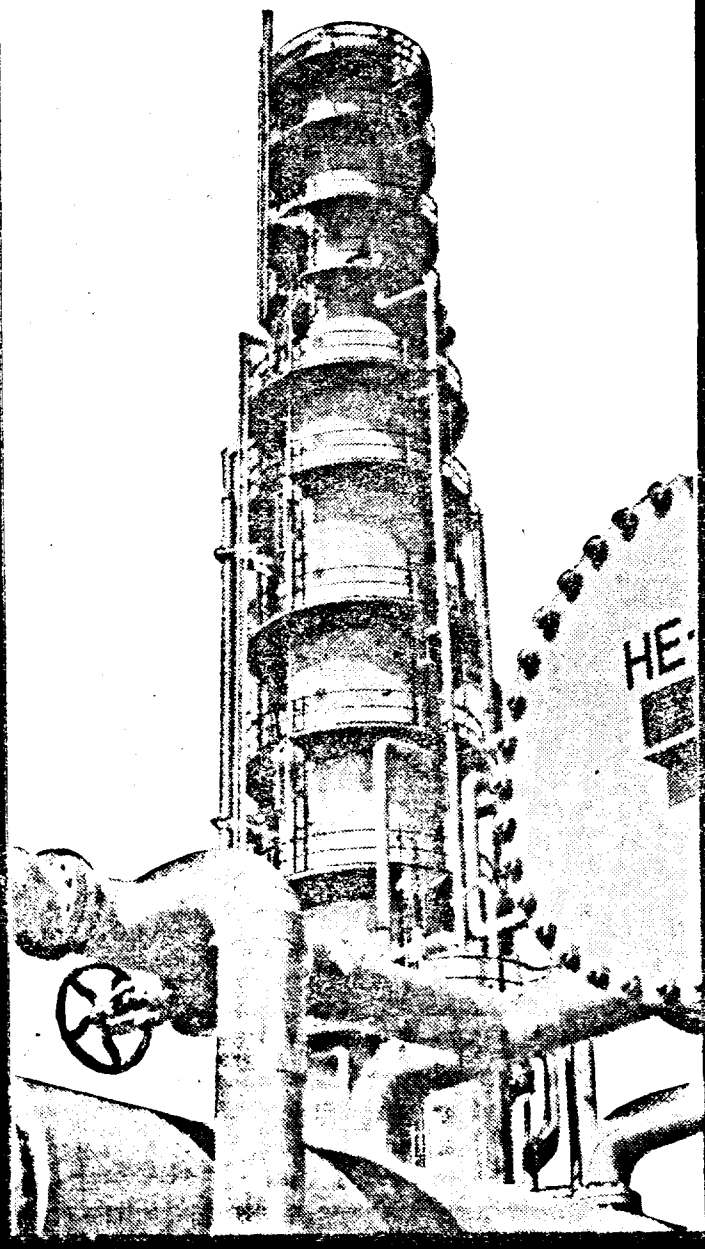
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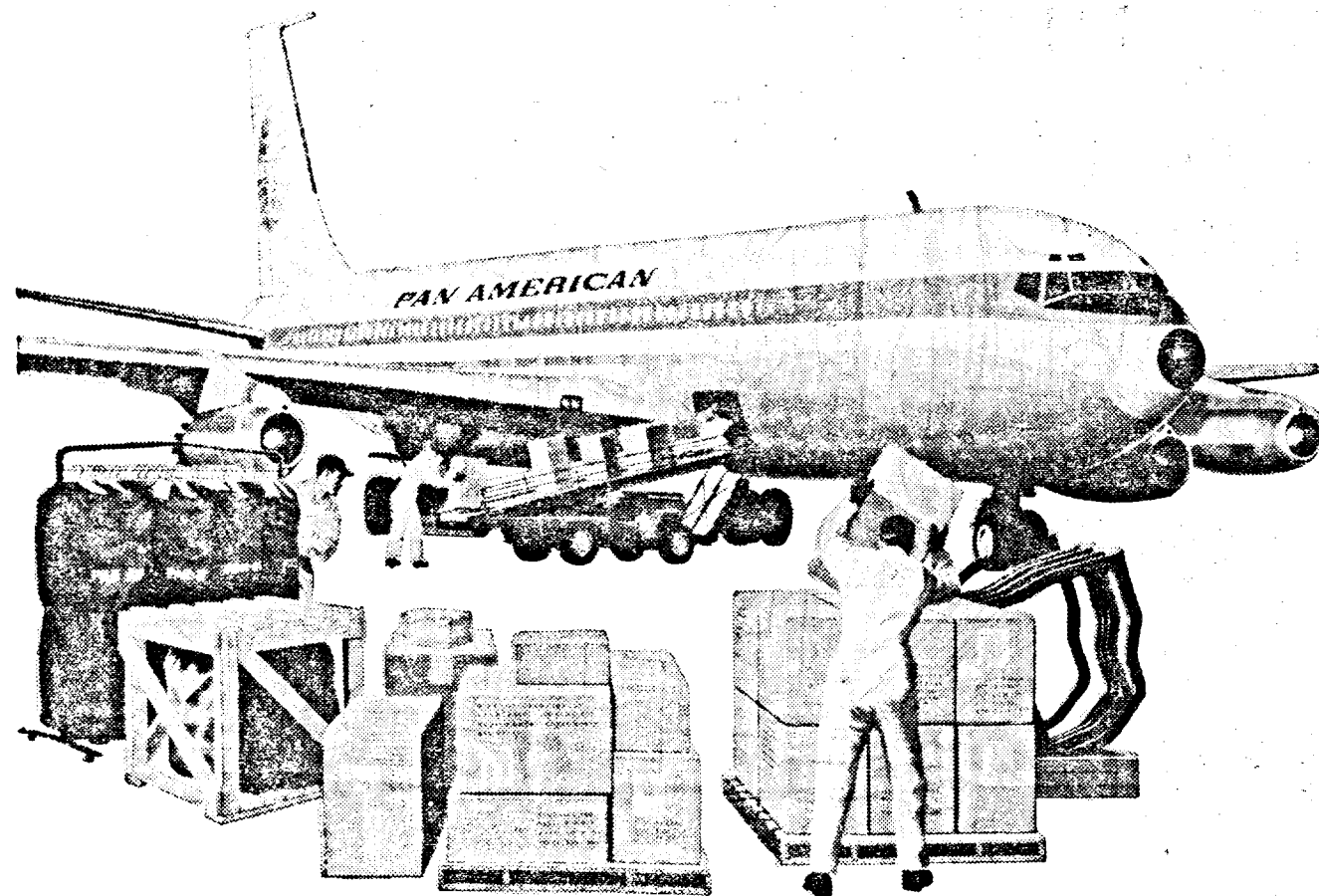
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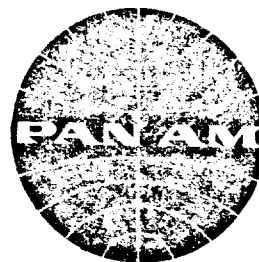
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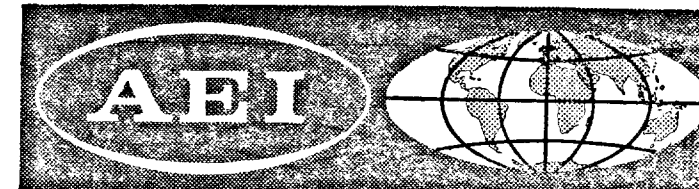
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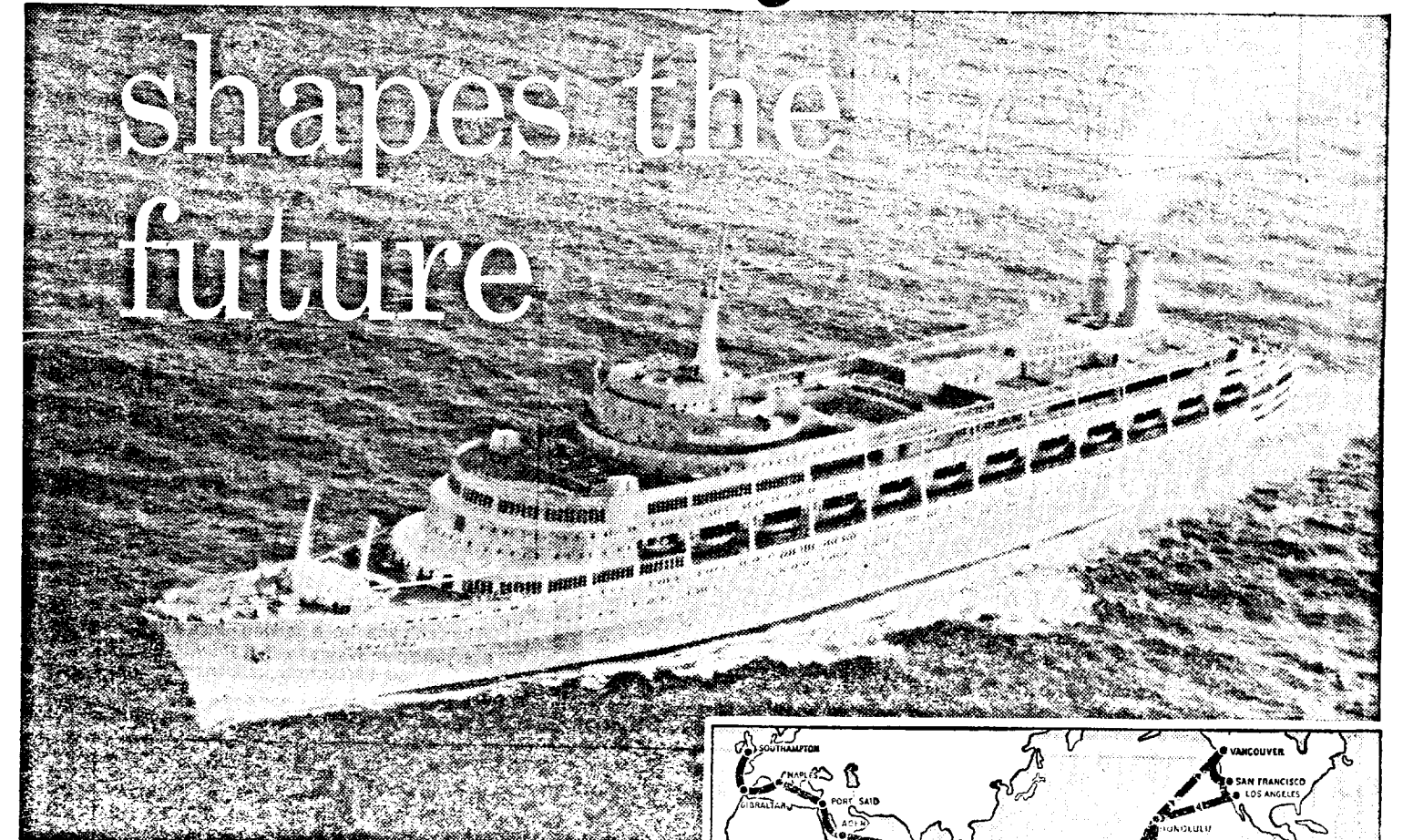


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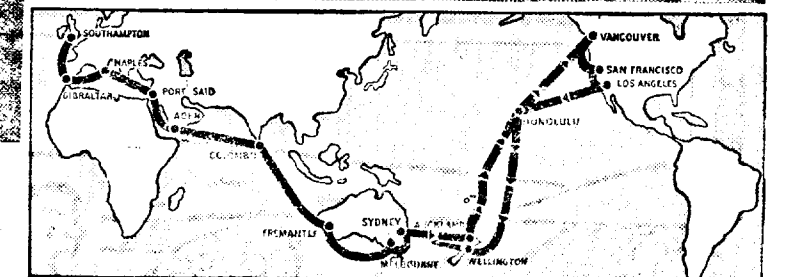
**WORLD ELECTRICAL NEWS—15**

# Electricity shapes the future



## SHIP OF THE CENTURY

Our ships are ambassadors of Britain, so there is a special significance about a maiden voyage. Rarely has the skill of engineers, designers and artists been so closely welded together as in the "CANBERRA"—P & O-Orient Lines' new liner, now on her way to Australia. She is not only a big ship—45,000 tons—but she makes the most of her size by revolutionary design. Amidships there is one huge "hotel block", ten decks high and uninterrupted by engines, shafts and funnels. All her main machinery—electrical propulsion machinery—is placed well aft. AEI turbo-electric drive was chosen for the "CANBERRA" because of its reliability; but another advantage is the freedom it gives in positioning the engines. This is because the turbine-generators and propulsion motors are connected only by cable—not by shafts. Electricity has helped in other ways to make the "CANBERRA" a finer ship. Two of the world's largest marine propulsion motors, 42,500 shaft horsepower each,



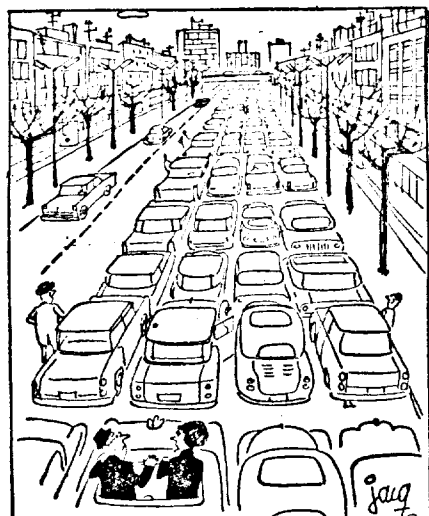
give her a smooth, quiet 27½ knots (all the quieter because the engines are tucked away aft). Electric drive also allows the synchronising of the propellers, so reducing vibration. In addition to the turbo-electric propulsion machinery, AEI made the auxiliary turbine-generators for the ship's power supply system, more than 90 miles of cable, and the turbine-compressors used in the air conditioning plant.

This new ship will shorten the U.K.-Sydney run by at least four days and will go on across the Pacific to the United States (see map). The speed and roominess of the "CANBERRA" and the attention given to passenger comfort—even down to iced water "on tap" in all cabins—make her a true ambassador for Britain on this highly competitive route.

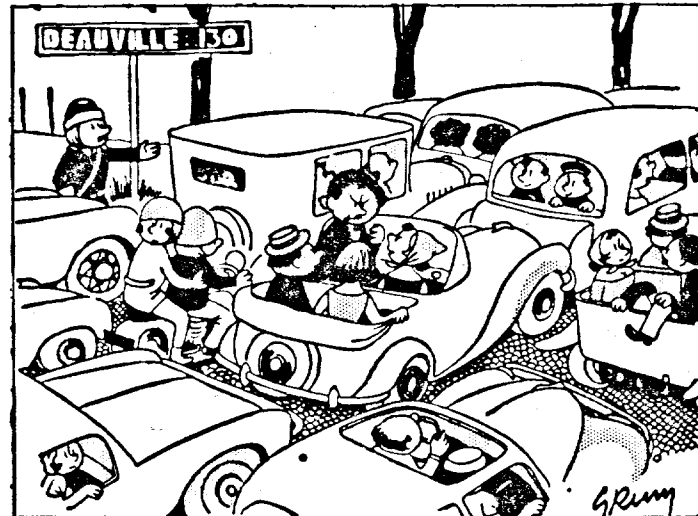


**Associated Electrical Industries Limited**



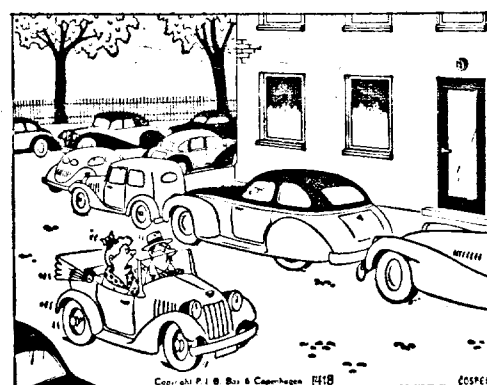


'I can only see one answer: do your business at home and live at the office'  
(ROUTES ET CIRCULATIONS, BELGIUM)

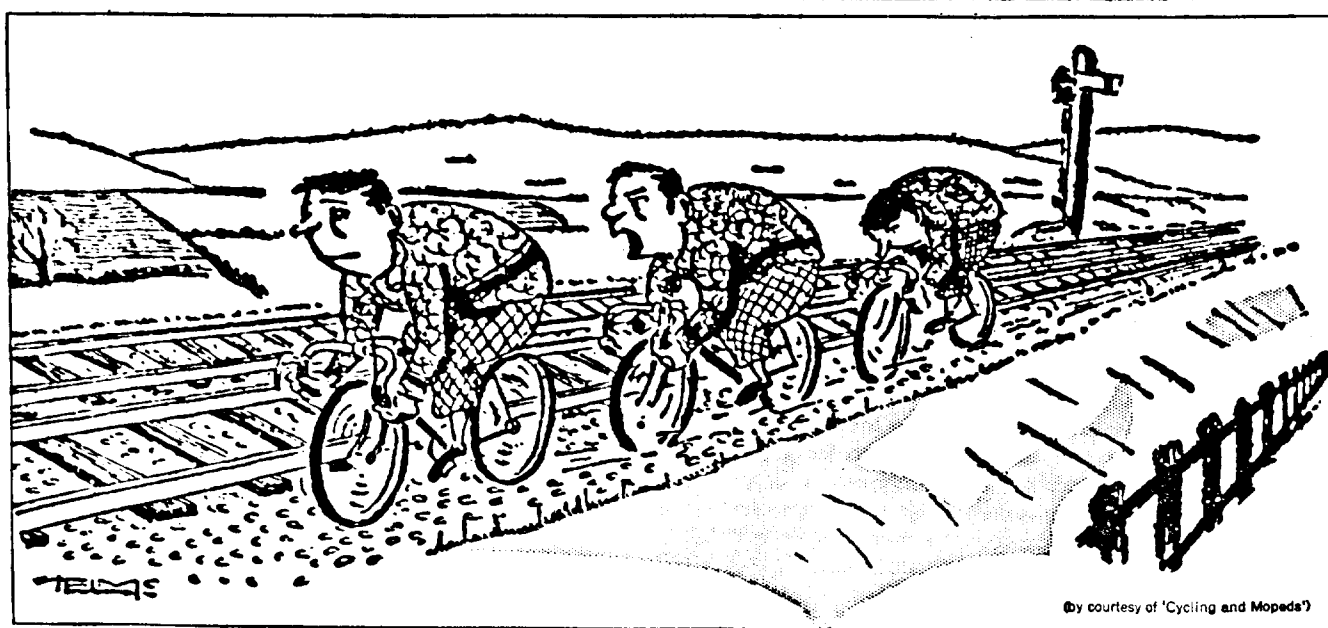


'...and if you tell me again that we should have gone by train, I'll kill you! ...'  
(LA PRESSE, FRANCE)

go by train  
and don't give  
a hoot



'Why can't you find a parking place when everyone else seems to do it?'  
(NEUE BERNER ZEITUNG, SWITZERLAND)



'Do we always have to travel by the shortest Route?'  
(by courtesy of 'Cycling and Mopeds')



WE COVER...

TURN PAGE





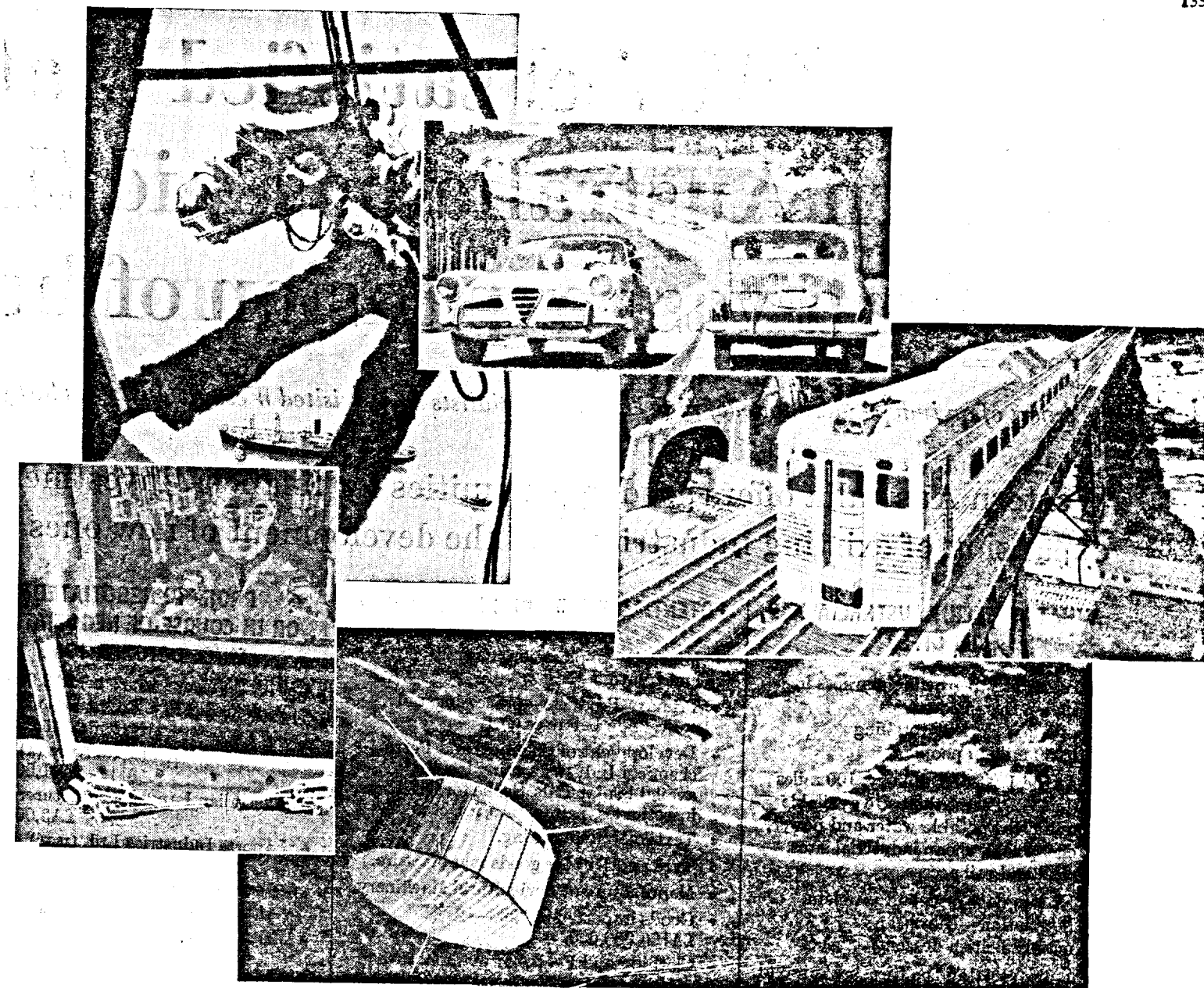
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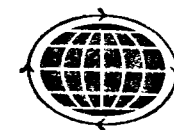
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- Tyre and Rubber goods manufacture.
- Manufacture of Agricultural Machinery.
- Goods imported in 1960—£A169,000,000.
- Clothing and Footwear manufacturing.
- Assembly of imported consumer goods.
- Manufacturing under licence.
- Utilisation of Forest products.
- Development of Tourist Trade.
- Irrigated land for specialist crops such as Cotton, Safflower, Linseed, Rice, etc.

## PROJECTS NEGOTIATED OR IN COURSE OF NEGOTIATION SINCE OCTOBER 1960

- B.P. Refinery Ltd. (U.K.) £A8,000,000
- Broken Hill Pty. Co. Ltd. (A) £A45,000,000
- Standardisation of Railway (A) £A41,000,000
- Australian Paper Manufacturers (A) £A3,000,000
- Laporte Industries Ltd. (U.K.) £A4,000,000
- Rugby Portland Cement Co. Ltd. (U.K.) £A1,000,000
- British Insulated Callender's Cables Ltd. (U.K.) £A500,000
- Foster Clark Custard Co. (U.K.) £A500,000
- Edward MacBean & Co. Ltd. (U.K.) £A100,000
- Manufacture of Alumina from Bauxite. (A) £A5,000,000
- Sundry smaller projects (A) £A1,000,000

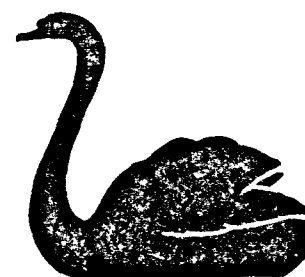
"We have now broken through the industrial barrier and on behalf of the Government of Western Australia, I invite every industrialist to give thought to participating in the industry of our country. We will welcome and assist you in every way possible."

C. W. Court, Minister of Industrial Development, Perth, June, 1961

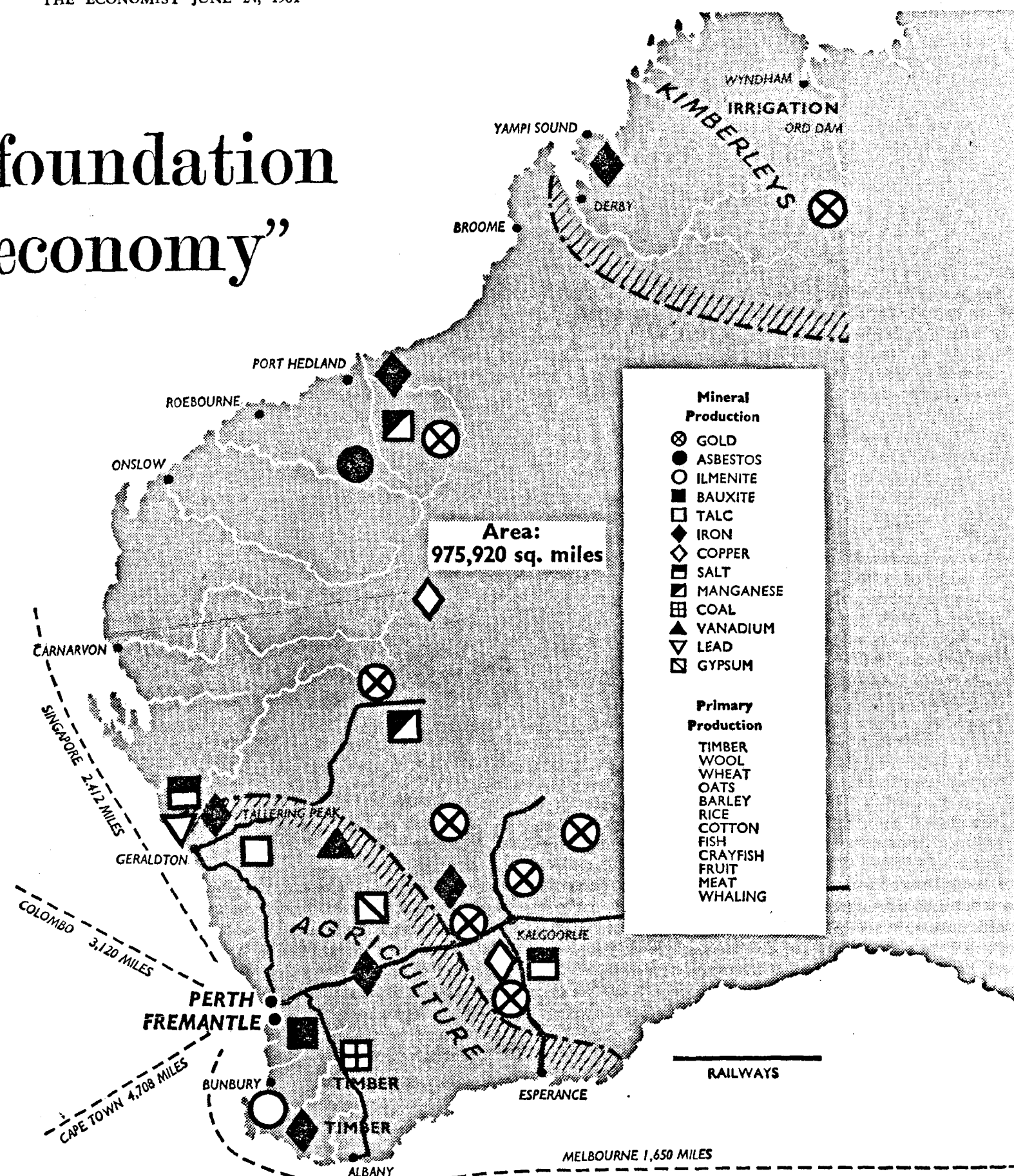
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# WESTERN



# AUSTRALIA





## The man who bends rivers

Joe, taking time off in the boom town of Cooma, is just one of the thousands working on the great Snowy Mountains hydro-electric scheme in south-eastern Australia. He and his fellow-workers have already dammed the eastward-flowing Snowy River, the Eucumbene and other rivers, harnessed them for power and turned them back westward through a system of long tunnels deep in the mountains, to carry precious water to the desert interior.

After ten years' heavy work the Snowy Mountains scheme, due

to be completed in 1975, already provides one sixth of the ultimate 1,800,000 acre/feet of irrigation water a year—and more than 10% of its ultimate generating capacity of 3 million kilowatts. Atlas Copco rock drills, fitted with Sandvik Coromant drill steels and driven by Atlas Copco compressors, are being used for much of the work on these tunnels, dams and underground power stations. And this is only one of the major engineering projects in which Atlas Copco and Sandvik Coromant equipment has played a part.

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## The Economist

JUNE 24, 1961

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VOLUME CXCIX - NUMBER 6148

## The Laocoon Economy

WHAT Mr Selwyn Lloyd is going to have to do with the British economy in 1961 seems all too glumly clear, and more than glumly familiar; it is very likely that within the next few weeks he is going to have to resort to new measures to tinker with his external difficulties by cutting back domestic demand and restricting Britain's now slowly increasing production. Everybody—including the Government—has got expostulations or platitudes or criticisms or patter ready for when that happens; it is easy to write them because one has only to look back to the files of 1960 and 1957 and 1955 and 1951 and 194—(next figure censored). And the awesome thing is that, on present form, everybody is expecting to have to write the same things again in 1963 or 1965 or whenever it is that Britain will again be due to get stuck at this stage of the bad film that we have seen so many times before.

It is for this reason that the economic crisis of 1961, although in its short-term manifestations it may prove less serious than the half-dozen other economic crises since the war, should be treated as a cataclysmic event. The fact that the Chancellor may need to restrict again so soon is proof that the present administrative and executive and attitude-creating mechanism in Whitehall for providing Britain with a long-term economic policy has failed. A major task of economic statesmanship now is to make changes in it, perhaps especially in what we have called "attitude-creating" and what Walter Bagehot once called Parliament's

"teaching function. A great and open council of considerable men cannot be placed in the middle of a society without altering that society. It ought to alter it for the better. It ought to teach the nation what it does not know."

It is quite obvious that in economic affairs the Conservatives have failed in this basic function, and they should now start to ponder specific suggestions for changes in their way of performing it.

It will be best to begin by referring to that chameleon word "planning." When the Tories came to power in 1951 "planning" was understandably a dirty term, because Labour had made such a mess of it. Labour's theory of planning—as expressed in its attitudes even if never quite specifically in its white papers—was that a few hundred top people in Whitehall, in their time off from the very full-time job of carrying out the other tasks of economic government, were likely to be wiser than a mass of private businessmen in gauging probable trends in market demand (and thus in the right levels of investment or raw material allocation or productive priority) for those businessmen's own specific products—some of which, hidden among the tens of thousands of products in the census of industrial production, were things that Whitehall had never heard of. Labour's theory of economic administration was that some cabinet minister other than the Chancellor should be in charge of these prodigious planning programmes; we now know, most lately from Lord Dalton's memoirs, that senior ministers were constantly fighting like Kilkenny cats with each other because each thought that a different man (usually himself) should be appointed to this plum impossible job.

When the Tories came in, they looked at the history of these rows and of these nonsense programmes, and made two decisions. First, civil servants were told to stop drawing up long-term planning forecasts or "forward looks"—or at least if they did sometimes privately make such forward looks they were told on no account to publish them. Secondly, the Tories decided that economic policy



was to be kept under the control of one senior minister, namely the Chancellor of the Exchequer.

Gradually, the first of these decisions has been mitigated as time has worn on, but only to a certain extent. The Treasury nowadays compiles many more figures about what it believes would be the right forward trend in various indices than it did in the first carefree anti-planning days just after 1951. But these figures are always kept very mum from the outside public. It may seem absurd, at first sight, to say that the mere publication of these figures could have any curative effect on the two main economic ills of present day Britain: namely, its toleration of cost inflation and the consequent enforced toleration of periodic bursts of restriction which hold up economic expansion. But in some respects publication probably could provide the first step forward to the change in public attitudes that is now so badly needed.

The most important hidden Treasury statistic in relation to inflation concerns the amount of wage increases that would be likely to topple the economy off course. At present the Treasury make such estimates each autumn as the major season of wage bargaining approaches, but in a private and powerless and apparently hopeless sort of way. As negotiations proceed in each individual industry, the Treasury sits looking sadly at its private estimates about what would be a tolerable and what an inflationary settlement; the calculation is a complicated one because it has to take account of the time interval since the last award took place, the growth of productivity since then, the effect of things like the reduction of working hours attached to different settlements, and so forth. Two international bodies and Lord Amory have now urged the Government that it should publish such estimates, and let the country know that whenever a major settlement goes beyond the safe limit, this must make it likely that restrictive action will have to be taken against the whole economy. But the Government's invariable reply has been that such brutal frankness would not be good for industrial relations.

Yet if these estimates were published, and if they found their way into the headlines as each wage bargaining bout neared its crunch, a considerable public pressure against inflation (and thus against the necessity of later restriction) could be built up at just the right time. The fact that publication would represent a major change of political course can be seen by considering what the announcement this year would have to be: the safe permissible limit for increases in basic wage rates (as distinct from in piece work earnings) in the great majority of industries during the rest of this financial year will be nought.

THE other hidden Treasury estimate that is of most importance in the short term is the notional official estimate, underlying each Chancellor's speech at budget time, about what the national income in the year ahead is likely to be. This estimate is never published nowadays, although detailed estimates which have to be derived from it (such as that for expected tax receipts) are solemnly published. The muddle about long-term "forward looks" is even murkier. At present, the only long-term target in common use arises from a phrase that was almost accidentally inserted into the peroration of a speech by Mr Butler in 1954, when he spoke of doubling Britain's standard of life within twenty-five years: Mr Butler might almost equally well have said "in twenty or fifteen years" instead, and if he had been speaking at any period

after 1954 he probably would have done. One does not have to be a doctrinaire planner to say that this is an unsatisfactory way to have set up an oriflamme to guide Britain's advance into the new industrial revolution, and to wish that both the public and officialdom should be encouraged to be a little more purposeful and scientific in their looking ahead. In this year's budget speech Mr Lloyd announced that he had set in hand an inquiry to "look at all public expenditure . . . for a period of years in relation to prospective resources"; when the results of this inquiry are presented to Parliament they will presumably be in the form of provisional long-term budget estimates, which once again will not make sense unless some estimate of the growth of national income in, say, the next five years lies behind them. There is now a good case for saying that there should be an annual re-presentation each autumn of these provisional government expenditure estimates for five years ahead, and a debate both on the adequacy of the initial Government assumptions underlying them and on any changes that the Government feels obliged or enabled to make in those assumptions as the years pass by.

If rough Government estimates of reasonable targets for total national expansion became more common currency, the next steps towards a slightly greater degree of forward planning in the British economy would probably follow automatically. Various private industries should find it worthwhile to take more interest in compiling and studying long-term, published assessments of the likely future demand for their goods—as the steel industry already does in this country and as such bodies as the French *Commissariat Général du Plan* do on the continent. Of course, such plans should never become sacred cows. But once informed people in Britain had got used to discussing—and no doubt at times arguing fiercely about—detailed projections of possible demand for a wide variety of products five years ahead, one suspects that at least one other subtle and useful change might come over British economic policy.

AT present Britain tends to get worried only when declining industries fall below their "normal" rates of full employment, and so is apt to thrust out Government aid or tariff protection to its least economic industries like shipbuilding or fishing or horticulture. It gets much less worried when growth industries fail to reach targets which could reasonably have been set for them. Indeed when growth industries do grow, it is usual for Britain to say that these industries are voraciously demanding an unfair share of scarce resources, and to devise discriminatory restrictions specifically to keep them down. Thus it was that Britain relied far too heavily on hire purchase controls during the consumer durables boom of the fifties. Now that it is obvious that the boom is switching from things that people put into their houses to the construction of houses themselves, the same Little Noddy school of economists which did so much harm in the fifties is switching to advocate building licensing in the sixties. A country that had accustomed itself to looking forward would surely see that this bias towards always restricting the natural growing points of an economy, and towards always cossetting the dying ones, is precisely the reverse of what is needed.

The story of the hire purchase controls and of the pressure for introducing building licences provides one of the most obvious examples of the way in which the failure of the

attitude-creating mechanism in British economic government has led to executive mistakes by it. But what of the administrative mechanism itself? The second of the big economic decisions made by the Tories just after 1951—that economic policy should be kept under the control of only one senior minister at the Treasury—has remained inviolate to this day. The result is that although no Chancellor has done the full job that he ought to have done—if anyone requires proof, let him look around him—the job that each has done has proved to be very much more than a full-time one. After a relatively short period in office three of the last four Chancellors have therefore retired or resigned either just before or some time after overwork drove them neurotic.

*The Economist* has long argued that the best course now would be to have two cabinet ministers in the Treasury: the senior one (to be called either the First Lord of the Treasury or the Chancellor) to be charged with management of the economy, and the slightly less senior (to be called either Chancellor or Minister of the Budget) to take charge of the apportionment of government expenditure, the supervision of the inland revenue, the management of the national debt and the preparation of the annual Finance Bill—but with the obligation that his operations should seek to exert whatever degree of net deflationary or reflationary pressure the First

## Before the Dead End

It is true that only the western readiness to use force can save west Berlin from communist encroachment, but the present danger is of war in the wrong circumstances and for the wrong cause

IT is not easy to say what one thinks about the problem of Berlin. No one likes being told that his pale cast of thought is endangering the native hue of resolution; and Hamlet's words are a mild way of putting the charge some people level against anyone who says that the Berlin question needs more thought than it has been given in the past. If a journalist talks of compromise, he is accused of complicating the diplomats' task by revealing the cards they want to conceal until the bargaining table is reached, and of raising Russian hopes that "compromise" means "surrender." Let it be said in advance, therefore, that the ideas put forward in this article signify no weakening of resolution, in the sense of determination to defend what is essential for the freedom of Berlin; and that, when compromise is discussed, the purpose is to exchange concessions with the Russians only in such a way that the central interests of the West (as distinct from its peripheral hopes) are more strongly protected than ever.

This having been said, no bones should be made about the need to re-examine allied policy on Berlin. This is not simply because the crisis that will almost certainly develop over Berlin before the year's end brings the most serious danger of nuclear war the world has yet faced. The lamentable thing is that the West, if the present direction of its policy remains unchanged, looks like arriving in the teeth of this danger without having examined the routes by which it might have been able to avoid it. It is widely known that some of President Kennedy's advisers are in favour of telling Mr

Lord deems is desirable at the beginning of each financial year. The Foreign Office now has, in Mr Heath, a second cabinet minister working in reasonable harmony under the ægis of an even more senior minister in Lord Home. We would like to see the Financial Secretaryship to the Treasury similarly elevated to be a cabinet post.

It is possible that the Financial Secretaryship will be one of the posts affected by the minor government changes that were expected shortly after we went to press. But it seems very unlikely that Mr Macmillan will have made the change that would have been most fruitful: namely to move an existing or new cabinet minister (Mr Brooke? Mr Thorneycroft? Mr Powell?) laterally into it. Yet the case daily grows stronger for saying that some such major administrative change—together with a more purposive and forward-looking formulation of domestic policy—ought to be tried if Britain is to shake itself free from its present strangled, restrictive, Laocoon-like and provenly unsuccessful system of economic government.

(*Laocoon, the figure in the famous statuary shown on our cover, was the Trojan priest who was squeezed to death by a serpent when on the point of sacrificing a bull. He seems to be an appropriate figure to recommend to Mr Selwyn Lloyd's attention this weekend.*)

Khrushchev, in effect, that the United States is not going to negotiate at all about Berlin because it thinks he is bluffing. Mr Dean Rusk, although he has not gone as far as that, said on June 16th that no basic revision of policy was under consideration; Lord Home, for his part, suggested a couple of days earlier that the allies would not discuss the legal basis of their presence in the city. Unless Mr Kennedy takes a decisive grip on the wheel, the West is in danger of by-passing one possible line of compromise after another until it reaches a dead end where neither it nor Russia has any choice except between ignominious retreat and nuclear devastation. Those who know the mettle of Mr Kennedy and Mr Khrushchev find it hard to believe that either of them would choose ignominy.

TO avoid dead ends is the business of diplomacy. The immediate aim of Mr Kennedy, and of those who have his ear, should be to give the allies more room to manoeuvre—first, by letting it be known that they are willing to negotiate and, secondly, by deciding what they are (and what they are not) willing to negotiate about. At this stage in the proceedings there is little point in the onlooker's trying to spell out exactly what kind of settlement should be sought—as Senator Mansfield and Lord Montgomery, in their different ways, have recently tried to do—since it is impossible to tell how the negotiations will develop. It is in order, however, to suggest

some basic points for the allied leaders to bear in mind as they consider what to do next. Three such points are of particular importance; they do not—they cannot—offer a detailed solution to the Berlin problem, but they do suggest at least the limits within which a solution should be sought.

First, it is important to distinguish between what is vital to the West's interest in Berlin and what is marginal (and therefore subject to negotiation). The one requirement on which there can be no compromise is the right of the population of west Berlin to choose how it will live, and for this it is essential to obtain guarantees on a number of matters. The Berliners must have a free choice of political systems and connections, "free" being defined in western terms; they must be able to transport goods and people in and out of the city without restrictions that endanger their liberty; and their possession of these rights must be guarded by the presence of a certain number of allied troops—not necessarily the present number, and not necessarily alone, but enough to establish Berlin's link with its western friends. Simply to list these requirements ought to show that no appeasement is in the air. Herr Ulbricht, who said last week that he wants to limit Berlin's freedom far more narrowly than this, will not find them easy to accept.

One element in the allies' position, however, has far less claim to be regarded as immutable. This is their reluctance to let the east Germans join in the arrangements over Berlin. If the guarantees that protect the freedom of Berlin are solid ones, how they are arrived at and through whom they are put into practice is considerably less important. It is best to be frank about the implications of this. If the east German government became one of the signatories of a treaty fixing the rights of Berlin, and if the allies agreed to deal with east German officials in using their lines of communication with the city, a considerable step would have been taken towards the recognition of Herr Ulbricht's regime. The claim that the allies are in Berlin by virtue of their rights as victors in 1945 would in effect have been abandoned; so would the claim that the west German government is the only legal representative of the German people. But the passing of time, and the abrasive action of hard reality, have already worn these beliefs thin. The question is whether it is better to preserve such claims, or, abandoning them, to seek a new and surer basis for the freedom of west Berlin.

The second point for the West's leaders to bear in mind arises out of this. Those who believe that it is necessary to maintain the West's postwar occupation rights in Berlin argue that, in the last resort, nothing but a western threat to use force will save the Berliners from communist encroachment. This is true; but it is not an argument for insisting on the occupation rights as the only sound basis for the western presence in the city. The allies' readiness to go to war rather than let Berlin succumb is equally valid (and would be equally necessary) as a means of enforcing a new treaty. Indeed, this ultimate and indispensable sanction might be more convincing if a new agreement replaced the present basis of western rights; it is easier to be resolute in defence of a freshly inked document than in defence of a fifteen-year-old arrangement which one party has already denounced.

Thirdly, it must be remembered that the problem of Berlin will never quite vanish until the whole of central Europe is at peace with itself. Even if a new agreement can be negotiated,

defining and safeguarding the Berliners' rights in unmistakable detail, the city will still be marooned in the territory of a hostile political system and surrounded by the troops of a hostile super-power; like a tin hat stuck on the barbed wire of no-man's-land, it is a perpetual temptation to the trigger-happy. For this reason, if the western powers decide to negotiate about Berlin, they must seek to include all central Europe in the discussion. Ultimately Berlin can have no secure future except in a reconciled Germany.

Perhaps this can only be achieved by ways that offend some western taboos. The aim should be to seek arrangements which, by untautening nerves in the entire region, take the tangle out of the fingers encircling Berlin. It may well be that the Berliners would be allowed to sleep more easily at night (and Germany, in the end, have a better chance of reunion) if the western powers could bring themselves to acknowledge at any rate the factual existence of east Germany and the finality of the western frontier of Poland. Eventually the conversation might ramble still farther afield; the idea of disengagement might be revived (as Lord Montgomery has suggested) and the governments of the two parts of Germany, already linked by the bonds of commerce, might bring themselves to discuss other matters as well. The direction the negotiations about central Europe might ultimately take is as uncertain as the prospect that they might result in an accommodation; but it is advisable for the traveller to know which way the path starts.

**M**R KHRUSHCHEV has two possible motives in raising the question of Berlin. If, as many people think, his chief aim is to secure recognition of the present situation in eastern Europe, the offer of terms along the lines suggested in these three points might persuade him, in exchange, to offer terms for Berlin that would safeguard the city's freedom until the future of central Europe became clearer. The West, for its part, might continue to hope for a change in the politics of eastern Europe, but it would have to wait for internal pressures to produce the change instead of making it an objective of its foreign policy. If, on the other hand, Mr Khrushchev's real ambition is simply to force the allies out of Berlin, then the offer of these terms would at least enable the West to take its stand on the best available ground. The issue would be the physical defence of Berlin, not whether it is proper to talk about the city's status or to deal with east German officials. If there is a danger of war, it is necessary to rally public opinion behind the western case; the case must therefore be simple, obvious and just.

There is a difference between last ditches and dead ends. In certain circumstances, most people agree, it is necessary to look the possibility of nuclear war unflinchingly in the eye. The danger over Berlin is that, if diplomacy gets stuck in a cul-de-sac, war might come in the wrong circumstances and for the wrong cause. The report that Mr Kennedy is considering a partial mobilisation this autumn, and Mr Khrushchev's retort on Wednesday that he will spend more money on weapons if the Americans do, suggest that the clouds are darkening. It will take a wrench of the mental muscles for the West to accept the compromises by which a way might just conceivably be found out of the difficulty. But the problem of Berlin calls for a mixture of resolution and imagination; it would be absurd to have a nuclear holocaust because imagination had not been put to work.

## Time-bombs for Defusing

**Two Asian countries that generate disproportionate tension might usefully be looked at as fields for an experiment in disengagement**

**N**EUTRAL zones are in the air in Asia, as they were, two or three years ago, in Europe. In many ways, the Far East offers a more promising outlook for limited disengagement than central Europe ever did. The obscure disputations of the powers about the future of Laos could indeed, given a measure of sense and vision, lead to the kind of constructive contribution to world peace that qualifies individuals for international prizes.

The most promising areas for experiments in those polysyllabic twins—demilitarisation and neutralisation—are those that are usually omitted in discussions of this kind: Vietnam and Korea. True, in 1958 the Chinese and Russians were proposing a zone free of nuclear weapons in the Pacific area; and more recently Prince Sihanouk of Cambodia has proposed a neutral belt for south-east Asia. But each proposal has stopped short of the radical yet relatively simple suggestion that would be both practical and effective. The Chinese one had the fatal flaw that it merely invited the United States to put itself and its allies at a military disadvantage. Prince Sihanouk's proposal, though practical enough, stops short of Vietnam, which houses a built-in threat to peace.

Mr George Kennan's advocacy of disengagement in central Europe arose from an urgent sense of the need to counter the permanent threat to peace presented by the division of Germany; and the extended discussion that followed brought out the immense difficulties of disengagement from so powerful a country, in which the great powers were directly involved. Those other divided countries, Vietnam and Korea, also present a permanent threat to peace. Neither, however, is vital to the rival military blocks in the way Germany is; neither is, even potentially, a great power, except in a regional and relative sense; and in neither does the degree of great-power involvement preclude demilitarisation.

The parallel between Vietnam and Korea is striking, but only up to a point. Both countries are divided; each has a communist government in the north and an anti-communist one in the south; in both, division and mutual hostility have led to the maintenance of far larger armies than the economy of either half-country could sustain unaided. There, however, the parallel ends. North Korea is a threat only to south Korea, whereas north Vietnam is a threat to Laos as well as to south Vietnam, and potentially to Cambodia and points beyond. On the other hand, the United States—thinly disguised as the United Nations—is directly involved in south Korea, where it has military bases and forces; whereas in south Vietnam it has only military advisers and money.

Even Prince Sihanouk has balked at advocating neutrality for south Vietnam, arguing, quite logically, that the presence of a communist government in the north makes neutrality impossible in the south. This is true enough. To partition a country is to subject it, indefinitely, to the cold war; partition is the antithesis of neutrality. There is, however, or ought to be, a distinction between neutrality at home and neutrality in foreign relations. Austria and Finland are

examples of this, and show that demilitarisation does not have to wait for the formation of governments of national unity, including both communists and anti-communists. In specific terms, it may be impracticable to unify Vietnam—or Korea—just as it is idle to urge the rival governments of either country to cultivate friendly relations. But there is no reason why the capacity of each to harm the other should not be reduced.

"Demilitarisation" needs to be defined, in its Vietnamese and Korean contexts; and, once defined and agreed, it will have to be guaranteed. Any definition will have to provide for the needs of internal security. On the supposition that south Vietnam is going to be invaded from the north, the present modern army of 150,000 men, with auxiliaries of various kinds adding a further 100,000, makes sense. But if it is agreed that the armies of north and south are to be reduced to a level that rules out direct aggression, then 30,000 to 40,000 will seem a more reasonable figure. An army of that size would be no less able than the present much larger one to contain the 10,000 communist guerrillas operating in the jungles and paddy fields of the south.

In Korea's case, demilitarisation would have to include the withdrawal of the United Nations troops (the Chinese having pulled out of the north three years ago). Doubtless the Americans would argue that the circumstances that prevented them from following the Chinese example would still substantially apply, even if north Korea's capacity for aggression across the 38th parallel were diminished; the Chinese armies would remain, as it were, round the corner, but with the UN troops withdrawn there would be no ready answer to a renewed Chinese aggression. Military men will always be tempted to argue on such lines, but this would not be a very convincing argument. The Korean war started because the north Korean army invaded the south; and the Chinese intervened only when they began to fear that the UN response was a threat to their own security. An unprovoked Chinese aggression in Korea is not, of course, unthinkable, but it would be a major new departure, inviting major reprisals. To be on the spot may be valuable, but if the Americans withdrew from Korea, they would still have the Seventh Fleet and the giant base on Okinawa as deterrents in reserve. In the meantime, the drastic reduction in the size and fire-power of the opposing Korean armies would have correspondingly reduced the risk of a clash of arms that might provoke renewed Chinese intervention.

**W**HETHER in Vietnam or in Korea, the economic benefits of demilitarisation might be considerable. Military expenditures of various kinds have accounted for the greater part of the aid poured into south Vietnam and south Korea by the United States. If a reasonable portion of American military expenditure were diverted to economic ends, the day when they could stand on their own feet (which is far closer in Vietnam than in Korea) could be hastened. True, the already alarming unemployment problem in south Korea might be temporarily aggravated by a reduction in the country's inflated armed forces which, at more than 600,000, are in numbers, at least, appropriate to a great power. But,

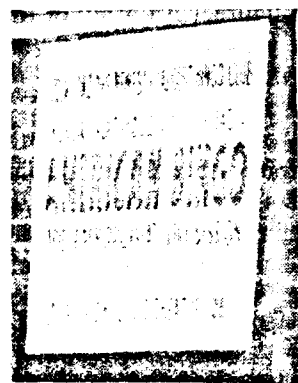


in the long run, the intelligent use of funds released by demilitarisation would create more jobs than the numbers thrown out of work by demobilisation.

On the communist side, too, the economic benefits would be appreciable. Indeed, north Vietnamese spokesmen have lately hinted at the need for cutting down the numbers of the formidable force which defeated the French expeditionary corps, and which has since been further strengthened in defiance of the Geneva agreements of 1954. The Russians, for their part, would find it difficult to oppose a project that would reduce the likelihood of a resort to arms in two particularly sensitive areas. The Chinese might well be less attracted to such an idea, but nothing would be lost, and probably something gained, by forcing them to take up a public position on the issue.

The snags should not, of course, be minimised. One of these would probably be an initial refusal by south Vietnam and Korea to co-operate, on the ground that the north would

merely simulate disarmament and attack once the south had made itself defenceless. Given the performance of the international control commissions in Indo-China, such a fear would be far from irrational; it could be met only by the firmest guarantees, including foolproof inspection and control. The provision of such guarantees would constitute another snag. It can be fairly argued, however, that since the wider international discussions of disarmament and of the control of nuclear testing have got nowhere, it would be worth setting one's sights at a more modest level and trying things out on a smaller scale. If controlled disarmament cannot be made to work in relatively small areas like Vietnam and Korea, it will surely never work in Russia or China. True, Soviet insistence on a communist veto in any control and inspection arrangements in Laos is discouraging. But, once again, there would be nothing to lose in putting communist intentions to the test of practice. The potential gains are great enough to justify the attempt.



## A Most Contagious Game

*What revels are in hand? Is there no play,  
To ease the anguish of a torturing hour?  
—A Midsummer Night's Dream.*



THE least of the excesses expected to follow hard upon the promulgation of the Betting and Gaming Act of 1960 were tiny, foetid hells specialising in *chemin-de-fer*, baccarat and other foreign *jeux*, the fleecing of the gullible poor to cries of "*Rien ne va plus*," and heaven knows what further incubators of mortal sin. Expectations, perhaps to the chagrin of the fulminators against wickedness, have not been realised. The main thing that seems to have happened is that Britain has caught the craze for Bingo.

Bingo is the childish name of an infantile game, the solace of measles children in damp Victorian nurseries, of inactive troops bored to death by tedious passage over girl-less seas, of happy campers disconsolate on a wet summer's day at Southend. Its rules are simple. There is a card, slightly varied in format to suit its several names (Lotto, Housey-housey, Tombola, Tumbule, Keno, Po-Keno, Beano, Screeno, Bolito), divided into squares (usually 25) in each of which appears a number, chosen at random between one and 75 or 90. From a bag, box, blower or hopper, a caller draws numbered balls, counters, or slips of paper and the number is called out, often in an impenetrable jargon (*legs, barnitzvah, doctor's orders, Kelly's eye*). Players who find these numbers on their cards cover them or cross them out. Eventually one of them will have a whole row of numbers obliterated. He will shout "Bingo!" or "Lotto!". He has won the game.

The fatuity of the game is somewhat dignified by its antiquity: it has come to us almost unchanged from pre-Christian times, one of the few things (including human beings) which have not changed for the better since then.

It evolved originally from the simple drawing or casting of lots, perhaps adding an edge to the rapidly blunted thrill of watching someone else's number come up. At one time, as Lotto, the game enjoyed a certain aristocratic cachet: the Genoese fathers of the sixteenth century showed their contempt for the psephological skills of their subjects by electing themselves on the results of this game. But it has never had much appeal to any but those incapable of otherwise occupying their periods of release from more pressing activities. It makes their boredom supportable.

Nor is the game young in this country. Like many less innocuous habits, we have to thank the holiday camps and the Americans jointly for its popularity. The camps used it to keep the campers from wrecking their quarters or trying to seduce the staff during bad weather. The Americans made it a business. In that country it booms as loudly as the fruit-machines and the crap (or dice) games; and it is encouraged, supported even, by many states as a useful source of revenue. (It is from America that the name Bingo has come: it is the most successfully explosive sound a winner can make.)

The profits to be made from the game did not go unmarked in Britain, once the news broke that a new Gaming Bill to legalise small gambling was on the way. The larger promoters started planning how best to take advantage of what promised to be a healthy venture. In the event the Act was a disappointment, since it laid down not only the expected direction that each player should have an equal chance at the prize, but also that *all* money taken as stakes should be

returned to the players as prizes, with no provision for expenses and no entrance fee. The harshness of these rules was, however, mitigated in the case of clubs, which could do much as they pleased within the two fundamental rules—equality of opportunity and the return of the whole stake as prizes. Clubs are easy to found: anyone can become a member and, after 24 hours of membership, play Bingo. The promoters therefore formed clubs. The first of them opened on January 3rd, two days after the Act came into force.

PREVIOUSLY, Housey-housey and Tombola had been played for the ostensible support of charities. But the bona fides of charities are difficult to establish; many evasions were perpetrated and substantial profits made before an Act of 1956 limited prizes to £100 and charitable profits to £750. This particular charade may not now continue, but specially-formed clubs (which for some reason seem immune from the restrictions suffered by common and unclubbable Englishmen) may charge what they like for entry to their premises—and make what they can from their catering. The big promoters are careful to behave themselves and to see that their clubs do so too; but there are some little clubs with memberships below 100, on whose interpretation of the rules about returning all stakes to members, the law, if it knew, might not be disposed to smile.

The large and respectably law-abiding organisations, however, benefit most from the current infection of infantilism. The clubs formed by Mecca Limited and the Rank Organisation, each of which has premises, management, catering and capital to spare, lead the field. The troubles of the cinema industry are well known, and some dance halls have also recently suffered, if not a falling off, at any rate a redistribution of their custom: the throngs of young terpsichorophile who used to foot it feathily in the afternoons now turn out, substantial and free-spending, mainly in the evenings. Expensive establishments were left idle during the day (and even on some evenings); now Bingo has come to succour them. Dance halls (40 of Mecca's, 15 of Rank's) are loud again with happy cries (*clickety-click, never been kissed*); and cinemas, forlorn for months, are filled, four times a week, with Bingo-maniacs. Lately another large cinema group, Essoldo, has begun to fill its spare time and empty houses with Bingo; and at least one suburban theatre has leased its house for Sunday sessions to Mecca.

Just as there is in the opposition, so there is in the defence, a good deal of sanctimony about Bingo. Promoters profess themselves shocked by the very thought of interference with the normal course of business. Such phrases as "public service," "social centre," "helping the live theatre" recur in their conversation; a (surely new) concern, deep as it is long, is expressed for lonely spinsters, worn-out wives and shy mice in garrets, whom Bingo is to rejuvenate and rehabilitate.

The Act prohibits the participation of young people under eighteen in Bingo; but the prohibition seems hardly necessary. Three-quarters of the fans are middle-aged women, and the other quarter is made up mostly of middle-aged men. The young perhaps have children to look after. Neglect of children by Bingo-crazed mothers has been charged to the promoters' account; but it seems obvious that a neglectful mother would choose drink, cinema, dance hall or friends, if Bingo were not available, and whatever legitimate criticisms

may be made about this pap to feed the idle, that one at least is probably without foundation. Mecca, however, intend to disarm even unfounded criticism by installing crèches, complete with nurse, at their sessions during the school holidays—but only for children under ten. After that age, it is felt, children may be tempted to play themselves.

The charge of ruinous gambling is also not well-founded: no real gambler would waste his time at a Bingo session. If the prizes are large, the excitement is small and the odds long. The amount actually spent is hardly likely to bring ruin. Entrance is between 2s. and 3s. 6d. in most big sessions which, with the numbers involved (average Mecca and Rank just under 2,000), covers the promoters' costs, including a return on a capital investment in special chairs and equipment of up to £5,000. Inside, the staking is done by the sale of books of five cards for 2s. (sometimes more), and the possibility of cheating is countered by the use of colour codes and serial numbering. Each card is used once only. On the completion of the first card, one twenty-fourth of the stake pool is paid out as a prize. The second winner gets a twelfth, the third an eighth, the fourth a quarter and the final winner, of the fifth game, a half. This may be as much as £250, but is more often between £60 and £80. Any excitement is engendered by the size of the prize rather than by any interest inherent in the game itself; when 30 people are waiting for one particular number to complete their cards, the greedy begin to sweat.

On the entry fee the average promoter makes little more than his costs. It is on his catering (special trays adapted for fitting on to the arm of the "purpose-designed" Bingo chair) that his profit is made. Its size is not revealed, but the promoter's own resources being used from first to last, without the middleman's drain, it may well be substantial—say, on the lightest of snacks, 6d. to 9d. a head. And in the biggest halls there are 2,000 heads.

So far no assessment has been made of the total number of people who have succumbed to the threat of their own company and become Bingo-players. But Mecca, starting with 50,000 books a week, now sell over 500,000 books of cards every week. There are three sessions (15 games) an evening and, allowing for overlaps, perhaps 150,000 people each week buy the books in Mecca's halls alone. Rank's turnover is probably similar, and another 200,000 are perhaps spread over smaller legal and illegal clubs. The money added to the national gambling "take" (at present nearly £700 million a year) will be significant but hardly important—say £20 million a year. And the promoters, on present indications, might benefit by perhaps £2 million a year. There is not really enough involved (it is hard to spend more than 10s. a night) to wreck the country's, or any family's, finances.

However, Bingo is catching on, and the numbers playing it may be expected to rise to a peak of well over a million within the next year. But like all crazes, the numbers will fall again, and in a few years' time possibly no more may be playing Bingo than now play Canasta, or Diabolo, or Yo-Yo. Then there will still be two main centres of the addiction, Lancashire and London, and the rest of the country may have forgotten about it. It all seems innocuous enough. If there is evil in it, it is in its rôle as symptom of a national ennui which enthralls not only our but other affluent societies.

# NOTES OF THE WEEK

## EUROPE

### Commonwealth Hurdlers

MR MACMILLAN'S choice of emissaries to sell British membership of the common market to the Commonwealth is an earnest of good European intentions on his part. The two most European-minded members of the Cabinet are to be sent to the two most tricky regions of the Commonwealth. Mr Sandys, now Secretary for Commonwealth Relations, but secretary of the European movement ten years ago, is to visit Canada, Australia and New Zealand, whose agricultural (and now in Canada political) worries pose the gravest problems. Mr Thorneycroft, who when out of office in 1959 pioneered the idea of a new relationship between the Commonwealth and Europe, is to take French leave from the Ministry of Aviation to visit India, Pakistan, Malaya and Ceylon. These Asian countries may profit from expanding European demand for their raw materials and food, but they may have to be persuaded that they can maintain their exports of manufactures (even if they lose their privileged tariff position in Britain) by benefiting from a joint European programme to enlarge import quotas.

As Mr Macmillan plays his European cards, the significance of the cabinet reshuffle last July, which brought Mr Thorneycroft back into the cabinet and Mr Sandys to the key Commonwealth post, is becoming apparent. The third member of the team of envoys is a surprise: Mr Hare, the Minister of Labour. Mr Hare has not hitherto shone as a European star; but his beat is the African territories, which almost certainly stand to gain if Britain joins the Six. One name—that of Mr Maudling—is conspicuously missing from the list of messengers. Absent in Moscow at the British trade fair when the crucial domestic battle on agriculture was

Exception has been taken to the statement (in a leading article entitled "No Peasants' Revolt" on page 1206 of the issue of *The Economist* dated June 17th) that, in the recent debate on agriculture in the House of Commons, Sir Richard Nugent, a former junior minister, was "put up" to argue the case for going into the common market. We wish to explain that this form of words was the maladroit result of shortening the original version of the article and was certainly not intended to convey any imputation on the independence and integrity of Sir Richard Nugent or on the "Chair's" principles for selecting speakers. We apologise for any misunderstanding that may have arisen.

being fought, he is now, it seems, too busy to undertake a Commonwealth expedition.

Next week, however, he and Mr Heath will both attend a meeting of the Council of the Seven. The task there should be a great deal easier than Mr Sandys's, for all of the Seven except Sweden now seem to have adapted themselves to the prospect of British membership of the common market. If Mr Sandys and Mr Thorneycroft succeed in their missions, it would thus still be possible for Mr Macmillan to announce a decision to try and join before Parliament dissolves in late July or early August. But rumours of a postponement till the autumn are now widespread.

## PORTUGAL

### Baptism of Fire

IN the absence of any sufficient refutation by the Portuguese of the atrocity charges brought against them by the Baptist Missionary Society, and in view of their refusal to admit the press to northern Angola to check the charges, the world may reasonably accept the allegations of these devoted men as true. From what the missionaries say it seems that, unless Dr Salazar swiftly reverses his policy, fifty thousand Angolans are in danger of being killed in fires deliberately started by the Portuguese in the long jungle grass. According to one report, the fires have already started. Even if the casualty list is not as long as the missionaries prophesy, it should make the British Government wonder whether, in standing by its ally, it is not making a mistake.

Its mistake consists in having assumed that the United Kingdom can do nothing to change Dr Salazar's policies. It is under growing pressure at least to try. The evidence is slowly building up that Britain is shortly going to be faced, in the United Nations and elsewhere, with a choice as embarrassing as that it faced over South Africa in the Commonwealth. Mr Nyerere has requested the Government to expel the Portuguese representative from Tanganyika; Ghana is to discontinue all diplomatic and commercial relations with Portugal; Norway has refused to sell Portugal ammunition; Russia has called for sanctions against Portugal, and Britain and France have found themselves isolated from the United States in the Security Council on the Angola issue.

Last month's arrests of liberal opponents of Dr Salazar have rubbed home the fact that Britain is supporting a police state as well as an oppressor of colonial peoples. It seems a high price to pay for Portuguese adhesion to Nato.

## CONGO

### Back to the Benches

IF the reconvening of the Congolese parliament proves successful, it will be a triumph for the quiet, but undaunted, diplomacy of Mr Hammarskjöld and his colleagues. Tuesday's joint communiqué by representatives of the Leopoldville and Stanleyville authorities, announcing their agreement that parliament should meet again, paid due tribute to the role of the United Nations representatives in maintaining contact with both camps and bringing them together in spite of all the bitterness of recent months. Under the plans announced, the UN force will seal off the area of Lovanium university, a few miles outside Leopoldville, where the members of parliament will meet in total seclusion; and all Congolese troops in the Leopoldville area will surrender their arms to UN custody for the duration of the session. It is a notable achievement merely to have obtained consent to such terms, whether or not the parliamentary meeting yields any immediate results. If the UN operation had been stultified or abandoned—as both Mr Khrushchev and some people in the western world wanted it to be—the consequent plunge into unbridled blood-letting would have made it impossible for the rival Congolese factions to meet anywhere except on the battlefield.

The notable absentees from the gathering on the parliamentary benches will, at least in the first instance, be the representatives of Katanga, where Mr Tshombe's political heirs have reaffirmed their independence. They may have been encouraged by the spectacular profits lately announced by the *Union Minière*, and by their five days of "unofficial" talks last week with a visiting envoy from the Rhodesian federal government. But how much real bite is there behind Katanga's latest bark? Mr Tshombe on Thursday declared himself for co-operation with Leopoldville; and, although his authority over his lieutenants is now uncertain, Katanga's bargaining position *vis-à-vis* the rest of the Congo is already being eroded, with mayhem still spreading in Angola to its west, independence approaching for Tanganyika to its east, and a showdown threatening in Northern Rhodesia, its only other external neighbour. If the rest of the Congo now begins to knit itself together

again, the outlook for Katanga separatism will become dimmer than ever. Mr Nwokedi, Mr Hammarskjöld's Nigerian political officer, may be discreetly but firmly pointing this out in Elisabethville.

## NORTHERN RHODESIA

### Mist of Change

MANY Africans believe that Mr Macleod's heart is in the right place; even more believe that his seat, in a Tory Cabinet, is not. That is why Mr Kenneth Kaunda, leader of the United National Independence party, and Sir John Moffat, leader of the Liberal party, flew to London from Northern Rhodesia this week to warn the British Government of the consequences of keeping a settler government in power in the country. The trouble is that Sir Roy Welensky has spent many months warning the British Government of the consequences of not keeping a settler government in power—and, aided by his Tory rebels and his public relations machine, Sir Roy may have got somewhere. Perhaps he has not got far enough, though; Sir Roy's emissary, Mr Julian Greenfield, has come to London to keep the settlers' end up.



Mr. Kaunda: representative African.

Beset by conflicting pressures in Rhodesia and Westminster, Mr Macleod has taken refuge in mystery. He told Parliament on Monday and Mr Kaunda on Tuesday that he would stand by the spirit and framework of the White Paper he issued in February. That could be made to mean a constitution which might put the Africans in, or the settlers in, or the Liberals in, or a combination of all three, or none of these things. What Mr Macleod wants to do may be the right thing: it is to let Africans and white Liberals take power instead of Sir Roy's United Federal party. What his position allows him to do could only be guessed this week. What is sensible for him to do is laid down in the Government's Monckton Report: this is to allow the representative Africans (which means Mr Kaunda's party) to win a majority of seats in the legislature.

## CHANCELLOR'S SPEECH

### Still Unspecific

THURSDAY midday passed without an announcement from the Bank, but the Association of British Chambers of Commerce did get a lunchtime speech from the Chancellor. The only positive step he had to announce was that he is going to make reductions in government expenditure—both at home ("some necessary programmes will have to be postponed") and, especially, in military and other expenditure overseas. Otherwise, although he insisted that he was making "no attempt to conceal the problems facing us of our national situation," he did very successfully conceal what he was going to do about it. He rightly picked out restrictive labour practices as one of Britain's main long-term problems, and was fairly specific about which he wanted to be changed: "the training of apprentices . . . surely could be made much more flexible and efficient," and "the complex trades union structure in many of our industries cannot work efficiently without a far greater measure of inter-changeability and co-operation." But his only remedy seemed to be that these things "should be brought out into the open for discussion between the people who understand the issues involved."

Similarly, he said that in his budget he had taken "a calculated risk in order to allow activity to expand"; and that "it is not enough to rely on taxation as a restraining force . . . there must also be restraint over the growth of pre-tax incomes." The "day cannot be put off much longer" when the country should realise that leap-frogging wage and other claims must stop. But he again implied that the process of stopping them should come only from "the hard-headed commonsense approach of a nation—acting through the rich variety of its institutions, through employers, trade unions, chambers of commerce, local authorities, trade associations, through the decisions of individuals—all working together for common purposes." As this passage followed shortly after his implied complaint that the trade unions were constantly unable to work together even among themselves about demarcation of jobs, and as his speech came the day after the confederation of engineering and shipbuilding unions had just formulated a large leap-frogging wage claim for three million workers, this hardly seemed to be an incisive peroration.

## IMMIGRATION

### Colour Bar Ahead?

THE Home Secretary, addressing a conference of Conservative teachers, has dropped another hint about present official thinking in the matter of West Indian immigration. "If you give the Government a little longer," he said, "we shall try to

find a solution as friendly to these people as we can, and not based on colour prejudice alone." There is no reason to suppose that Mr Butler, of all people, was conjuring up imaginary castles in Spain. His words must be taken as carefully chosen and be weighed as what they are: the clearest of several recent signs that the Government is soon liable to abandon the principle of free entry for Commonwealth citizens into this country. The most obvious system to replace it might be entry only for those who have got "work permits" or "jobs lined up" before they leave their homelands.

This is a depressing prospect, and it could be a movement along a very dangerous road. Economically, this country has gained considerably from the free flow of West Indian labour into it: under full employment the national income necessarily gains from the immigration of any active worker who is encumbered by less than the average number of non-working dependants—as most immigrants are. It is therefore hypocrisy to deny that colour prejudice will be the main reason for any new barrier. No doubt care will be taken to see that there is no overt race prejudice in the granting or withholding of any work permits, if that is the method used: but the fact that we may then keep out some Canadians or Australians as well as West Indians will not make such a step any better. It will make it worse.

No doubt it will be said that permits would always be granted liberally for Commonwealth citizens, at any rate in areas that are not already "overcrowded with immigrants" and especially for jobs for which Englishmen find themselves increasingly too fastidious; already public transport undertakings, hospitals and some local authority services could ill do without the West Indians, who perform unsavoury or unpopular duties. But if a "work permit" system is formalised, the logical consequence of it could be job-reservation, differential wages, less favourable treatment of Commonwealth than of European citizens if Britain joins the common market, and all sorts of problems when the particular jobs for which new immigrants have been given work permits run out. In what way then would the "tensions" of predominantly coloured districts be alleviated? Is placating Sir Cyril Osborne worth it?

## LAOS

### Slow Clap

IF the main attraction of the gathering of Laotian princes in Zürich was its advertised aim of getting the Geneva conference on Laos off the ground, then it is in danger of flopping badly. On Tuesday, a leading member of the cast, Prince Souvanna Phouma, was confined to his room after minor surgery, and there was no performance. Before that, the visiting communist



star, Prince Souphannouvong, had bewildered the audience by introducing unscripted lines, and the third celebrity, Prince Boun Oum, had said through a spokesman, in effect, that since the other two were in league with each other the plot really had two characters and not three.



Princes three: together, but still apart.

Less metaphorically, the differences already brought to light are profound and will not easily be bridged. The right-wing prince (Boun Oum) argues that since the neutralist prince (Souvanna Phouma) and the communist one have made common cause, they now constitute a united block. The unexpressed corollary is presumably that, if a government of national unity is to be formed, the communists might as well be represented by the neutralists. As if to justify this viewpoint, the two other princes began the talks by submitting a joint declaration defining Laotian neutrality. Prince Souphannouvong, however, maintaining firmly that those present stood for the three mainstreams of Laotian politics, argued that all three should be equally represented at all levels in the government, army and civil service throughout the country. This looks like a particularly mischievous extension of Mr Khrushchev's "troika" principle, which would give the Laotian communists a built-in veto over every aspect of public affairs.

This proposal is grotesque and unacceptable. If Prince Souvanna Phouma subscribes to it and Prince Boun Oum acquiesces in it, Laos will become ungovernable except on communist terms. It cannot seriously be suggested that this is a condition of neutrality. Political and military realities may make communist participation in the government unavoidable; but partition, or perhaps even the risks of continuing the civil war, would be preferable to the slow strangulation implied in Prince Souphannouvong's proposals.

#### PERSIAN GULF

### Backward

THE three Bahrainis released from St Helena by the ruling of a British judge have much to be thankful for. They have won a famous victory against the British Government, and have enjoyed throughout their struggle the dogged championship of Britain's Parliament and press. Now, in their triumph, they may be drily reflecting

#### NOTES OF THE WEEK

that, but for Britain's hastiness in snatching them out of their homeland after fourteen-year sentences were passed on them by a Bahrain court in 1956, they would still be prisoners today—in a Bahrain jail. No wonder they are delighted with British justice and hope for a second helping when they come to England next month. The question of compensation for their four years in British custody may then arise. They may have legal grounds. These Winslow boys of the Gulf secured their liberty on a fine point of law; the point may still have some prick in it.

But the political dilemma that faces the British Government is worse than its legal discomfiture. Mr Heath had his back to the wall when answering questions in the House of Commons on Monday. And a very stiff back it was. He had nothing gracious to say; he merely reminded his questioners that the *habeas corpus* writ on which the prisoners were released was granted, as he understood it, on the grounds of a defective warrant, not a defective trial. This appears to be true. Nor need it be forgotten that, whatever the nature of the trial, the charged men were responsible for political demonstrations which, though intended as peaceful, ran rapidly amok. The damage was great, the local reaction violent. But Britain is rash to have assumed responsibility for the kind of rough justice meted out by a country whose legal and social institutions are, by any standards, backward. This false political position is fundamentally more dangerous than any legal mistake. Bahrain goes but slowly in modernising its outlook and, however charming a toddler, must remain an embarrassing charge so long as it will not grow up.

### Forward

UNLIKE Bahrain, Kuwait has been filling out so well as a state with a truly sovereign character that this week the restrictive clauses in its 62-year-old agreement with Britain were annulled. In fact, these clauses, which related to foreign policy, ceased to operate some time ago. For many months now Kuwait has been free to accept foreign consulates and to join the United Nations or the Arab League. (It has not joined either, although it belongs to a number of other international bodies.) The annulment simply confirms its ruler's full liberty of action and celebrates his achievement in reforming his law courts and assuming jurisdiction over foreigners, a function handed over by Britain now that his courts are good enough. The future development of the relationship between the two countries is now up to the ruler. Britain still undertakes to come to his help, if he asks, against internal subversion as well as aggression from without. Thus Britain is committed to the ruler rather more than he to Britain. In brief, Britain still is responsible—if called upon so to be.

#### HOUSES

### Great Wen

MR BROOKE has been telling local authorities that plans will have to be laid for coping with a large volume of new housing development "outside the towns." The minister pointed out that present local plans, many of them drawn up a decade or more ago, do not allow adequately for the continuing increase of the population. Nor do they allow for the present trend towards having fewer people in each house, a trend which in southern England has already increased the demand for dwellings by 10 per cent. Since Mr Brooke was addressing the Rural District Councils' Association, his remarks have been represented as conjuring up a vision of new development sprawling rapidly across the English countryside. In fact, however, he quoted all the usual policy desiderata: the need to guide the new development to suitable places by firm planning, while protecting good agricultural land, green belts, the beauties of the countryside, and so forth. If anything, his speech underestimated the scale of the problem.

Since employment is still growing in Greater London while population moves out, the pressure for new homes in the surrounding region—already intense—seems bound to increase further. The high price of building land anywhere within 40 miles of Piccadilly is ample evidence that the planning authorities are not allocating nearly enough land for new development. As the minister implies, this policy must be changed. But where are the new homes to go, apart from those which should certainly be provided by encouraging redevelopment and improved housing within the inner suburbs of London itself? If new homes are scattered among 200 smaller towns and 2,000 villages in southern England, the main trouble will not simply be that the countryside will wilt under this mass invasion. It will be that, while the housing problem will be eased, traffic and communications with London will become chaotic.

If the development of southern England is to be sensibly guided, it is imperative that the magnetism of London to commuters should be reduced and that many of the new houses should be concentrated in fairly large towns, which can develop local sources of employment and offer other counter-attractions (such as good shopping centres) to the pull of London itself. This calls not so much for a new instalment of the new towns programme, as for the development of what might be called sub-regional centres. They should be loosely linked with London but be larger and more distant places than the present new towns. Might not such towns as Northampton, Peterborough, and Ashford be deliberately developed in this way, and act as focal points for other expanding towns and villages in their vicinity?



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## Where are the biggest fish caught?

Blue holds a twofold national  
off its coast they catch (a) the  
(b) the most fish.

most nourishing item in any  
account hors d'oeuvre is probably  
whether it's the old world's  
thymus thymus or its rather  
Californian cousin: at least two  
tunny have been caught off  
as Eden (A.D. 1555) said,  
ed good fasshe' indeed.

as good, though smaller, are the  
t by the men of Hull, who go  
the sea in the world's largest  
modern fishing craft.

that makes life worth living, so  
the best is . . .

in the North



on the North - GRANADA TV

## Where can you see furthest?

Shell Bank, Cheshire, the largest  
scape in the world has been  
by Manchester University. It  
in diameter, and cost £700,000.

request of Soviet scientists, it  
the first spunk at a distance of a  
niles, and kept both first and  
outils under constant observation  
etled the world.

entific and technical development,  
of the best is . . .

in the North



on the North - GRANADA TV

## Where was the home of

## Where do they make most music?

# 9

## 'mosts' in the North

The Television Audience Measurement  
figures for the four weeks ended 30 April  
show that the Northern Area is the largest  
ITV region in all respects.

|                                                      |           |
|------------------------------------------------------|-----------|
| Most homes viewing . . . . .                         | 2,922,000 |
| Most viewers . . . . .                               | 9,625,000 |
| Most women . . . . .                                 | 3,695,000 |
| Most housewives . . . . .                            | 2,890,000 |
| Most men . . . . .                                   | 3,540,000 |
| Most in age group 40 and over . . .                  | 3,835,000 |
| Most in age group 15/39 . . . . .                    | 3,400,000 |
| Most children under 15 . . . . .                     | 2,390,000 |
| Most average home viewing<br>hours per day . . . . . | 7,800,000 |

These figures for Granadaland are greater  
in all categories than those of 'Land X'—the  
next largest region.

from the North



GRANADA TV

## Where did Repertory Theatre

## Where are pots hottest?

There's nothing fancy about  
regional foods. Lancashire but-pot,  
shire pudding, Cheshire or Welsh  
cheese. They typify the solid we  
the north-country and its people.

Scattered around the spas and  
cities there are quite a few five-star  
and in the country inns of the Yod  
Dales, or the farmhouses of Ches  
the Peak District, you'll get the  
generous helpings of good plain food.

In cooking, as in the other arts, so  
of the best is . . .

in the North

and from the North - GRANADA

## Where are the best grouse shot?

When a British Prime Minister ca  
time for a few days' shooting, he u  
nakes for the Yorkshire moors; a  
'the Twelfth' comes round, London  
room chefs turn expectant eyes north

Some historic bags are on recor  
Blubberhouses, Yorkshire, one gu  
1,070 grouse in one day; on Be  
Moor, Lancashire, eight guns shot  
3,000.

In sport, for its own sake or to gra  
gourmet's table, so much of the best

in the North

and from the North - GRANADA

## Where did the bells rin wildest?

## A House Undivided

"THIS case will not lie down." In an  
impressive opening speech in an im-  
pressive debate last week, Mr Gordon  
Walker put forward the Labour party's case  
for a new inquiry into the affair of Timothy  
Evans and for the transfer of Evans's  
remains to his family for a Roman Catholic  
burial. No member who took part in the  
debate was prepared to announce his belief  
that Evans murdered his wife and baby—  
with the possible exception of Sir Hugh  
Lucas-Tooth, who was Under-Secretary at  
the Home Office in 1953 at the time of  
Christie's conviction as a multiple murderer  
of women in the house where Evans had  
lived. And Sir Hugh was really only con-  
cerned to defend the propriety of the way  
the subsequent Scott Henderson inquiry  
in 1953 was conducted. Mr Chuter Ede,  
the Home Secretary who refused to recom-  
mend a reprieve for Evans in 1950, has had  
the courage to admit that his decision has  
since been proved wrong.

Since 1953, the Evans case has not lain  
down. It will not lie down until Evans's  
guilt is established beyond doubt or,  
through the grant of a posthumous pardon  
and the transfer of his remains, he is given in  
death the benefit of the doubt he would  
have been given in life had the full truth  
about his fellow lodger Christie been known  
when he was tried. Mr Butler admits the  
doubts about Evans's guilt, but denies that  
a new inquiry could establish the truth and  
argues that Evans's innocence must be  
proved beyond doubt before a free pardon  
can be granted and the remains transferred.

It is true that a new inquiry might well  
not be conclusive. But last week Mr  
George Rogers, MP for the area where  
Evans and Christie lived, implied that new  
evidence might still be forthcoming. In any  
case, without a further inquiry, or at least  
without an impartial reappraisal of the  
whole affair (including the way the Scott  
Henderson inquiry was conducted) the  
public cannot judge whether the points  
constantly brought forward in favour of  
Evans's innocence are valid or not. Mr  
Butler was so impressed by the weight of  
opinion expressed in the House of Com-  
mons that he is "to continue thinking about  
this". Is he inhibited from taking action  
as long as the man who was Home Secre-  
tary in 1953, and accepted the Scott Hen-  
derson report without question, continues to  
hold office as Lord Chancellor?

## RUSSIA

### Pre-Gagarin

THE moon is not enough. Russian  
scientists, meeting in congress earlier  
this month, were not allowed to rest on  
Major Gagarin's laurels; indeed, they  
were the targets of criticism. Mr  
Kosygin, the deputy prime minister,

admitted in his closing speech that western  
science and technology were advancing  
fairly fast "in spite of their contradiction."  
Soviet science, on the other hand, he  
argued, is brilliant in some fields, but is  
not sufficiently responsive to the needs of  
the economy in others. He mentioned  
chemistry and electrical engineering among  
the culprits. The scientists were told that  
there was a lack of co-ordination and plan-  
ning, and a failure to put the fruits of  
research to practical uses. Mr Kosygin  
even suggested an exchange of patents with  
the West.

In the Soviet Union, the Academy of  
Sciences has hitherto been the responsible  
organisation in this field. It is a vast body,  
dealing not only with pure science and  
technology but also with philosophy,  
history, economics and literature. Each  
branch has its own institutes, laboratories  
and museums in different parts of the  
country. The academy now employs,  
directly or indirectly, some 300,000  
scientific workers. Yet, for some months,  
it has been under fire for the reasons men-  
tioned by Mr Kosygin. Its difficulties may  
account for the recent departure of its  
veteran chairman, Mr Nesmeyanov. His  
successor, Mr Keldysh, a 44-year-old  
specialist in mathematics and engineering,  
now has the task of streamlining the  
academy and improving its relations with  
the planners.

What the academy's critics have not put  
enough emphasis on is the striking con-  
trast between the modern and the back-  
ward in Russia. Factories using up-to-date  
equipment stand side by side with others  
that are totally obsolete. There has been  
spectacular progress in medicine, and yet  
there is still a shortage of basic medical sup-  
plies at the local chemist's. Efforts are  
now being made to close these gaps.  
Soviet expenditure on science has more  
than quadrupled over the last decade. It  
is largely on the contribution of science  
and technology that Mr Khrushchev relies  
to ensure the transition of Soviet society  
"from socialism to communism"—the  
increasingly fashionable slogan, which will  
dominate next October's party congress.

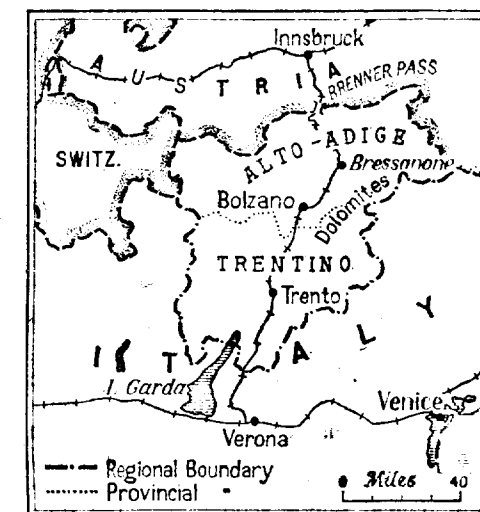
## ITALY AND AUSTRIA

### Alpine Flurry

TO most outsiders the bickering between  
Italy and Austria over the Alto-Adige,  
as the Italians call the area (it is South  
Tyrol to Austrians), looks like a storm in a  
teacup. But minor frontier irritations have  
a way of spreading dangerously. The way  
this one has flared up into terrorism in the  
last few weeks is a reminder that even  
though western Europe is moving towards  
unity it still cannot afford to let local  
nationalism get out of hand.

The inhabitants of the Bolzano province  
of Italy are the only significant German-  
speaking minority left in western Europe  
outside the frontiers of German-speaking

states. After the war, while Czecho-  
slovakia and Poland were solving their  
minority problems in a radical way by  
throwing the Germans out, the Italians  
reached a more sensible and humane  
agreement with the Austrians; they kept  
the province and its inhabitants in Italy,  
but agreed to grant it a measure of



autonomy at the same time. For some years  
things went smoothly, but since 1956 the  
Austrians have become increasingly dis-  
satisfied, holding that the promised auto-  
nomy has been incomplete. The Italians,  
on the other hand, alarmed by the increas-  
ingly vigorous demands for *Anschluss* with  
Austria by leaders of the local German-  
speaking group, have felt increasingly reluc-  
tant to let self-rule go too far. They fear  
that, if the province gained complete con-  
trol of its affairs, it might take the final step  
and join Austria.

The Austrians took the issue to the  
United Nations last November, and were  
told to discuss matters with the Italians  
once again. As a result Herr Kreisky, the  
Austrian foreign minister, and Signor  
Scelba, Italy's minister for the interior,  
met somewhat discordantly in Milan in  
February, and a little more harmoniously  
in Klagenfurt in May. They were to meet  
again in Turin on Saturday. But so far it  
cannot be said that a solution is in sight.  
The danger is that this petty dispute could

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become the focus of wider German nationalist feelings, in Austria, if not in western Germany. The Italian government is coming to recognise that there is a strong case for a determined effort to give autonomy more practical meaning. But the Austrian government, which on occasion has found it convenient to make Italy a whipping-boy on this issue, will have to give some ground as well. In the long run there is perhaps only one solution—to develop as close a political relationship between Italy and Austria as the French and Germans have managed to achieve. This vision, which inspired the original post-war agreement between Signor de Gasperi and Herr Gruber, has subsequently been lost.

#### PUBLIC SCHOOLS

### Fees Complex

LAST Friday's Commons debate on the public schools was interesting, if only for the acceptance by members everywhere in the House of the need to reduce the social and educational gap between the embarrassingly named public schools and the state educational system. Snobbery and social exclusiveness, however tacit, are still a by-product of a public school education: they are obnoxious to many and useful to none. This realisation may underlie the comments from some distinguished headmasters, who have welcomed the proposal to open some ten per cent of public school places to free (i.e. Government-paid) entry by boys from the state educational system.

But the second interesting feature of the debate was that the Government is rightly not inclined to favour this neo-Fleming approach to an embarrassing problem. At present, if "public school" is taken to mean schools whose headmasters are members of

the Headmasters' Conference, there are 117 public schools with 55,000 boys, of whom 37,000 are boarders; they account for about six out of every hundred boys between the ages of 13 and 18 who are now in secondary schools of all kinds. The Middlesex county education committee has worked out that it would cost as much to send one boy to Eton as to provide five county grammar school places. It is not easy to persuade local authorities that they or the state should skim off the brightest one per cent or so of boys from their maintained schools in order to spend five times as much money on them away from home (if their parents should happen to agree to a transfer) in the belief that this will then somehow marginally reduce the social offensiveness of the public schools.

This becomes even less easily defensible when it is seen as a device for subsidising from public funds bodies which are able to command a very high price for their services on a free market. The need is to nullify the public schools' undesirable aspect—that they encourage the survival of a hateful sense of social superiority among a minority of their less bright pupils—while retaining the quality to which all speakers in the debate paid tribute—that they provide an excellent education. The answer, as Sir David Eccles intimated, is to spend what money the Government can in making "the maintained system so good in quality and the choice for parents so wide, that an overlap between the two systems will become obvious to all parents." There is already quite a considerable overlap, which Sir David claimed to be "growing at a pace which one can really appreciate." When it is no longer backed by the real effects of superior teaching, the factitious superiority of public schools will fade away: this should be the aim of the reformers.

#### EAST AFRICA

### Building Blacks

HAPPILY, Mr Macleod is leaving his east Africans alone to build their federation; unhappily, so many people are on the job that someone may knock a block over and make it all fall down. A lot depends upon Mr Macleod's decisions about internal affairs in Kenya, Uganda and Zanzibar. The British Government's left hand has lately become unsteadier in African matters, and there is a danger that its right hand may force the Colonial Secretary to



Mr Nyerere: focus for federation?

go on keeping Kenya blacks in their—wrong—place. It is being said that Britain should grant self-government to Kenya in 1961 so as to bolster the power of the minority government led by Mr Ngala which the settlers and back-bench Tories prefer. The sensible policy for Mr Macleod, however, is to release Mr Jomo Kenyatta immediately and let him lead the majority party of a self-governing Kenya into federal talks.

Advance in Kenya is all the more urgent because without it Tanganyika's patience will come to an end and Mr Julius Nyerere will stop practising national restraint in the interests of a future federation. The leaders of Kenya, Tanganyika, and Uganda attended talks in London this week to see how an independent Tanganyika could continue to share common communications and technical services with the other two territories. These services are at present provided by the East Africa High Commission, a colonial institution. It seemed this week as if Mr Nyerere would be glad to retain these services after Tanganyika's independence in December, but on two conditions. The first is that his country's sovereignty must be made clear in a new formal agreement between his government and the High Commission; the second is that there must be some prospect of federation in the near future.

The High Commission is itself a useful base for a federal structure. But East

Africa has more. It has two common languages—English and Swahili; it has a common market; it has 80,000 indigenous whites to provide expertise; and it has the expressed desire of the nationalist leaders to unite in one country. But, as Mr Nyerere has pointed out, it will be harder to agree on federation if each country becomes independent separately, for then each government may be jealous of relinquishing its new status. Tanganyika's forbearance can, for a while, be counted on, but it is important to promote strong representative government in Zanzibar, Kenya and Uganda within a short time if the 23 million people of east Africa are to build what could be one of the most powerful and promising nations of Africa.

#### WEST INDIES

### Jamaica Ruminations



IN the wake of the West Indian constitutional conference that ended in London last Friday, some delegates have been attending a so-called "hangover" conference—the term rather aptly coined by Mr Macleod. If a tonic could help their hangover, Mr Macleod was equally apt in having one in his pocket when he spoke to the House of Commons on Monday. This was the bracing news that the United States is ready to take part in Britain's plans to step up development schemes in the West Indies that offer quick returns. Only a strong dose of foreign aid can ease the economic strains that threaten the federal structure. The small islands, still undeveloped, must harness their resources of land, water and labour (they have plenty of labour) and follow Jamaica's example in building up small local industries; otherwise they will remain poor relations, a drag on the federal kinship that is still more theory than fact.

The blue-print for a constitution that was drawn up at Lancaster House will, if accepted by the ten separate legislatures, assure the West Indian federation of independence in May, 1962. Pending its publication in a White Paper, promised soon, its principal features must be gauged by Mr Macleod's own allusions. A loose federation is contemplated; all the trickier

questions—taxes, freedom of movement and customs union—are either delayed for nine years or else consigned to solution by stages. This is less than keen federalists wanted, but as much as Jamaica could take. Even so, it is not certain that Mr Manley can, in his referendum, carry the Jamaican electorate into the federal fold. The natural detachment of an island is aggravated in Jamaica by the thousand miles that separate it from all the other islands. Yet the prospect of independence, a voice in the United Nations and potentially abundant economic aid should help to convince its people that the venture is worth a trial.

#### CENSUS

### Censure on the Scots

Nobody should want to do away with local customs in these islands: bagpipes, the kilt, haggis, oatcakes and lairds may all be held in affectionate esteem. But when it comes to the production of important national statistics, in particular the ten-yearly expensive census, surely it is high time to recognise the existence of Great Britain, and even of the United Kingdom? The Registrar-General for Scotland produced his preliminary report on the census at the same time as did the Registrar-General for England and Wales. (We still await the one from Northern Ireland.) It would be unfair to say that they are as unlike as chalk and cheese, but there are maddening differences which almost seem designed to make the use of the census by outside statisticians as difficult as possible.

Perhaps the special Scots nomenclature of large and small burghs and landward areas is too ingrained to disturb; and by all means let the Scots have their additional question on the census form about the number of their countrymen who can speak the Gaelic. But was it necessary to analyse

this question about Gaelic speakers among the preliminary findings and yet leave out acreage, the ratio between the sexes, the rate of growth or diminution of urban populations in towns of different sizes, as well as a count of households and dwellings? All of these other figures are recorded for England and Wales (although it must be regretted that the London authors make a bland comparison between the 1961 count of dwellings, including some unoccupied, with 1951 figures excluding them). A further minor irritation is to be presented with percentage changes in population since 1951 in England and Wales but a percentage ratio between 1961 and 1951 for Scotland.

If the Edinburgh Registry Office likes to display its independence, it cannot complain if the London one shows off its more accurate estimation (better luck or better management?). Between the censuses, annual estimates are based on births, deaths and migration, the latter being the headache. The population count in England and Wales on census day is now provisionally recorded as having been less than 0.05 per cent higher than the figure of 46.051 million which had been deduced in these estimates. The count in Scotland, on the other hand, shows a population 0.6 per cent lower than the 5,208,500 which the Scottish Office says was its previous estimate (but this 5,208,500 itself curiously implied no growth at all between June, 1960 and April, 1961 and the London estimate of the Scottish population was 5,223,000). Bearing in mind that estimates for smaller areas are likely to be wider of the mark, but also bearing in mind that the census itself contains errors and that nobody wants an accurate count down to the last head, it looks as if the real lesson of this census is that expensive full censuses are no longer necessary. Surely a sample will suffice? But, please, let it be for the United Kingdom.

## The Economist

JUNE 22, 1961

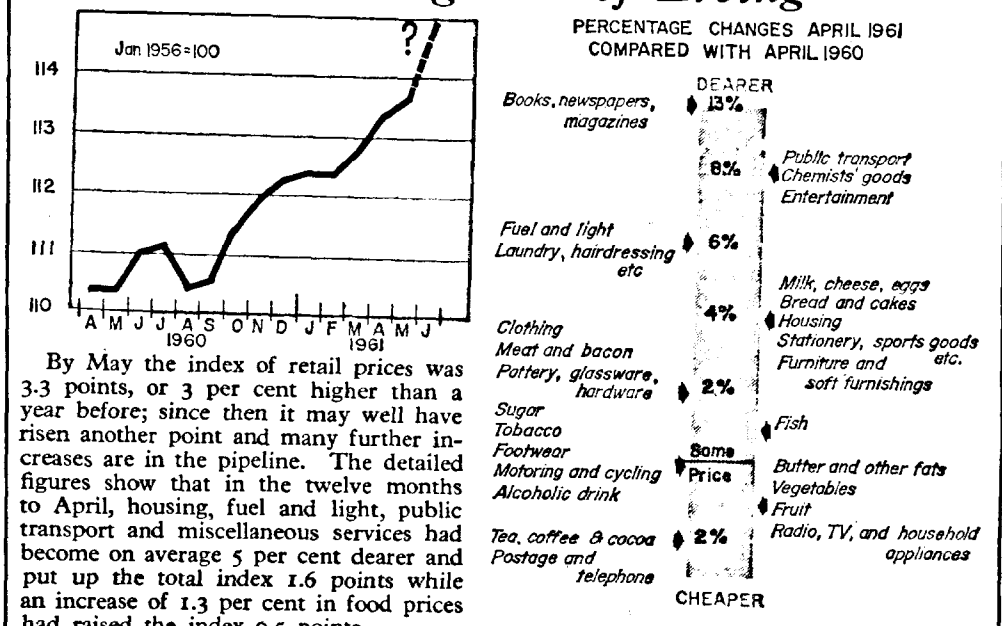
### BELLIGERENT PERPLEXITIES

Though till this week's accounts no blood yet appears to have been shed, except by riot, accident, or individual assassination, the war may be considered to have actually begun between the two halves of the severed Republic. At sea, hostilities have actually commenced, not indeed, by *bona fide* fighting, but by reciprocal seizures. The blockade of the Southern ports has been extended, in a more or less effective and more or less continuous fashion, and has now reached the busy city of New Orleans. Many vessels have been captured by the blockading cruisers, rightfully or wrongfully; some have been released, and others have been retained as lawful prize. Several more have been warned off, and obliged to return home or carry their cargo to other markets; and even, it is said, when there was no actual blockade to justify such a proceeding. Some of these ships were British. On the other hand, we learn that several prizes have been taken into New Orleans by the privateers of the

seceding States. We read also of British subjects in the South having been impressed and forced to serve in the volunteer ranks; and of British subjects in the North having spontaneously proffered their services to the Federal army. It is impossible at present to guess how much of truth and how much exaggeration there may be in these various accounts; but there is enough to raise the gravest uneasiness as to the difficulties which lie in wait for neutrals when two exasperated foes like the present belligerents take international law into their own hands. In every capture and in every stoppage of a merchant ship on the coast of America lie the almost certain seeds of a misunderstanding and a dispute, and the possible seeds of a bitter quarrel. Few seizures are so clearly rightful and legal as to leave no case for litigation or complaint; and where litigation begins between the wrong-doer and the victim with no tribunal of supreme and unquestioned authority to appeal to, war is seldom far off.

## The Rising Cost of Living

PERCENTAGE CHANGES APRIL 1961  
COMPARED WITH APRIL 1960



# LETTERS

## Europe and the Commonwealth

SIR—Those of us who respect *The Economist's* past are sometimes grieved by what it says nowadays. Last week, in a leader, you found something illiberal in those who have doubts about signing the Rome Treaty as it now stands.

I cannot speak for others; but my own doubts spring from the fact that I favour the greatest possible expansion of world trade, and in particular free trade in food and raw materials. Food and raw materials are at present imported into this country from the Commonwealth virtually duty-free, as they have been for generations. *The Economist* fought for and championed this system for at least a century.

The present common external tariff of the Six (according to figures given me last month by the Board of Trade) provide, as you are presumably aware, for the following import tariffs on the main foodstuffs: wheat, 20 per cent; beef, mutton and lamb, 20-24 per cent; bacon, 20-25 per cent; butter, 24 per cent; cheese, 23 per cent; tea, 18-23 per cent. Certain raw materials, now tax-free, would be taxed also. Since these taxes or corresponding import levies would apply to imports from the Commonwealth from which most of our food imports come, adherence to the present common market tariff would mean imposing these taxes on the bulk of foodstuff imports into Britain. Food prices, the cost of living, and all our industrial and export costs must rise; and the distribution of real incomes would be shifted still further to the disadvantage of the poorest.

Throughout the 1930s *The Economist* campaigned, consistently and honourably, for subsidies and not food taxes to support agriculture, because this was socially and economically more liberal. In a recent issue you shocked me by advocating the Common Market food tariffs, as if this was just a minor technical point. Do you no longer believe in either social justice or free trade?

Since the total value of imports on which the UK would raise tariffs (if we signed the present Rome Treaty) would vastly exceed those on which we should lower them, and since we should raise them against the greater part of the world, and lower them only against the Six, the result would be the biggest step towards protectionism taken since 1846.

Do you really want this? If so, to call others illiberal is to use English in a way more reminiscent of Orwell than of Bagehot. But if not, if you want to keep tariff-free food imports, as I do, why not say so?

We are told that the Common External Tariff on foodstuffs is still negotiable. If so, the UK in my view should require as a condition of adherence to the Rome Treaty that the Common External Tariff should be

zero on all goods now entering the UK from the Commonwealth tariff-free. On that genuinely liberal condition, I should enthusiastically support Britain's adherence to the Six.

For the whole of Western Europe would then be opening its markets to the primary, and other, products (I would not stop at primary) of the less developed continents. That is what we ought to do, in the interests of both our own population and the poorer countries, as is forcibly argued by Professor J. E. Meade in this month's "Three Banks Review" (pages 15-19); and not relapse into a narrow "European" protectionism. It is because I wholly agree with Professor Meade's arguments that I cannot accept the Six's present protective tariff.

And that is what *The Economist* ought to demand, if it has any respect left for the principles of F. W. Hirst, Bagehot, or almost any previous editor. For your own reputation, I still hope you may.—Yours faithfully,  
DOUGLAS JAY  
*House of Commons, SW1*

## Kenya

SIR—As I presume that your special correspondent lately in Kenya had access to the Treasury publication *Economic Survey*, 1961, issued shortly before I delivered my budget speech, I am surprised at the error which appears on page 791 of the article in your issue of May 20th last.

Your correspondent alleges that *per capita* income in Kenya is only £12 per annum. This is far from correct: in 1960, even on a 1954-deflated basis, it was £32. In money terms it was £35.6. Admittedly, these figures are based on mid-year population estimates which are probably too low, having regard to the results of the 1957 Tanganyika and 1959 Uganda censuses. But even if these estimates are adjusted upwards the *per capita* income in 1960 was, at £29 (1954 prices) or £32.2 (current prices), still very much higher than reported by your correspondent.—Yours faithfully,  
KENNETH MACKENZIE  
*Nairobi*  
*Minister for Finance & Development*

## End of a Monopoly

SIR—Your Business Note on June 10th does less than justice to the efforts of the Birfield Group to keep pace with, and even be a step ahead of, the motor industry in its vast expansion programmes since the war.

Universal joints and propeller shafts manufactured within the Birfield Group are produced by Hardy Spicer Limited in Birmingham, and I agree that, ever since that

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company introduced universal joints and propeller shafts for road vehicles to this country in 1925, it has been a monopoly producer. But this monopoly arose not because Hardy Spicer propeller shafts embodying Hooke's type joints enjoyed patent protection, but because the motor industry found it cheaper to buy the products of large scale manufacture than to make the shafts themselves.

Between 1952 and 1958 Hardy Spicer Limited supplied their complete propeller shafts to the British motor industry at less than cost for five of the seven years; this was made possible solely by profits resulting from replacement business, but we believed it was right to make this contribution to keep down the cost of cars, particularly for export markets. So much for the benefits of "enjoying" a monopoly! During this period our selling prices were far below any other manufacturer's in the world.

Since large-scale car production was resumed after the war, great expansions of Hardy Spicer manufacturing capacity have taken place, culminating in 1959 with the opening of an entirely new works having a floor area of 675,000 square feet. Weekly production rates of propeller shafts averaged 20,000 in 1953, 33,000 in 1955, and 45,000 in 1959. The new factory is the largest universal joint plant in the world and is the most fully integrated, making almost all of its own tube (at times up to 75 miles per week) and its total requirements of needle roller bearings, running into many millions per week. No other propeller shaft manufacturer in the world makes these elements. The present output of propeller shafts from the Hardy Spicer factory covers 75 per cent of the British motor industry's requirements and not 50 per cent as implied by your article, while every major car and commercial vehicle manufacturer in this country is a current Hardy Spicer customer.

The Birfield constant velocity universal joint is also produced by Hardy Spicer Limited. Almost half a million of these joints have been delivered for use on the Morris Mini-Minor, the new Austin Seven and the Lancia Flavia. Not one failure of these joints has been reported to us.

Finally, until some car companies encouraged GKN to enter the propeller shaft market as an alternative supplier, at no time were the car production lines of this country held up for supplies of Hardy Spicer shafts. Despite our good record we can appreciate, however, that some car manufacturers felt reluctance to rely on one manufacturer alone for these essential components.—Yours faithfully,  
H. E. HILL  
*London, W1*  
*Chairman, Birfield Ltd.*

## Chilean Agriculture

SIR—In your issue of April 22nd last, an article under the heading "Agricultural Paralysis in Chile" purports to give a picture of the agricultural situation in my country. There are so many erroneous statements in the article that it would not be

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possible in this reply to refute them one by one, so I will refer to a few of them only.

The chief point you make—in accordance with your headline—is that of "agricultural paralysis." The last comparable international figures available are to be found in the FAO Annual, corresponding to the year 1955, and are as follows:—

### INDEX OF AGRICULTURAL PRODUCTION 1934-38=100

|                      | 1954-1955 |
|----------------------|-----------|
| Portugal .....       | 125       |
| Spain .....          | 100       |
| Sweden .....         | 113       |
| United Kingdom ..... | 139       |
| Canada .....         | 120       |
| United States .....  | 151       |
| Argentina .....      | 116       |
| Brazil .....         | 134       |
| Chile .....          | 136       |
| Colombia .....       | 166       |
| Cuba .....           | 138       |
| Australia .....      | 116       |
| New Zealand .....    | 117       |

In subsequent years the average rate of increase in production has been higher. Anyone who speaks of "paralysis" in reference to an agricultural production with an annual increase of more than 2 per cent has simply not examined the matter objectively.

You say that the Central Valley is fertile, well irrigated from the snows of the Andes, and semi-cultivated. We do not understand how it can be maintained that irrigation is "easy." The country has 1,200,000 hectares of artificially irrigated soil, of which four-fifths were provided with irrigation by the farmers themselves, while the remaining fifth was undertaken by the State. 85 per cent of these projects resulted in loss to the agriculturists, 45 per cent of whom were ruined. Those who managed to carry on did so through their having at their disposal ample funds derived from other activities, particularly mining.

Irrigation is provided in the form of canals, some of them over 100 km long. It is not uncommon for farms to be 30 or 40 kms away from the source of the water supply. This is because the "fertile Central Valley of Chile," as you call it, has no rain for seven or eight months of the year, and all the rainfall takes place in winter—one of the conditions least favourable to agriculture.

You say that almost two-thirds of the seven million inhabitants of Chile live on the land. The facts are the exact contrary: one-third of the population lives in the country and two-thirds in the cities.

You say that statistics are easily obtainable in Chile and that the larger part of the fertile properties of the Central Valley are in the hands of a small number of landowners. Statistics of landed property in Chile are compiled solely on a geographical basis. Our country is mountainous and its land differs greatly in quality. In the province of Santiago 52 landowners have 14,656 hectares between them; this represents 0.5 per cent of landed property, occupying 57.3 per cent of the province. An analysis of these properties gives us the following table:—

### LETTERS

#### AVERAGE AREA OF FIFTY-TWO LARGE PROPERTIES

|                                                     |                  |
|-----------------------------------------------------|------------------|
| Total area .....                                    | 14,656 hectares. |
| Sterile land .....                                  | 4,541 "          |
| Land suitable only for pasture .....                | 7,470 "          |
| Land partially irrigated .....                      | 133 "            |
| Land permanently but insufficiently irrigated ..... | 40 "             |
| Land permanently and sufficiently irrigated .....   | 93 "             |
| Land totally unirrigated .....                      | 2,377 "          |

The above shows that of those "uncultivated properties," totalling 57.3 per cent of the Province, only 3.8 per cent are really suitable for intensive cultivation—in other words, they consist of huge areas of mainly infertile soil. The national statistics with which you suppose us to be so well provided have not taken into account these less known figures of our national economy.

Agricultural workers, whom you say are so poorly paid, are the owners of 16 per cent of the cattle, 23 per cent of the bloodstock, 5 per cent of the sheep, 31 per cent of the pigs and 21 per cent of the goats. In other words, they are the only type of worker in Chile who own important means of production, although statistics, supposedly accurate and impartial, would seem to prove the contrary.

You say that, owing to the disastrous condition of Chilean agriculture, the mortality rate in the country, according to official sources of information, "is surpassed only by that of Egypt." This is utterly untrue. The mortality rate in Chile is 12.8 per 1,000. This is the same as Colombia, less than Ecuador (14.8), but higher than countries such as Venezuela, Peru, Uruguay, some of which do not include in their figures their indigenous populations. In Europe, the mortality rate is similar to that of Chile: Austria, 12.2; Belgium, 12.2; France, 12.2. The United Kingdom rate is 11.7 and in Scotland 12. The mortality rate in Egypt is 18.4 per 1,000, and is not the highest in the world. These figures are taken from the United Nations Yearbook for 1956.

Our country, like the whole of Latin America, has many problems. With a rise in population which is not appreciated in Europe, it is necessary to increase food production very much more in order to raise our standard of living. The conditions of rural life must also be improved, as an essential part of the general struggle towards greater economic development. It will be difficult to find adequate solutions to these problems if the basic realities are distorted and if false interpretations of fact are allowed to go unchallenged.—Yours faithfully,

GUILLERMO NOGUERA  
President, National Agricultural  
Santiago, Chile Society

## Teachers' Pay

SIR—I am President of Middlesex Secondary and Technical Teachers' Association—a branch of the National Union of Teachers. On June 8th our General Meeting decided that the present salary award

should be rejected. May I be permitted to give you some of the reasons for the rejection of the proposed scale and to reply to the note in your issue of June 10th?

We object to your saying that it is the young teachers and the militant training college students who are responsible for the executive's decision to reject the scales. Those members of the executive who voted for the rejection are either teachers of long service or head teachers. Also the attendance at local associations is mostly made up of teachers of long standing.

We object to the structure of the proposed scale. If you have a scale of £600 to £1,000 spread over 16 years the average increment is £37 10s. a year. The proposed scale starts off with an increment of £5—that is, less than 2s. a week. This is an insult. Then the scale proceeds by increments of £30 a year, so that by the fifth year the proposed Burnham scale is £192 10s. less than the regular incremental scale. The "booster" increment which you praise so much just brings the proposed scale into accord with the regular £37 10s. incremental scale. Then the proposed Burnham scale lags behind the regular £37 10s. incremental scale until the final year, so that over the whole scale teachers have lost over £500 on the regular incremental scale.

The primary teachers do not rest their case on having power when the new bulge comes into the primary schools. They rest their case on educational grounds, viz., that all stages of education are equally precious to the development of a child's mind and personality. Under the Burnham scales children under 13 are valued at one point, and the ages from 13 to 15 two points and from 15 to 16 four points, 16 to 17 six points and above 17 ten points. The point value of a school depends on the number and of the valuation given to each child, and the salaries of head teachers, of deputy head teachers and the number of posts in which payment is made above the scale depend on the number of points. We think that all children staying on to school leaving age should have the same point valuation, otherwise a feeling of inferiority creeps in.

We object to the start of the scale as this is too low. After long and expensive training these pupils start at a salary of £600 a year, which is about £11 11s. a week. The average wage of a manual labourer is £14 10s. 8d. a week, and of a clerical and administrative worker is £19 3s. 7d. Therefore the teachers' average wage on the new scale does not equal the manual labourer's until the fifth year of service. After the three year training which we hope will raise the status of teachers, all we can offer them is a compensatory increment of £5 a year.

In our opinion the length of the incremental scale should only be about ten years.

We now come to the real reason why you want these scales accepted. You say that "the money cannot be found." All of the other reasons for acceptance seem to be subsidiary to this. May I ask why the money cannot be found?—Yours faithfully,  
S. GALIN  
*London, N21*



## BOOKS

### *The Artful Reformer*

**The Mackenzie King Record, Vol. 1, 1939-44.**

By J. W. Pickersgill.

University of Toronto Press, London:  
Oxford University Press. 738 pages. 92s.

ONLY very rarely will there be such a subject for political biography as Mackenzie King. He understood politics as few men have; and he acted as he understood. His quality even gets through the wordy compound of autobiography and biography provided by Mr Pickersgill's book.

Shortly after King's death, MacGregor Dawson was commissioned to write an official biography. After years of work on the mass of King papers, he completed the first of three intended volumes, and it was excellent. But in 1958, when it was published, Dawson died. Responsibility for a second volume, covering 1923-39, was handed to another professional historian. For the 1939-50 period, Mr. Pickersgill—who served King as a civil servant, is one of his literary executors, and is now himself a politician—is preparing what he calls a narrative, of which this book is the first half. It consists mostly of such extracts as Mr Pickersgill thinks appropriate from King's voluminous diary. The pace, in this volume, averages little more than two days a page, although Mr Pickersgill has provided only the minimum of connecting material to make the diary extracts hang together. He has done this with skill.

Nevertheless, the result is an unsatisfactory falling-between-stools. King, by King, the diary in full, would be endlessly fascinating despite its wordiness. King screened by Mr Pickersgill loses a lot of life. The reason is obvious. Mr Pickersgill has a heavy stake in the public regard for King's surviving associates, including Pickersgill the Liberal politician. That is pathetically obvious when he describes Mr St Laurent as King's "peerless successor." Whether this means he was a better Prime Minister than the one other successor to date (Mr Diefenbaker) or better as leader of the Liberal party (where the competition is Mr Pearson) is unclear. But however those comparisons come out, there can be little doubt that, compared with King himself in both capacities, Mr St Laurent was a candle to the sun.

For the most part, however, Mr Pickersgill's involvement has a different effect. Trying hard not to show it, he fails to show many other things besides. He is inhibited. The narrative is bare and cold. It is almost

as if Mr Pickersgill, in his précis of the diary, had squeezed the juice out of King and then thrown a lot of it away.

Fortunately, there was plenty of juice to begin with. In the period covered by this volume we see King chiefly as the wartime negotiator. Internationally, this meant working closely with Roosevelt and performing with skill Canada's role as the hinge in the Anglo-American alliance. Domestically, it meant continuously walking a tight-rope to keep English and French Canadians from a disastrous quarrel. Because of that tension—which had torn the Liberal party in two in the first world war—there could be no wartime coalition government. Canada had to conduct six years of intensive war effort while party politics continued.

This situation made full demands on King's ability. But by then he had the powerful weapon, within his party and cabinet, of his own indispensability. Time and again he got his way by threatening to resign. As a result, there are in this narrative many points at which King's stuffy, pompous yet scheming nature shows at its least attractive.

These were the defects of a strangely isolated man. And that was also the real source of his much misunderstood strength. King was so successful—Prime Minister for twenty-two out of the twenty-seven years before he retired in 1948—that it has been easy for his enemies to represent him as a man determined to hold office at all costs, the archetype of the political manipulator. It was said of an earlier Canadian Prime Minister that, when he arrived at the gates of Paradise, he would immediately negotiate an honourable compromise between God and the Devil. If King's critics had thought of that, they would have left out "honourable."

But the critics were wrong. Recognising the necessity of compromise is the obvious part of the politician's art. The inveterate compromiser merely judges successfully which side has the bigger battalions, and by how much. King's greatness lay in his extraordinary resourcefulness in manoeuvring big battalions on to the side of the angels. Until he had got them there, he compromised patiently. But he knew what he wanted, and he judged with great accuracy the moment when he could act decisively to get it. And therefore he did not merely hold office longer than other Prime Ministers; he used his office to change his country far more than a less patient reformer could.

These qualities appear chiefly in the sort

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of domestic politics that are a minor part in Mr Pickersgill's story. For example, we see King rallying his wavering cabinet to resist powerful business pressure and keep main-line air services for public ownership. That is an especially significant incident. The penalty of having been so successful is that King is often now regarded as a man of the Establishment, North American big business style. There was more truth in the viewpoint of the delegates who unsuccessfully—but only just—opposed his election as party leader at the 1919 Liberal convention. They said he was a socialist. As that label is still widely misused in North America, he was. That is to say, his liberalism was of a variety—egalitarian, welfare-minded, interventionist—far removed from the nineteenth-century philosophy predominant in his party when he began to lead it.

King believed that, in a country too diversified for its politics to be strongly ideological, the gradual education of his party to the twentieth century was the practical way to successful reform. It was a slow way. It required him often to conceal his views, even to lay them aside completely for long periods; it intensified the personal idiosyncrasies of a lonely man. But politically it worked, on the whole, well enough. If Canada in the 1940s and 1950s had an unusual share of the virtues of a free society, it was thanks in considerable part to the measures of political conciliation, economic management and social welfare that the King style of government fostered. But the style did not, despite Mr Pickersgill's wishful viewing, survive.

### *Queen and Pawn*

**A Tudor Tragedy: The Life and Times of Catherine Howard.**

By Lacey Baldwin Smith

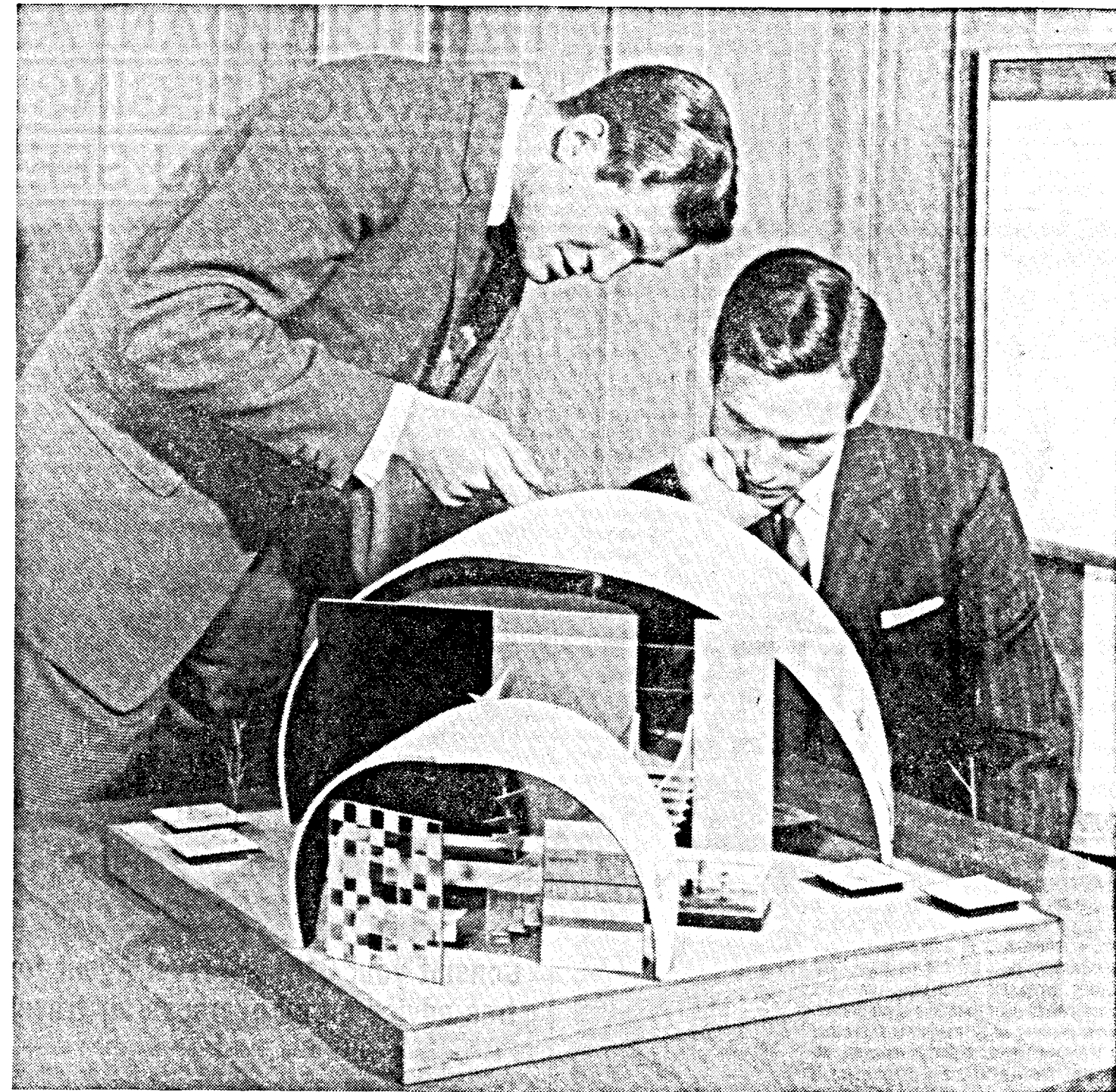
Cape. 222 pages. 21s.

It is appropriate that the jacket for this biography of Catherine Howard should be in the form of a jigsaw, for Catherine was in fact the central piece in a brief game of politics that had the overthrow of the king's chief minister, Thomas Cromwell, as its prize. Her importance lies in the part she plays rather than in herself. The facts of her life are simple. She caught the king's eye at a moment when he was being forced into a diplomatic marriage arranged by Cromwell in the Protestant interest. The conservative party led by Catherine's uncle, the Duke of Norfolk, and Bishop Gardiner saw in Catherine a possible means of increasing their own influence and overthrowing Cromwell. In this they succeeded, and the execution of Cromwell and the king's marriage to Catherine followed in logical sequence.

What the conservative party did not calculate on was the fact that Catherine was known to have had a lover (the unfortunate Francis Dereham) and was singularly un-

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1359



### The shape of Shell at Interplas

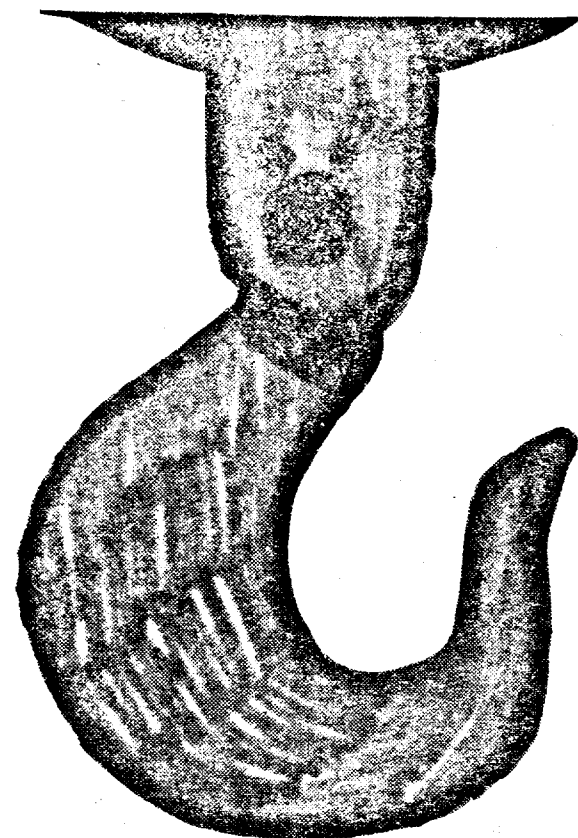
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AUSTRALIA'S INTERNATIONAL AIRLINE

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suited for the position into which they had thrust her. It was only a matter of time before the opposition party unearthed the early scandal (made worse by the fact that Catherine had found a place for Dereham in her household) and added to it evidence of another liaison contracted since her marriage. In spite of the fact that the ageing Henry was pathetically reluctant to believe the evidence, it was too circumstantial to be refuted. Norfolk and Gardiner dissociated themselves as quickly as possible and left Catherine to her fate.

As a subject for a biography Catherine is trivial; it is only in her setting that she has meaning. Mr Baldwin Smith's mastery of the background is so complete that his descriptions of society and politics, the court, the ramifications of the great Howard family, Catherine's upbringing in the household of her grandmother, carry the reader forward in concentrated fascination. There is only one other study of Catherine that comes near it, the fictional "Ramping Cat" by Christian Mawson with its haunting description of the Tudor police state. Mr Baldwin Smith brings together all the pieces of the puzzle, the brutality of the age, the danger of power politics, the pathetically vain and heedless queen. By making her part of her age, he has given Catherine a significance that in life she did not possess.

### Low in the Growth League

Investment and Growth in Mature Economies

By A. Lamfalussy.

Macmillan. 224 pages. 31s. 6d.

HALF of this book is about Belgium and half of it is about the theory of investment. The author, who wrote an earlier version of it as a thesis for the DPhil at Oxford, is economic adviser to a Belgian bank and lectures in economics at the University of Lille.

Belgium, like Britain, comes rather low in international league tables of growth. Another similarity is that, at least until recently, both countries devoted a relatively small proportion of their gross national products to investment. Here the similarity ends, for Belgium has rarely suffered from an excessive pressure of demand, so that labour has not been scarce even though there has been no expansion of the labour force. Furthermore, Belgian exports rose fairly rapidly in the years 1948-1957, which is the period covered by this study, while British exports unfortunately did not. Despite these differences, however, the Belgian record is not very satisfactory. Indeed, as Mr Lamfalussy points out, the behaviour of investment and the development of productivity have been rather puzzling. His purpose is to explain why.

The puzzle arises mainly because it appears that some Belgian industries which had a very poor profits record over the

period nevertheless invested quite heavily. One would expect prosperous industries to expand capacity by large investment programmes and to take resources from the industries that are doing badly. But it is surprising that there was so much investment in the less prosperous industries.

In an attempt to provide an explanation, Mr Lamfalussy devotes several chapters to the theory of investment. He ends up with a distinction between "enterprise investment" and "defensive investment." The former consists largely of introducing a large expansion of capacity to satisfy growing markets, while "defensive investment" occurs largely in response to squeezed profits and involves patching and improving existing plants rather than the construction of totally new ones. There is certainly something in this distinction and Mr Lamfalussy is right in saying that the theory of investment has neglected investment in declining industries. The distinction is not a very precise one, however, and can be formulated in everyday terms, although Chapter VII on defensive investment does provide some analysis of the determinants of this kind of investment. The trouble is that while the theoretical section of the book starts off fairly rigorously, as the argument proceeds more and more presumptions about the likelihood of this and that are thrown in. Consequently the proportion of logical demonstrations declines and is replaced to an increasing extent by mere assertions of plausibility. The theoretical section thus furnishes an account of what might happen rather than a set of testable hypotheses.

The result of all this is that when Mr Lamfalussy returns to Belgian experience in the last part of the book he is equipped to explain almost anything, and this is very nearly what he proceeds to do. For each of the nine industries for which he has figures he provides explanations of behaviour that verge upon the *ad hoc*, and then asserts that defensive investment was a large part of the total. His general conclusion is that the low pressure of demand and an unfavourable composition of exports kept profits low; this favoured defensive investment which, in turn, accounted for slow growth and low demand pressure.

The discussion is plausible, but no more. Belgian statistics are poor, which has hampered the author, who is commendably frank about the resulting limitations on his work. Thus, while he has not proved anything he has put forward some very interesting ideas and, what is more, has done so with unusual lucidity.

### Labour's Top Hat

H. M. Hyndman and British Socialism  
By Chushichi Tsuzuki.

Oxford University Press. 314 pages. 35s.

THE career of H. M. Hyndman provides many curious footnotes to modern British history. The son of a wealthy father,

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related to the aristocracy, educated at Cambridge, looking like a Governor of the Bank of England, living on income from international investment, Hyndman was certainly Britain's most bizarre socialist pioneer. His frock coat and top hat were at least as distinctive on open air platforms as Keir Hardie's famous cloth cap in the House of Commons. He never succeeded in becoming a Member of Parliament himself, although he dreamed of being chosen as Britain's first socialist prime minister. If Shaw had invented such a character he would have been accused of whimsicality and extravagance. The biography of such a man might well have engaged the attention of a great artist. As it is, Dr Tsuzuki, a Japanese scholar, has produced a careful and well documented study which is useful without ever being exciting. It is based on a number of scattered unpublished materials and on a most meticulous use of the socialist periodical *Justice*, which Hyndman and his friends first launched in 1884.

It is difficult to disentangle Hyndman's biography from the story of the Social Democratic Federation, which was his main instrument of purpose and power. Dr Tsuzuki provides much detail concerning this organisation, which in its way was as strange as Hyndman himself. It was never larger than a sect, yet it was continually being torn apart by sectarianism. It was Marxist in outlook, yet Hyndman was detested by Engels and in his turn detested Lenin. It included a number of men who

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## BOOKS

went on to found the Communist Party of Great Britain, yet Hyndman himself was a vigorous supporter of the war effort from 1914 to 1918 and even volunteered on one occasion to help the police investigate the activities of "German spy waiters" in London. It talked in tough working-class terms, yet it was suspicious of trade union initiative. All these incongruities were crowned by Hyndman himself, and Hardie was surely right to caricature the "quaint spectacle" of "a top-hatted, frock-coated member of the prosperous middle class sweating on a platform to prove his 'class-consciousness' with the poor worker."

To explain such incongruities requires endless patience and abundant insight. It also requires detailed knowledge of local conditions and of the kind of people who joined the SDF and its derivatives. Dr Tsuzuki has the patience, but he can hardly be blamed for not being able to give entirely satisfactory explanations. He offers a number, but they are not fully worked out. Hyndman was by family background and by political instinct a Tory rather than a Liberal. There was a place, although a strictly limited place, for a left-wing political organisation in Britain that was both by instinct and by design basically illiberal. The SDF filled this place. In other countries the place was an important one. Perhaps the most interesting of Dr Tsuzuki's observations relates to Germany, a country which Hyndman always disliked. The basic policy of the German Social-Democratic Party, Dr Tsuzuki suggests, was *mutatis mutandis* very closely akin to that of the very much smaller SDF, although the SDF, having no parliamentary representation, did not need to worry quite so often about the reactions of public opinion. If it had worried more about public opinion, it would certainly have been less bizarre. It would probably, however, have been forced to get rid of Hyndman.

These "ifs" seem to lie outside the logic of British labour history. The SDF itself is a footnote. Paradoxically Hyndman's continuous interest in Asia may have more abiding historical interest than his prolonged commitment in Britain. A Japanese scholar might have made more of this.

### Thuggee

The Yellow Scarf

By Francis Toker.

Dent. 227 pages. 25s.

TRANSFORMED by usage, thug has lost its original, specific meaning. Nowadays the image it conjures up is that of the brutal thief wielding a cosh. To the Victorians it had a different and possibly more sinister meaning, that of the strangler haunting the great roads of India. The thug found a place in Victorian fiction, including, it has been argued, "Edwin Drood," and like earlier brutalities thuggee took on certain

## THE ECONOMIST JUNE 24, 1961

romantic overtones. The strangling scarf (the rumal), the worshipping of the goddess Kali, the superstitions and the argot which the thugs, like other thieves before them, had developed tickled the sense of the macabre. But the plain fact is that this was murder for profit, a terror in a sub-continent used to terrors.

Thuggee went unchecked for hundreds of years, not least because the death of thousands of travellers, in a country of millions where hundreds of thousands perished in famines and pestilences, went unnoticed. In the end, the modern communications of railways and telegraphs would have killed thuggee; but, thanks to the dedicated efforts of one man, it was destroyed before the wires and lines were strung across India. Like all great detectives, Sir William Sleeman hated crime, and to destroy it fell back on the patient accumulation of fact after fact—one leading to another, one informer leading to the next. How ruthless he was it is now impossible to judge, but he has every appearance of being a just man. He deserved a biography, and Sir Francis Toker has written a worthy and pleasantly discursive one. In it, Sir Francis pays as much attention to Sleeman the Indian civil servant as to Sleeman the suppressor of thuggee, arguing cogently that it would have been better for India if Sleeman's policies in Oudh had been given a trial instead of the drastic surgery of annexation. But what emerges most clearly

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from the book is that Sleeman was one of humanity's servants. He was one of the great administrators who loved India and gave their lives to it. While it is as well to recall that, at the time Sleeman was working in Central India, the ruinous folly of the Afghan adventure was being perpetrated, the good has to be weighed with the dross.

### Londoners' London

What's Where in London: The BP  
Guide to Shops and Services

By Denys Parsons.

Kenneth Mason Publications. 114 pages.  
Paperback. 6s.

THIS is not another book about where to eat and drink. But if you want to buy bullet-proof waistcoats, aeroplanes, fountains, boomerangs, kangaroo soup, fried grasshoppers, false noses, cheese box labels; if you would like to compete with Madame Helena Rubinstein for Victoriana honours, stop a suicide, dump a baby, get your car safely home after a too-good cocktail party, take a sauna or a dry-skiing course, get rid of unwanted wedding presents, hire a detective or a jigsaw puzzle, have a lock picked at night, your ears pierced or your chest tattooed—this book will tell you a place to try in London. There must be getting on for a thousand addresses, with telephone numbers, of shops and service establishments.

If all this sounds a bit precious, there is more down-to-earth advice: such as where the handyman can go for special tools and materials and where to get repairs of many kinds done—repairs to clothing and other everyday things as well as to that antique clock and barometer bequeathed by Uncle Willy and that precious bit of Meissen given to the family by Aunt Emily. This book may also introduce the reader to some less well-known shopping streets like the pleasing St. Christopher's Place off Wigmore Street and entertain him with stories about the Portobello Road stallholders (but there is no mention of the Islington street market recently introduced to millions of televisioners).

There will be complaints that some particularly good shops and craftsmen have been left out. Send such complaints to the author. He invites suggestions and this book deserves to go into a second edition.

### Precursor of D-Day

Salerno

By Hugh Pond.

William Kimber. 256 pages. 30s.

BIT by bit the remaining chinks in the history of the second world war are being filled in. The battle of Salerno is one of these. In this wide bay south of Naples was mounted in September, 1943, the first

## BOOKS

large scale opposed landing on the continent of Europe, the precursor of the Normandy landings. But it came near to disaster. The British and American troops of the Fifth Army, tensed up for the battle ahead, heard over the ships' radios the news of the surrender of Italy. They relaxed, expecting a walkover—only to find themselves facing highly efficient German divisions, hardened in the Russian campaign. Nothing but the ferocious pin-point shelling of the Allied navies enabled the precarious beach head to be held.

Major Pond brings out well the peculiarly grim aspect of the whole Italian campaign which was already apparent at Salerno—the fact that it was fought in a highly populated country, with civilians and beautiful buildings caught helplessly between the two massive military machines. It was at Salerno that "the red hot rake of the battle line," as Churchill called it, was first thrust into the Italian soil, to be drawn remorselessly up the length of the peninsula.

This book also throws some further interesting light on the mutiny of the 192 ex-Eighth Army men, sent ashore as reinforcements at Salerno for the Fifth Army, who refused to move off the beach because they wished to return to their Eighth Army units. Their attitude has been widely excused as an excess of regimental loyalty, but Major Pond argues that another, less creditable factor was also involved. Many of the men had heard that the Eighth Army units to which they had belonged were about to be posted home in readiness for the Normandy landings, and they wanted to get back to Britain.

Major Pond tells the story of the battle in considerable detail, but the shape of the battle as a whole tends to get lost. This is partly due to one cardinal error—there are no maps other than a general sketch map in the end pages. To tell the story of any battle, maps are important. For a confused battle like Salerno they are essential.

## OTHER BOOKS

YOUNG EUROPEANS' TRAVEL GUIDE, 1961. By Peter Latham. MacGibbon and Kee. 276 pages. 21s.

This book will be of great help to young people wanting to holiday abroad at low cost and at maximum profit. The first chapters give information on youth hostels, voluntary work camps and international organisations, and the last two on group hostels and "workers abroad" respectively. In between, each country has a chapter to itself. Information is given on travel, university courses for foreigners, sporting holidays (with particulars of camps), festivals of the arts, students' hostels, and so on. Wherever possible, current prices are given. The book is well indexed.

AMERICAN SUFFRAGE FROM PROPERTY TO DEMOCRACY 1760-1860. By Chilton Williamson. Princeton University Press. London: Oxford University Press. 306 pages. 48s.

This is a scholarly study of the broadening of the suffrage in the American states before the Civil War; it challenges the Turner thesis that the influence of the frontier was responsible for the ending of restrictions on voting rights in the east.

## Famous pencil sharpener gets the sack!



"Stubby" Carver, as millions will remember him

"Stubby" Carver, the man who cut himself out a reputation as the world's finest pencil sharpener, is out of a job.

Yesterday, after 43 years as Personal Pencil Sharpener to the Chairman of Britain's largest importers of camel saddles, he was told that his services were no longer required.

The Chairman has bought himself an electric pencil sharpener.

"Zum noo-fangled gadjit" was Stubby's description of it.

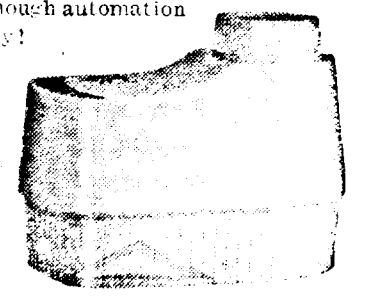
But the Chairman told our reporter: "It's fantastic, Sir. Entirely automatic, y'know. Not even a switch to press. You simply dip your pencil in, hold it there just a couple o' seconds, and you've got a perfect point."

"It's an immaculate-looking instrument too (not like old Stubby!). Self-contained... no flex trailing about. Looks extremely smart on me desk."

Stubby's dismissal is causing consternation in the pencil sharpening trade, and a Union meeting has been called for tomorrow to "ascertain the seriousness of the situation."

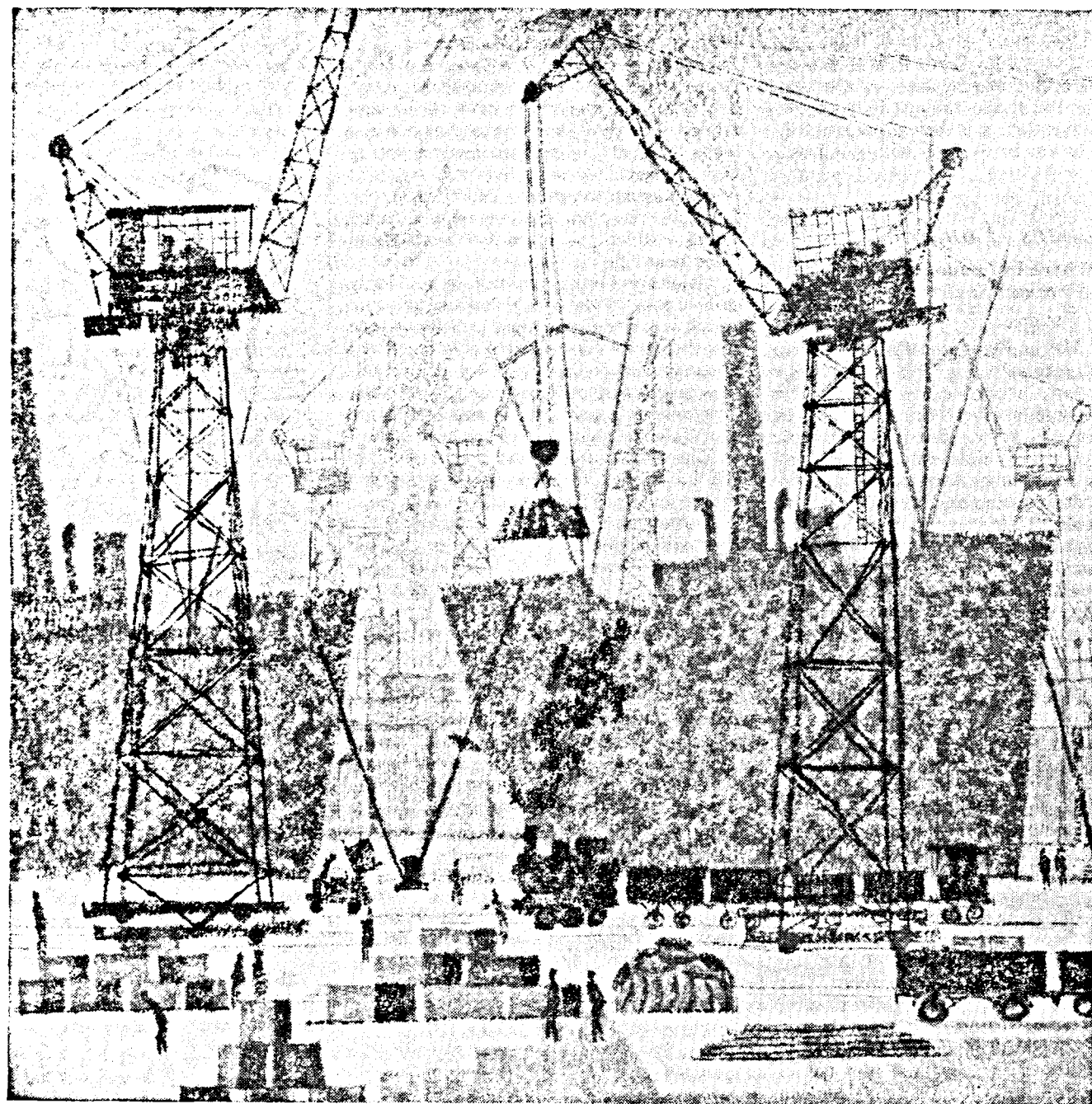
Meanwhile, businessmen all over the country were today sending their secretaries out to buy Kent Kordless Electric Pencil Sharpeners. It looks as though automation is here to stay!

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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.

## Protection Against Protection

WASHINGTON, DC

**A**LTHOUGH the major battle over foreign trade is still a year off, the Kennedy Administration is already involved in skirmishes on minor issues. The showdown will come next summer when once again it will be time to renew the basic code that regulates trade policy. This is the Trade Agreements Act of 1934, the law that transferred the power to regulate tariffs, within specific limits, from Congress to the President, and authorised him to negotiate with other countries for reciprocal reductions. This system, which replaced the 1931 Smoot-Hawley legislation, the highest and last specific tariff Act, has stood ever since, although there have been many amendments as it has come up for its periodic renewals. These amendments, largely the result of intense pressures from various industries seeking protection and from Congressmen who sympathise with them, have made an unholy tangle of American trade legislation.

On the one hand, the law has been widened to enhance the President's authority by giving him additional percentage margins within which he can negotiate further cuts in duties. On the other hand, his authority has been restricted by the introduction of procedures whereby an industry can appeal against reductions made by the President, if it can prove that these bring injurious competition from abroad. While protectionist-minded Congressmen and industries have nothing but scorn for the protection actually afforded them as a result of the way in which succeeding Presidents have administered the Act, economic liberals consider that the restrictive amendments have made the Act unworkable as an instrument of modern trade policy. So the battle takes shape. The protectionists talk of diluting the President's authority still more, while the Administration and the liberals talk of something "all new," such as power to cut tariffs across-the-board for purposes of negotiation with the world's new trading groups, aid from the federal government to help injured industries to adjust themselves to new ways of making a living, and the placing of tariff protection (if any) on a self-terminating basis.

There have been several attempts to probe the atmosphere for liberalisation of trade in this year's session of Congress. One failed and two others are starting. The failure was an amendment to the depressed areas Bill which would have given special aid to districts where economic distress could be traced to competition from imports. This was a try-out of the "trade adjustment" scheme that the liberals hope to insert into the 1962 trade law. But rather than spoil next year's plan with a partial substitute, and rather than risk this year's depressed areas programme by a fight over foreign trade, the amendment was excised.

Other moves and counter moves have been made in congressional committees. A subcommittee of the House of Representatives has started a summer-long series of hearings on "the impact of imports and exports on American employment." The subcommittee's membership is so much slanted to the side of protection that the group intentionally picked a liberal professor as its staff director. They started their inquiry, into coal and competitive fuels, last

Monday. On the following day, as if in quick rebuttal, a subcommittee of the Joint Economic Committee of the House and Senate announced the appointment of two nationally-known personalities, Mr Christian Herter, the former Secretary of State who made his name in Congress fifteen years ago with a study on the postwar need for foreign aid, and Mr Will Clayton, who was Under Secretary of State for economic affairs at that time, to make a report on foreign economic policy by October 1st. These studies will produce no law but will provide ammunition for the contestants for next year.

There are more immediate issues arising either from the old trade law or from challenging developments around the world. Already President Kennedy has turned down recommendations from the Tariff Commission for higher duties on two kinds of cord, and now he is faced with three more such requests affecting mosaic tile, baseball gloves and flat glass. Each is terribly important to the manufacturers concerned, and thus a terrible headache to the unhappy officials who must decide them. More cases are in the offing, but the important cases are not—indeed they rarely are—matters for the Tariff Commission: they concern the chronically depressed textile and lead-zinc industries. The Kennedy Administration has not yet devised a way to quiet the prolonged agonising of either one but for both it holds out hope in a new approach, through multi-national agreements.

The textile industry was recently invited by the President to lay its case for protection before the government authority of its



**T**HE Department of Commerce is determined that there shall be no slackening of the recent improvement in sales of American goods abroad; the growth in exports in 1960, which has continued this year, is one of the main reasons why the balance of America's international payments is no longer a matter of immediate concern. To assist industry to expand exports

still further is the purpose of the trade centres being set up under the sponsorship of the United States government in various countries. The first opens next week in London, very suitably since Britain buys more American goods than any other country except Canada. It will be a permanent showroom for American products and a source of information, contacts and encouragement for would-be American exporters and would-be British importers.

The articles which will be displayed to buyers for British shops, but only incidentally to the general public, will be chosen because they offer something different from those produced in this country. The opening display will be of household goods—everything for the kitchen, bath, patio and laundry room—and will be followed by other exhibits devoted to those categories of American goods which are thought most likely to succeed in Britain. The centre will also help to promote increased travel to the United States.



choice; it chose to go to the Office of Civil and Defence Mobilisation, which deals with appeals against tariff reductions based on claims that the "national security" is being threatened by imports. The invitation was not intended to be an open-handed offer of the protection the industry seeks (though the Administration was pleased to have the industry pleased with the prospect); rather it provides a club in the closet, an "either-or" proposition meant for consumption abroad. Either the nations will agree to help each other with the problems of this industry (which is rated as "basic" in America) or the United States will help itself. (In fact, only one industry has received protection so far on national security grounds—oil, the industry for which this excuse was written into the law.) Mr George Ball, the travelling Under Secretary of State, has arranged a much advertised conference in Washington this week of countries which import textiles. In preliminary talks, low-cost producers in Hongkong are being asked to cut exports to the United States by 30 per cent, and other industrial countries are being requested to siphon off more of the abundant supply of textiles from less-developed countries than they have done so far. A formal agreement on cotton textiles between producing and consuming countries is to be discussed later in the summer; wool and silk will be taken up at a still later date.

Lead and zinc form part of the "commodity problem," the problem of underdeveloped economies dependent on one natural resource—or a few—which are producing too low an income, at present prices and rates of sales, to sustain the necessary growth of the economies concerned. Domestic lead and zinc interests are active in promoting a Bill now before Congress which would subsidise small mines. The Department of the Interior evidently wanted to support the Bill, but the White House refused. No international conference on lead and zinc, as such, is planned, but there is a new official willingness to talk about international commodity agreements.

The willingness is generated primarily by the over-supply of coffee, and of sugar, and the effects of this on Latin American countries. But at present the United States wants to maintain

an open position, uncluttered by new protective devices, particularly as it prepares for the first session of the "Alianza Para Progreso" in Montevideo, which is to foster social and economic development in the western hemisphere. All that officials will admit that they have in mind is to enter into discussions with other countries; they do not know exactly what is in store, but feel sure that it is something worthwhile.

The commodity problems of the underdeveloped countries tie in, of course, with the new regionalism among the developed. Europe's "Six" have been told that the United States opposes any freezing out of Latin American products in favour of the former African territories of the members of the European Economic Community. On the common market, the United States has two positions. For the world to hear, it urges passively that Britain become a member provided that this does no violence to the aim of political integration. For the ears of the interested parties, the United States is "pushing like mad" (to quote one official) to get Britain in for political reasons.

The Kennedy Administration has enjoyed two pieces of good fortune in its wrestlings with international economic issues. Both the crisis in the balance of payments abroad and the recession at home "bottomed out" soon after the President was inaugurated. The bottom is not the end of such difficulties, but it is the end of mounting pressures to do something drastic. The forces working for protection are powerful even without the pressures of a slump in jobs and an outflow of gold to reinforce them. But, however powerful they may be, the Kennedy Administration is looking outward toward liberalisation, not inward towards restriction.

## TNT in Washington

WITH President Kennedy's firm message to Mr Khrushchev last Saturday making it clear that in his opinion the Soviet Union is no longer interested in concluding a treaty banning nuclear tests and with the recall of Mr Dean, the leader of the American delegation at the negotiations, it is being taken for granted that it is only a matter of time until atomic testing is resumed in the United States. To assume this, however, is premature. Apparently the Americans have not yet even completely rejected the Russian proposal that negotiations on a test ban should be merged with those on disarmament which are being discussed with Russian representatives in Washington this week. The presumption is that the United States will not itself break off the negotiations on a ban, even if it undertakes nuclear tests. The procedure is likely to be "test 'n talk"—the TNT approach—accompanied by constant efforts to explain to the world that the refusal of the Russians to co-operate must be blamed for the resumption of testing.

The recall of Mr Dean from Geneva has two purposes: firstly, to warn the Russians of the nearness of a breakdown in the conference, without incurring world opprobrium by a premature withdrawal; secondly, to check the growing agitation in the United States for a resumption of tests while the domestic and foreign implications of such a resumption are being assessed. While the balance of opinion in America is shifting, at present it favours a continuance of the existing unpeliced moratorium on tests. Resumption is still firmly opposed by the President and his scientific advisers, by the Cabinet and by the State Department and also by American Ambassadors to India, Japan and other countries who feel that the effect of renewed testing of goodwill towards the United States would be deplorable, especially after the Cuban intervention. Favouring resumption of tests, but not of indiscriminate ones, are many defence chiefs, many leading scientists and above all Congress's influential Joint Committee on

Continued on page 1368

## New Look at Credit

FROM A SPECIAL CORRESPONDENT

THIS week the Commission on Money and Credit made public a 300-page report which took almost three years and over \$1.3 million to produce. It has been hailed as the first full-scale examination of the American monetary system since the investigation fifty years ago by the National Monetary Commission which recommended the formation of a central bank along regional lines and is regarded as the progenitor of the present Federal Reserve System. But it is doubtful whether the new commission will gain as notable a reputation, simply because it is fairly content with the way things have worked. It finds no need to propose any basic "overhaul of our financial structure," but concentrates on reform through a great many small changes.

Moreover, unlike its predecessor, the present commission has no governmental standing. On the contrary, it was established only after Congress (which could not agree on who should conduct the investigation) refused to approve President Eisenhower's request for an inquiry by a group of private citizens. Instead the Committee for Economic Development, a non-partisan association of forward-looking businessmen, with the aid of a grant from the Ford Foundation, selected twenty-five citizens with varied backgrounds—in labour, commerce, banking, government and farming—to carry out an independent study.

The report reflects the size and diversity of the commission which on many controversial issues either failed to reach a consensus and suggested further study, or else favoured the obvious compromises. The document lacks the cohesiveness of the Radcliffe report which, whatever its faults, provided a new insight into the workings of the British monetary system. The American study ranges over a great many areas—monetary policy, fiscal policy, the public debt, private financial institutions, government credit programmes, international monetary relations—and had the benefit of over 100 separate projects undertaken by its research staff. But the study suffers from its piecemeal nature; the parts are somehow better than the whole.

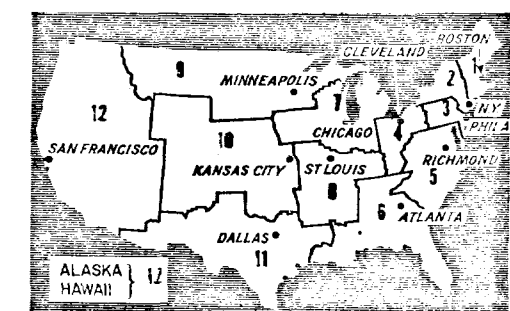
NEVERTHELESS, its major conclusions are logical and constructive; they call for greater centralisation of the Federal Reserve System with the aim of transforming it into a wholly unified central bank and for greater co-ordination between the Fed and the White House in the formulation of national economic policy. And many of its recommendations for improving the private financial system are bold enough to provoke opposition from specific groups which would be affected if the commission's proposals were to be adopted. For it wants to see a relaxation of the state barriers against branch banking, something which is regarded as heresy by independent unit banks; liberalisation of in-

vestment policy for banks and other savings institutions, which would hit the investment trusts; equality of taxation as between savings institutions and commercial banks, which is opposed by savings banks and savings and loan associations; and regulation of corporate pension funds, which would naturally prove unpopular with the managers of these funds.

Even though the commission had an orthodox and conservative majority, it recommended a closer relationship between the Executive Branch of the government and the central bank, something which has been stoutly resisted by many on the grounds that the Fed must enjoy complete independence. The commission did not engage in a frontal attack on the central bank, which in the last few years has acted as if any change in its status would be disastrous, but the report suggests that co-operation is more important than independence which, in any case, cannot be absolute.

In taking this position the commission makes plain its view that monetary policy is too important a weapon in the arsenal of economic stabilisers to be left to a group which is completely insulated from the electorate; it thinks that the central bank must be responsive to the President, who is charged with formulating economic policy as a whole. The study is not very explicit about how such co-ordination should be achieved, but it thinks that closer and more formal ties should replace the rather loose arrangements that now exist. For example, it suggests that the President, at the beginning of his term, should have the power to appoint a new chairman of the Federal Reserve Board. Thus the commission appears to be seeking a central bank in which the traditional American trappings of independence would be combined with the instinctive responsiveness of the Bank of England.

The report also urges that control over the tools of monetary policy should be concentrated in the Federal Reserve's Board of Governors in Washington, which it thinks should be reduced from seven to five members. The commission would also definitely



deprive the presidents of the twelve regional Federal Reserve Banks, including the powerful one in New York, of the important powers which they now possess over both open market operations and the discount rate. The commission is critical of the "bills

only" policy that the Fed pursued during most of the nineteen-fifties and endorses the current practice of trading in government securities of all maturities; it also suggests that changes in the discount rate should be uniform all over the country because regional differences have virtually disappeared.

The commission was split over the issue of supplementing the central bank's general controls over credit with specific controls, over consumer credit, for example, although it notes that its present weapons tend to discriminate against certain classes of borrowers. While the report recommended that all commercial banks should be required to become members of the Federal Reserve System (about 7,000 are now outside it), it rejected the idea that the central bank should be given powers over non-bank financial institutions, whose rapid growth has caused some concern.

IN reviewing the relation of monetary policy to the problems of debt management and fiscal policy the commission's ambivalence is particularly noticeable. On the one hand, it takes a conservative and almost passive approach, calling for a halt in the shortening of the maturity of the public debt before this becomes an unsettling and potentially inflationary factor. On the other, it adopts a very liberal stance in favour of planning contracyclical expenditures on public works over a five-year period. It would also permit the President to make temporary changes in the rates of personal income taxes, if Congress did not object. The commission considers that changes in the tax structure are outside its province, but it feels that the ability to make moderate changes in the rate of tax on the first \$2,000 of income—which is now 20 per cent—would reinforce discretionary control over the supply of money and help to attain the three goals of economic policy: low unemployment, stable prices and an adequate rate of growth.

The commission takes the position that monetary policy should be concerned primarily with domestic conditions, although it recognises that the deficit in the balance of payments may exert a restrictive influence. It does not feel that monetary policy has a major part to play in curbing this deficit and its only suggestions are that the gold reserve requirement should be eliminated so that the entire gold stock will be available for international settlements and that new multilateral arrangements should be made to deal with potential crises of foreign exchange. Apparently the commission arranged its work before it became aware of the importance of the international financial situation so that its treatment of this field is cursory if not actually casual.

It is difficult to assess the eventual impact of the commission's report. The general tenor of the recommendations, particularly its appeal for greater executive responsibility and for increased co-ordination in the use of economic stabilisers, should be welcomed by the Kennedy Administration. But the large number of its recommendations and their very moderation may tend to encourage inertia, rather than action, in Congress.

Atomic Energy, headed by Representative Holifield, a liberal Democrat.

The probability is that the Russians still have more to gain technically from a resumption of tests than has the United States, but the final decision will turn to a great extent on whether there seems to be conclusive evidence that the Russians have been conducting tests secretly during the moratorium. If the United States does resume testing Mr Holifield proposes that all tests should be underground, thus eliminating radioactive fall-out and that experiments to improve methods of detecting underground explosions should come first and be followed by demonstrations of the peaceful uses of atomic bombs; preparations would be made for tests of weapons, but these would not be begun until the President determined that they must be. But underground tests and tests of peaceful uses would not satisfy the defence experts who argue that it is essential to detonate nuclear warheads under military conditions if the United States is to have the full benefit of the latest advances in weapons.

## Unfair Exchange

DR CASTRO is being as kind to the Republicans in the United States as he is cruel to the imprisoned Cuban invaders whose hopes of being returned to their friends in Florida he has dashed. For the Republicans insist that his offer to exchange his prisoners for tractors was a blackmailing attempt to force the United States to pay him tribute which should never have been considered, particularly not with encouragement from the Administration. Now Dr Castro has provided the Republicans with more ammunition. When representatives of the private American committee which is handling the exchange arrived in Havana last week to arrange the final details—there had already been preliminary discussions—they found that he was not prepared to accept the 500 farm tractors valued at about \$3 million which they were empowered to offer. He stood firm on his original proposal of 500 bulldozers which the committee had already refused to give because they would be useful for military as well as agricultural purposes. In that case, Dr Castro said, he must have ordinary tractors of an equivalent value—\$28 million according to his calculations; he also reduced slightly, to 1,173, the number of prisoners which would be freed in exchange by withdrawing a few of the more important ones from the bargain.

The committee has now refused to send anything but 500 agricultural tractors and has given Dr Castro until this Friday (after *The Economist* has gone to press) to answer this ultimatum; he is expected to reject it. Quite apart from the unsuitability of submitting to what looks like extortion, particularly when Dr Castro insists on calling it "indemnification," the committee is very doubtful whether it can raise such a large sum. Contributions have been pouring in, but they are not to be opened unless there is a satisfactory agreement with Dr Castro. Meanwhile the Republicans in Congress have objected to such contributions being free from taxation and the committee is being charged in the courts with violation of the Logan Act which forbids private American citizens from treating with foreign governments.

Nevertheless the committee's decision may not be the right one. It is in effect a refusal to pay the price of human lives, of freeing prisoners and raising Cuban living standards. The ultimatum will weaken the good impression made in Latin America by the willingness of individual Americans to try to undo some of the harm done by their government's encouragement of the abortive Cuban invasion. But whatever happens Dr Castro comes out of the affair badly. His cynical readiness to equate men with machines repelled many whose sympathies will not be regained by his attempt to wriggle out of the offer now that he realises that it was a mistake.

## Striking Foreign Flags

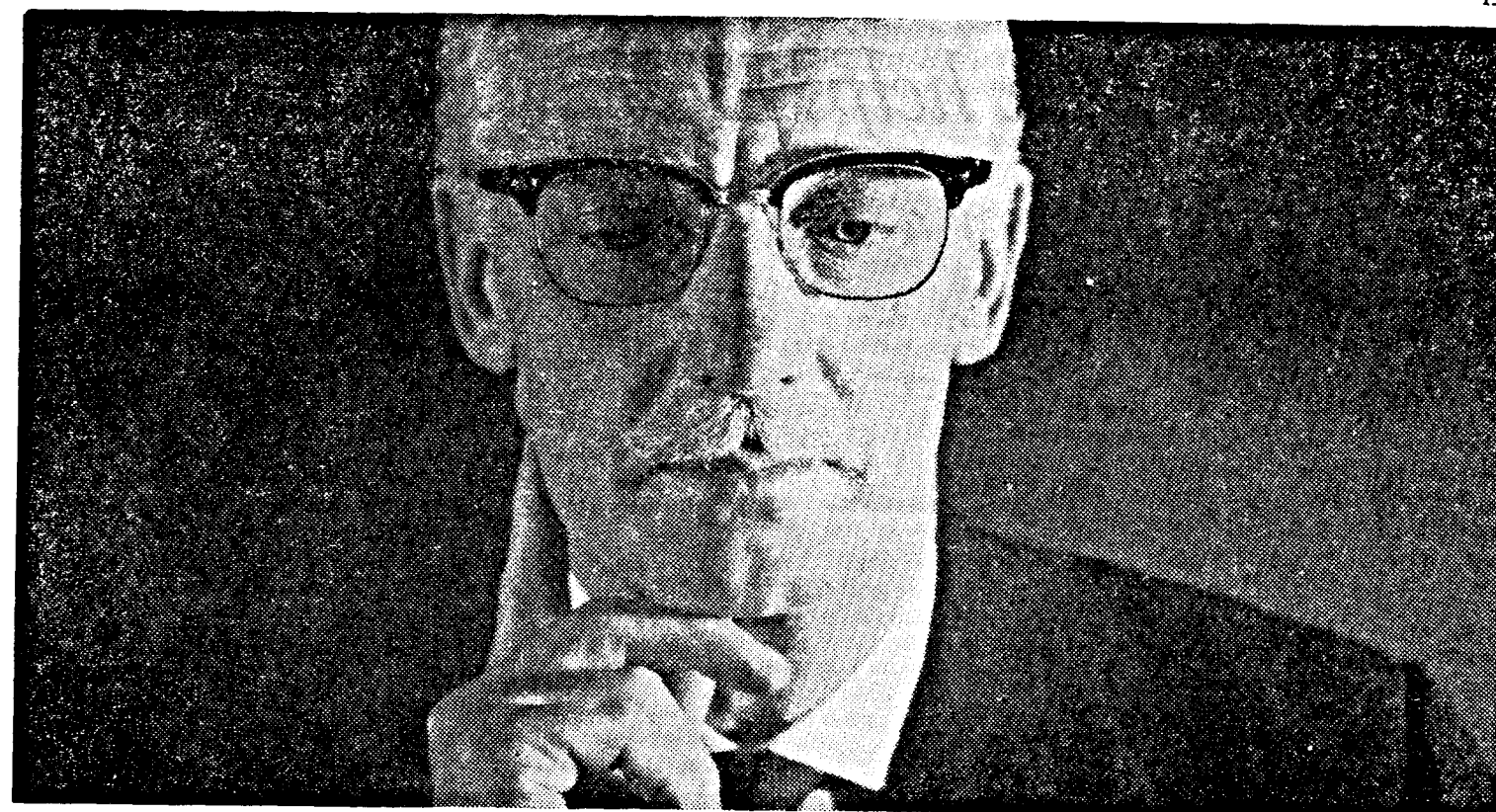


Mediator in the Middle

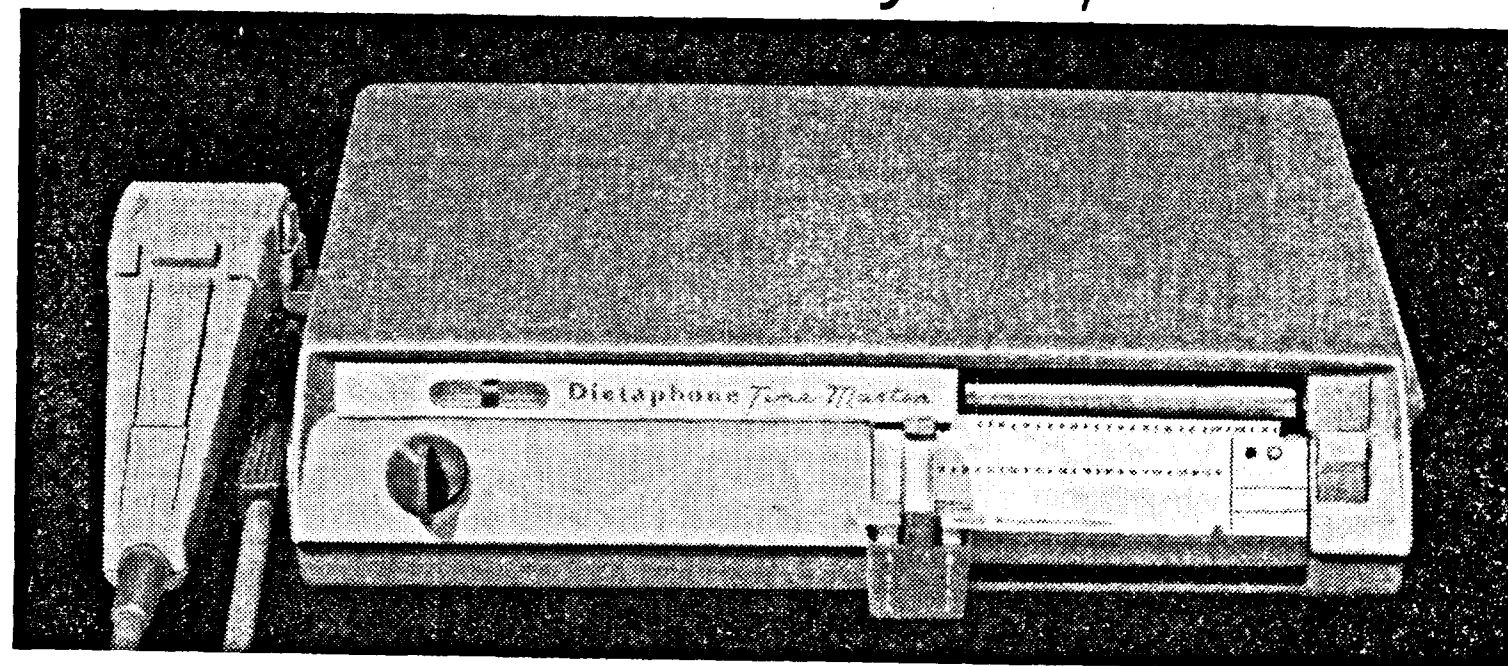
CONFLICTING interests which divide both the shipping companies and the six seafaring trade unions complicate the settlement of the strike which broke out last week along all three coasts just as the holiday traffic was reaching its peak. A particularly strange example of cross-purposes was the one-day strike of the supposedly sympathetic dockers in New York which involved foreign vessels for the first time in this dispute. Ostensibly it was called to clarify the issues, but in fact the dockers are angry because they are bearing so much of the brunt of the strike and Mr Curran, the head of the National Maritime Union, one of the two chief unions involved, hastily urged his "gallant allies" to return to work. The big issue, at least, is something on which both the NMU and its rival, the Seafarers' International Union, are agreed: the right to organise American-owned ships sailing under so-called "flags of convenience"—mostly those of Liberia, Panama and Honduras. There are over 500 of these ships and about 450 belong to firms which have contracts with trade unions in the United States.

THE great attraction of foreign registry is of course lower operating costs—particularly wages—and taxes. The trade unions want to reduce this attraction so that there will be less incentive for owners to "run away" at the expense of American seamen's jobs. The shipping companies insist that this issue is not negotiable and indeed that it is legally beyond the pale. But the firms which fly no foreign flags are understandably less adamant than those which do—mostly ones operating tankers and ore-carriers. Some are quite prepared to give way. It is doubtful, moreover, whether the employers are on very firm ground. Recent rulings—from the Supreme Court itself—have upheld the jurisdiction of the National Labour Relations Board over workers on American-owned ships registered in other countries. The unions, on the other hand, are split over subsidies. The NMU, which supplies men chiefly to ships which receive federal subsidies, fears that there may be a tax-payers' revolt if subsidies are extended to tankers, the ships which the SIU and its affiliated unions man.

The Administration, which tried in vain to postpone the strike, may in the end have to resort to an 80-day injunction under the Taft-Hartley Act if the stoppage begins to cause great economic havoc. But this may not be very soon. The strike was long foreseen and stocks are high. Many ships were at sea; so far only about 130 of the nearly 1,000 which may be affected have actually been put out of service. Finally American ships carry only about 12 per cent of the bulk cargo passing through American ports and 35 per cent of the general cargo. All the oil, however, moves in American bottoms. There are good stocks but if the strike drags on conceivably the picketing of refineries and of supplies at the docks might be decisive.



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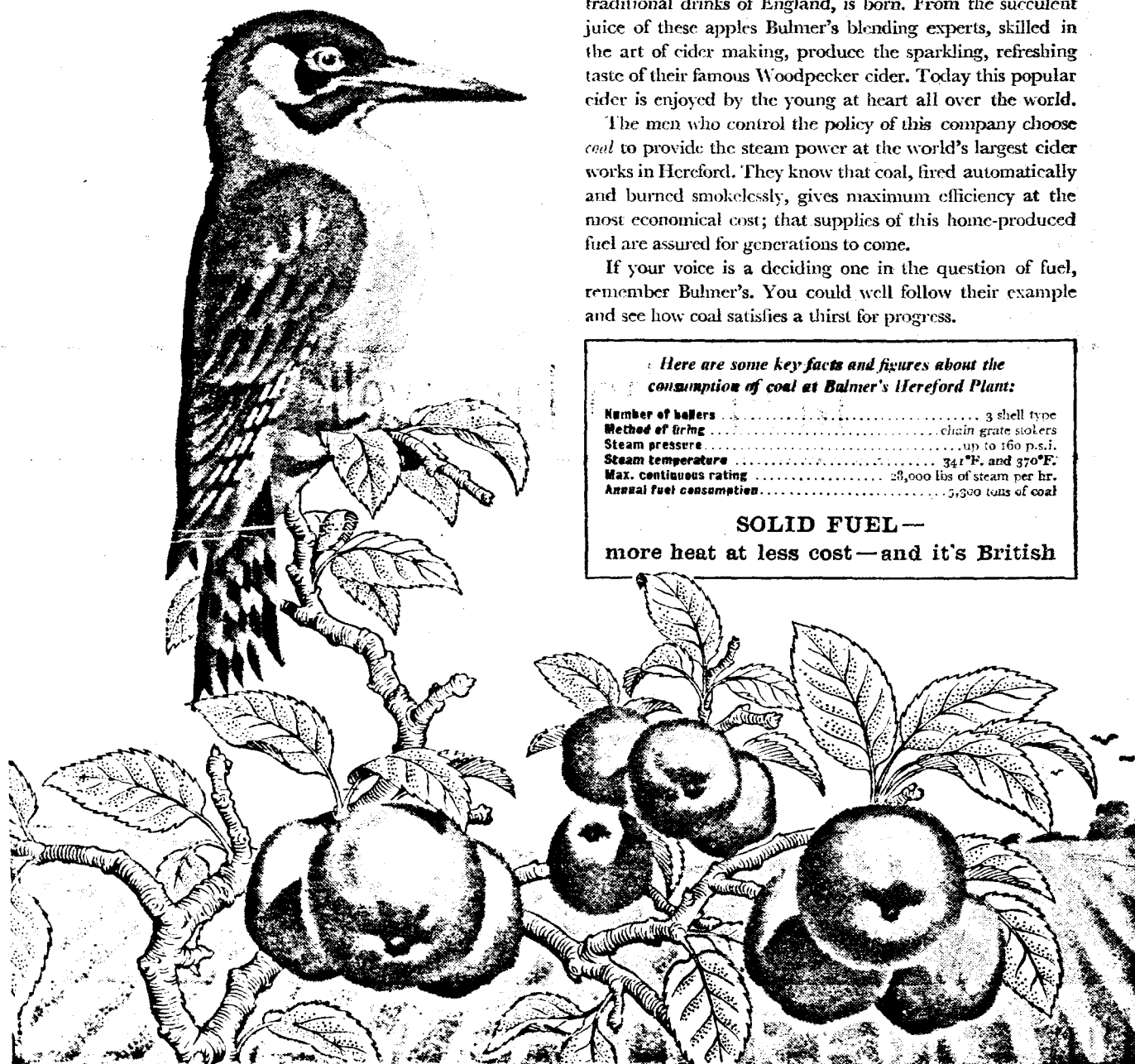
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|-------------------------|-----------------------------|
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| Method of firing        | chain grate stokers         |
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| Steam temperature       | 341°F. and 370°F.           |
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## Hold-up over Schools

THE Rules Committee of the House of Representatives, whose power to hold up legislation was supposed to have been checked in a historic battle at the beginning of the session, was back in its old form this week. By a vote of 9 to 6 it decided not to clear the Bill providing federal aid for tax-supported schools, which it has had since May, until another Bill, providing aid for private—and particularly for Roman Catholic—schools comes forward from committee. Two Roman Catholic Democrats deserted their liberal colleagues to vote with the two reactionary Southern

Democrats and the five Republicans who dislike aid to schools on principle. This move may have no other purpose than to ginger up the dilatory House Labour and Education Committee; it seems to be having this effect. But it has made Mr Rayburn, the Speaker, and Mr Powell, the head of the Labour Committee, publicly gloomy about the prospects of the conservative House following the example of the Senate, which voted a month ago to approve federal aid for schools totalling \$2.5 billion over a period of three years.

Early this year the Roman Catholic hierarchy announced that it would oppose aid to tax-supported schools unless aid were also provided for the 5 million children in the parochial schools, which

## How Safe in the Air?

FROM A SPECIAL CORRESPONDENT

IN some ways it was perhaps logical for the Senate Aviation Subcommittee to decide, as it apparently has, against issuing a report which would summarise and analyse its investigation into safety in the air. Senator Monroney, the chairman of the subcommittee, said at the outset that he hoped to limit the investigation to a small number of technical questions. It was also made clear that this year's public hearings were intended mainly to bring the record of last year's investigation up to date—and last year the subcommittee decided not to issue a report.

Yet there is good reason to question the judgment of the subcommittee in electing to pass over 1960's record on air safety without comment. In fact, there are 500 good reasons. This is the number of people who were killed last year in accidents to commercial aircraft. Counting all the passengers, members of crews and bystanders who were killed, 1960 was the worst in history for America's airlines. The tale is better this year; so far there have been only two fatal crashes which killed eight people.

Yet at the hearings none of the Senators who attended from time to time asked a single question of the representatives of the Air Transport Association, the principal trade association of the commercial airlines, which put into the record a chart (reproduced below) that purported to show a steadily declining death rate. This particular bit of evidence is a perfect example of the kind of self-serving testimony which was offered so freely during the hearings by a number of witnesses from the industry. With this chart the ATA was able to make it appear that the accident rate on the commercial airlines, which had been getting worse for the last four years as aircraft have been getting bigger, was getting steadily better.

At the bottom of the chart the ATA noted that the source of its figures was the Civil Aeronautics Board. In a sense this was true. But the ATA made some changes in them. It eliminated all accidents that did not involve scheduled

operations. Thus the charter flight which crashed on take-off at Toledo, Ohio, last year, killing 20 undergraduates, was not counted at all. The ATA also eliminated all deaths among crews and all deaths of people on the ground. Thus for 1960, where the CAB lists 500 deaths (including one caused by a ground employee walking into a propeller) the ATA cut this to 336. Still, it was hard to get away from the fact that for the past three years the death rate had been rising sharply. So the ATA, following a standard practice of the airlines, divided the number of deaths by the total revenue passenger miles flown to obtain a rate which allowed for the fact that more people were flying more each year. But the figures still rose steadily.

### DOMESTIC SCHEDULED AIRLINES (ATA Calculation)

|                                            | 1957 | 1958 | 1959 | 1960 |
|--------------------------------------------|------|------|------|------|
| Actual Deaths                              | 30   | 113  | 211  | 336  |
| Deaths per 100,000 revenue passenger miles | 0.12 | 0.45 | 0.72 | 1.10 |

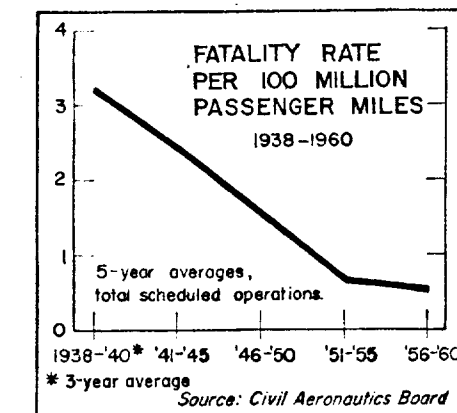
To get around the fact that the accident rate has been rising in spite of the creation of the Federal Aviation Agency, with almost unlimited money and power to make flying safer, the figures were then averaged over periods of five years and these averages were plotted. Because the death rate was so low in 1957—ironically this was the year when Senator Monroney and the airline industry worked so hard to establish the FAA to solve the growing problem of air safety—the average for the period from 1956 to 1960 was slightly lower than the average for 1951 to 1955.

Yet there is ample evidence in the nearly two thousand pages of testimony to support a scathing report on the progress toward air safety—or the lack of it—if even one Senator wanted to look seriously into the question. The full statistical record on aircraft accidents was put into the record by the CAB, though only as part of the appendix. Some serious charges were made—and passed over. A spokesman for the operators of business aircraft, for example, charged that the

CAB is ignoring its legal responsibility to find out "what will best tend to reduce or eliminate the possibility of, or recurrence of, accidents".

United Air Lines presented a complaint against the FAA, charging that the control of air traffic was careless and faulty, and that this resulted in the mid-air collision last December between a UAL jet aircraft and a Trans-World Airlines propeller-driven airliner. The FAA denied this charge and warned the subcommittee that if it probed into this question it would be, in effect, trying to determine the "probable cause" of the accident—which under the law is the job of the CAB.

If any of the Senators on the subcommittee needed a sign from on high to stimulate him, it was provided by a fatal crash which occurred the evening before the two weeks of hearings started. This was the accident which killed both the pilot and the co-pilot of Vice President Johnson's private Convair 340. Since this was a "business aircraft" it will not be counted among this year's accidents to air carriers. Because the CAB is investigating the crash the subcommittee did not make any inquiry of its own. Nor did it look into the two fatal air accidents which occurred earlier this year. The first was to a cargo aircraft which crashed in Texas, killing the two members of the crew. The other was to an American Airlines Boeing 707 which dived into the water on a training flight off New York. A crew of six was aboard; all were killed. Yet according to the ATA the air safety record so far this year is a perfect one.









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## THE WORLD OVERSEAS



Mr Fleming's words

on Tuesday he presented a budget that relies almost entirely on reducing the exchange value of the Canadian dollar by market operations. When he admitted later that the Canadian dollar at a "substantial discount" would mean increased interest cost to provincial governments and to companies who had borrowed in New York, he was asked whether this was the wages of sin. "You would know more about that than I would," he replied. Mr Fleming has a way of surrounding himself with a cloak of righteousness; this is one of the areas of stiff competition between him and his prime minister, Mr Diefenbaker. After listening to his budget speech a Liberal critic, Mr William Benedickson, was moved to quote Professor Galbraith's remark that unctious even buttressed by pomposity is no substitute for good evidence.

Mr Fleming evidently took almost as much persuading that he should use the exchange fund to lower the value of the Canadian dollar as he took to ask for Mr Coyne's resignation last month. His reluctance to take either step is very understandable; he had repeatedly asserted Mr Coyne's complete right to say what he thought, and when he presented his 1960 budget on March 31st last year he had declared emphatically that the use of the exchange fund to drive down the dollar was a "gigantic financial speculation with no assurance of success." The present circumstances are, he says, quite different. But he is not specific about what these differences are. He rejected any suggestion of further tax measures to reduce the capital inflow, though it is known that he hoped and believed that his small changes in the withholding tax last December would bring the dollar down much more than in fact they did.

Mr Fleming seems to be relying on the tone of his comments on foreign investment to curb the inflow of foreign funds. There were passages in former budget speeches warning the country against the danger of excessive reliance on foreign capital, but they were always accompanied in adjacent paragraphs by soothing assurances designed to ensure that no foreign investors were in fact discouraged. The same mixture was there this week, but with a subtle change of emphasis that brought Mr Fleming perceptibly nearer to Mr Coyne's position. Both in his budget speech and in his later press conference, Mr Fleming loosed the most vigorous denunciations of Mr Coyne that he has yet made. This increased vigour was necessary because so much of the budget appears both in word and action to be a direct echo of Mr Coyne's own speeches and proposals. The biggest remaining difference between the two points of view seems to be that Mr Fleming has been converted to the view that budget deficits are a good thing. This is not

### Canada's Cloudy Budget

FROM OUR OTTAWA CORRESPONDENT

MR DONALD FLEMING, Canada's finance minister, is doubly assured of a place in Canadian history. On May 30th he made an unsuccessful attempt to persuade the governor of the central bank to resign, and

unexpected, since his budget deficits over five years now total more than \$2,000 million—if one accepts his estimate that this year's deficit will be between \$600 million and \$700 million. Mr Coyne's proposals, submitted to the minister of finance in February and published by him on the eve of the budget, emphasised the need to balance the budget and suggested a time limit of two years.

Another difference, stressed by Mr Fleming, concerns the level of interest rates. Mr Coyne argued that interest rates had no deep economic effects and anyway could not be set by the Bank of Canada. Mr Fleming made a somewhat flamboyant promise to bring them down, perhaps relying on the new confidence of the financial community once Mr Coyne is finally ousted. But at the same time he announced total cash requirements of \$1,000 million in the present fiscal year—without counting any of the extra money that he may have to raise for the exchange fund's new operations. He used almost the same words as Mr Coyne in rejecting the idea that interest rates should be reduced by an "irresponsible expansion of money supply," but he seemed to promise that it could be achieved once he got his new governor in the Bank of Canada. Mr Fleming was confident that the short-term business cycle is now heading upwards, and he dared to prophesy that by the end of 1962 tax revenues at the present rates would balance expenditure (presumably also at current rates). But he said frankly that this upturn was unlikely to reduce unemployment to a tolerable level without the incentives which his budget provides.

The minister's statements on trade and tariff policy were equivocal, especially when referring to the recommendations of Professor Bladen's one-man royal commission on the automobile industry, which recommends, among other things, putting a tariff of 10 per cent on British cars. The government commends these proposals for public study. Equally equivocal was Mr Fleming's brief reference to Britain's negotiations with the European common market. While insisting that the Commonwealth trading system, of which "the keystone is free Commonwealth access to United Kingdom markets," should be preserved for political as well as economic reasons, Mr Fleming acknowledged his full awareness that Canada's interest lies in discovering the best possible "mix" of tariff arrangements with both Britain and the Six. The government has not yet decided what that mix may be, but it is searching.

This was not the sunshine election budget many people had expected. It leaves Ottawa more uncertain than ever of where Mr Diefenbaker's government is heading in the next few months. It is quite possible that this uncertainty embraces ministers of the crown as well as members of parliament and, of course, parliamentary reporters.



Mr Coyne's echoes

## Potato Poujadism

FROM OUR PARIS CORRESPONDENT



By parading their tractors in the towns, blocking some of the main roads and invading both railway stations and town halls, Breton farmers have dramatically drawn attention to what is euphemistically described as the peasant *malaise*. This is not a new illness. The second phase of France's industrial revolution, which has been going on since the end of the war, includes the modernisation of farming techniques; the inevitable result is that some marginal producers are being squeezed out, and every year some 100,000 Frenchmen migrate from the country to the towns. For a time this process can go on quietly. But it only needs a sharp drop in the price of some agricultural commodity to generate a disturbance. The political structure of the Fifth Republic encourages social unrest to take a violent rather than a parliamentary form.

About one-fifth of the French population still get their money from farming. Statisticians disagree on the actual share of the national income that goes to the farming community, but they agree on two things: it is proportionately low, and it has been declining since the war. Despite the movement to the towns and the striking increase in farm productivity, personal incomes in France, as in many other countries, have risen much more slowly in the country than in the towns. These are the roots of the peasant discontent that, from time to time, breaks surface.

That it should now break out in Brittany is not surprising. The 2.3 million inhabitants of Brittany's four departments (Côtes-du-Nord, Finistère, Ille-et-Vilaine and Morbihan) live in one of the most populated rural regions of France. The last census in 1954 showed that 37 per cent of Bretons derive their income directly from agriculture, compared with a national average of 22 per cent. Intensive methods of farming have not, so far, prevented an exodus from an area where family smallholdings are the rule, and, year after year, over 20,000 young Bretons have to seek their fortune outside their province.

M. Pleven, who has twice been prime minister, has just published a tract on the future of Brittany that sums up Breton grievances. The gist of his argument is that the government's attempts to relieve Brittany's disadvantages have only reinforced them. The handicap of being so far from the main centres of consumption has not been overcome by a relatively poor network of railways and roads. The lack of proved mineral resources is made a worse disadvantage by the relatively high cost of power. Not enough has been done for education in a region that is known for its respect for learning, so that the young people who stay on the land are not properly instructed in new farming methods, while those who leave tend to swell the ranks of Breton maids and unskilled labourers. Natural outlets, such as fishing or tourism,

even if properly developed, would not be able to absorb the surplus of the agricultural population. Industry, it seems, is the solution, and, M. Pleven insists, the government has not done enough to industrialise the area: the decision to shift the Citroën works to Rennes is cited only as the exception confirming the rule. M. Pleven pleads with the government to revise its policy of regional decentralisation so that Brittany should not become part of a "French desert" that is in danger of being abandoned for the sake of expansion in the Paris area and in the north-east.

Breton peasants have tried to improve matters by raising their yields and by experimenting with new agricultural products. But the price support system is more helpful to the large-scale producers of, say, wheat or sugar than to smallholders producing eggs, poultry or early vegetables, all of which are particularly vulnerable to market changes. A glut of artichokes provoked a disturbance last year, and a surplus of early potatoes has precipitated the present outburst.

The unrest is now spreading from Brittany to neighbouring agricultural areas. In some respects this peasant resistance of the nineteen-sixties is reminiscent of the *poujadist* movement of the nineteen-fifties. Both movements are rearguard actions against concentrated production and market forces; and both signify the refusal of the small to be devoured by the large in the name of economic progress. But the parallel should not be overdrawn. The wrath of the *poujadist* shopkeepers was largely directed against those modern giants of trade, the chain and multiple stores. French landowners, on the other hand, have been more successful in preserving a united farming front. The fact that this *jacquerie* was staged with tractors, not with scythes, is significant; so is the fact that it is mostly organised, and efficiently, by young men belonging to farming unions. The shopkeepers hoped to arrest an economic trend; many of the farmers, particularly the young ones, hoped to survive by swimming with the tide, and so bought tractors and other equipment on borrowed money. Then came the surpluses and their incomes fell. These young farmers, many of them heavily in debt, seem to be the vanguard of the present movement. They are angry with the government for its failure to provide outlets for their surplus products and for its failure to streamline the channels of distribution. Possibly some advocates of French Algeria are trying to make use of this movement (if only to keep the police busy outside Algeria), but their influence, at least for the time being, is slight.

THE government's emergency measures, including the export of surplus potatoes to Algeria, help for poultry breeders and the building of an *autoroute* from Chartres to Le Mans, may quieten the present unrest, and so allow a breathing space before a fresh explosion. But one consequence of the Breton alarm will be international. French farmers have always hoped that the common market would provide outlets for their surpluses. In the present climate a French government cannot accept an accelerated application of the Rome treaty without agreement on a common agricultural policy. Since the Germans cannot be expected to agree to any concessions before their general election, a decision on the speeding-up process may be postponed at least until the end of the year.

The lesson, for France, is political. M. Pleven last week appealed to the Breton farmers, now that they have stated their case so theatrically, to leave the rest to their elected representatives. But it was the ineffectiveness of the deputies that was partly responsible for this outburst. It was only after the farmers' own demonstration that the government agreed to measures that for years had been buried in official files. With reduced parliamentary safety valves, the social consequences of France's industrial revolution become more explosive. The peasants reached for their tractors, as the soldiers, on other occasions, have reached for their tanks.

## AUSTRALIA/country, continent... a world of opportunity

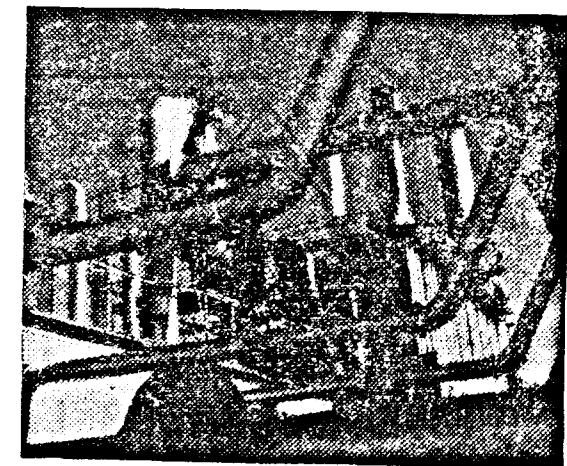


One of the new petrochemical plants now taking shape against Australian skies.

Below: Spearheading the establishment of Australia's petrochemicals industry is this £A2m. carbon black plant which has been in production since June, 1959. Present capacity is 30m. lb. a year.

## AUSTRALIA TURNS TO PETRO-CHEMICALS

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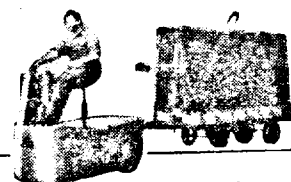
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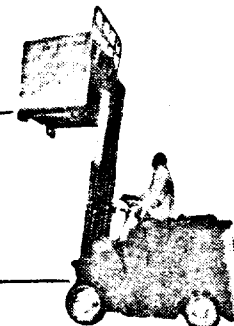
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## Ceylon's Angry Young Man

FROM OUR CORRESPONDENT IN COLOMBO

MRS BANDARANAIKE'S government, which has just entered a third month of emergency rule, successfully negotiated a potentially dangerous curve last week when it forcibly removed Mr K. M. P. Rajaratne from the premises of parliament and deposited him safely in his suburban home. He was on the eighth day of a fast to death when police, acting under the emergency regulations, carried him away. The public had never been clear about the reasons for his fast, but a prime ministerial statement next day suggested bluntly that his real grievance was against the court of criminal appeal, which had rejected his appeal from a previous conviction for leading an unlawful assembly during the 1958 communal disturbances. Mr Rajaratne had been sentenced to eighteen months' imprisonment—which involves the loss of civic rights for seven years, including the right to take part in parliamentary elections.

The government, at his request, has stayed execution of the sentence till the Privy Council hears his final appeal. Though the prime minister stressed the strictly private nature of Mr Rajaratne's grievance and the impropriety of his attempts to exert pressure and make backstage appeals for pardon (which if conceded, the prime minister remarked, would shake the fabric of justice in the country), there were obvious political overtones to the whole episode. Indeed, the minister of justice claimed that Mr Rajaratne was seeking to exploit the language issue and the present discontents for his personal advantage.

Mr Rajaratne is a peculiar product of post-1956 politics in Ceylon. A young and fiery rabble rouser, he is more rabid about race and religion than the extreme right, but scoffs at the Marxist left for its compromises on socialist economics and its not infrequent reticence on controversial international issues. Holding these seemingly contradictory positions with the vigour and self-assurance of a Kandyan dancer, he confounds the foreign observer, who cannot classify him, or indeed many others of Ceylon's new phenomena, into categories that make sense to the westerner.

ESTIMATES of his political importance vary. To the English-educated he is a grotesquely comic aberration; others, more sensitive to the forces active in Ceylonese society today, consider him the island's angry young man, with a strong appeal to the rising Sinhalese-educated intelligentsia. Over 200 young monks and students from the Buddhist university, in which he is a lecturer, slept on the pavement opposite parliament during his eight-day fast. Actually, his importance is not in himself. As leader of a two-member party in parliament, he has little say in the House; but he is an extremely articulate demagogue, speaking a language which strikes a responsive chord in the minds of government backbenchers. Like him, they are creatures of the social forces which propelled the late Mr Bandaranaike to power in 1956. As long as these forces can erupt in violent, ugly forms, a man like Mr Rajaratne cannot be dismissed as a bizarre entertainer on the lunatic fringe of local politics.

A Ceylonese sociologist told this correspondent recently that "under pressure, even the Sinhalese liberal starts to talk like Rajaratne." This is particularly true of the Freedom party's rank and file, who draw their emotional and political sustenance from the Sinhalese peasant. For them, language and religious slogans are not merely modes of self-expression and attempts at defining national identity, but effective weapons in their assault on privilege. The privileged classes, in their view, are the western-educated and the religious and racial minorities who, they feel, received unfair advantages under British and earlier foreign rule. Increasingly

desperate over his own poverty, the average Sinhalese is only too easily tempted into the belief that his only salvation lies in a full-scale attack on the minorities. The government back-bencher is a man sensitive to these feelings. He has no real political experience; politics for him is largely a verbal affair, and he speaks the basic Sinhala of slogans on a frequency not very different from Mr Rajaratne. To the average backbencher, Mr Rajaratne is his *alter ego*. Thus, 45 of them signed a petition to the governor-general appealing for a pardon to Mr Rajaratne—although they withdrew their signatures when they realised the government's embarrassment. The gesture was more than one of private sympathy.

The government was wise in containing the whole affair. The prime minister, Mrs Sirima Bandaranaike, has been more fortunate than her husband, who was caught up in an explosive clash between Sinhalese and Tamils in 1958. The mass of the Sinhala people have acted with unusual restraint in this year's crisis. The present surprising self-discipline of a people usually demonstrative on these issues may reflect a feeling that the Tamils have a genuine grievance over their language rights, even though the Tamil leaders of the Federal party have exploited this sense of grievance to make provocative demands such as that for a separate state. Further, the grim memories of 1958 are still fresh. But the main reason for the calm amongst the Sinhalese is their conviction that the government will not let them down. It was a similar trust that made the Buddhist public refrain from retaliation when the Catholics conducted an anti-government campaign over the schools issue last year.

HOWEVER, the government cannot suppose that the emergency measures have solved the problem. The problem is very much alive, and a political solution has still to be found. Basically, Ceylon's difficulties in what the late Mr Bandaranaike used to call "this period of transition" amount to finding a way of satisfying the age-old grievances of the majority without thereby alienating minority groups and thus endangering all prospects of national unity. It is visibly evident that the living conditions of the Sinhala people are better today than they were during four centuries of foreign rule. At the first stirrings of national consciousness, the majority has become aware also of its power as a majority and is therefore sometimes aggressive in asserting its rights. Political parties contending for power are not only responsive to these demands, but tend also to accentuate them for tactical reasons. The immediate future is likely to call for great qualities of leadership if there is to be no permanent impairment of the nation's unity.

Though there have been moments of anxiety, Ceylon still maintains parliamentary traditions. It is outstanding in a turbulent Asia as a country where the group in power at the time of independence was ousted after nine years, came back to power for a brief three months, and was ousted again—all by the ballot box. Recent events, however, have increasingly shown the danger that sections of the community can be misled into seeking quick solutions through extra-parliamentary activities, such as the Catholics' occupation of schools and the Tamils' *satyagraha*. The prime minister has now appointed a committee of six senior officials, three Sinhalese and three Tamils, to examine the workings of the government's language policy in the administration and suggest how hardships can be avoided. The government has stated its readiness to rectify any wrongs in the operation of the language policy, though its concessions may not go far enough to satisfy all Tamils. It has tried to show the Tamil people that the Federal party has misled them and exploited the language issue for separatist aims which the majority of Tamils do not support. Thus, the government's best hope is a unilateral declaration on language that satisfies moderate Tamil opinion. This could isolate the extremists in the Federal party who have assumed political control of the Tamil community as a result of earlier mistakes and misunderstandings on both sides.

## Japan's Low Posture

FROM A CORRESPONDENT IN TOKYO

JAPAN'S prime minister, Mr Hayato Ikeda, who is now on an official visit to the United States, owes much of his success to his "low posture"—the Japanese phrase that describes his honourable humility in debate and policy. A hard-headed Hiroshima business man, with invaluable experience in the all-powerful finance ministry, he had observed coldly and objectively the melancholy fate of his predecessor, which followed Mr Kishi's enforced interest in foreign affairs and his policy of closer alliance with the United States. Last year, when, with the blessings of the Sage of Oiso, venerable Shigeru Yoshida, Mr Ikeda took command of the prickly factions that constitute the Japanese Liberal-Democratic party, he proclaimed his low posture and concentrated on internal affairs and, in particular, on his plan for doubling the Japanese national income within ten years.

He has since done very well. Japan's prosperity continues to soar—indeed, the Bank of Japan and other ultra-conservative interests are now saying that the boom is becoming too uninhibited and that anti-inflationary checks are required. The recent demonstrations against Mr Ikeda's anti-political violence bill, which provides mild and belated police reforms for the maintenance of law and order in and around the precincts of parliament and also provides tougher penalties for *seijiteki* (politically motivated) crimes, were spontaneous and largely abortive. The police were far more effective and the press far more reasonable during the hoodlumism in the streets and the monkeyshines in the Diet. The local communists are rubbing their bruises and their discomfited secretary-general, Mr Miyamoto, is now taking his instructions from Moscow instead of Peking.

True, the socialists, in an excess of democratic parliamentarianism, again attempted to seize the Speaker and destroy the ballot papers, and eventually Mr Ikeda decided, by a one-step-backward-two-steps-forward manoeuvre, to postpone the contemplated steam-rolling of the legislation through the upper house. There is some straight-faced talk of substituting an electric eye and a megaphone public address system for the physical presence of the harassed and vulnerable Speaker in the Diet chamber. But the anti-violence bill will go through the upper house without difficulty at the next session.

Like a good judo wrestler, Mr Ikeda has succeeded in silencing the restive factions in his own party and the embarrassed enemies in the Socialist opposition by appearing to yield but prevailing in the end. His low posture disarmed his official enemies and restored some semblance of unity among his more dangerously illiberal and undemocratic friends inside the Liberal-Democratic party. How long this success in humility will endure is another matter. The weakness of the Socialist opposition encourages dissension and intrigue among the conservative factions. Pedants identify no fewer than eight contending camps. Mr Ikeda contemplates a low-posture but large-scale reshuffle of his cabinet on his return from Washington. It is reported that he wishes to form a new government of leaders of all factions, but that Mr Yoshida is using high-posture influence to restrict the appointments to three main factions.

Mr Ikeda's low posture may lack appeal in Washington, where there is impatience for more active Japanese participation in international affairs and for more generous contribution from the booming Japanese economy to under-developed countries. The Japanese government, perhaps because of humility, has a tendency to beat its breast over Japan's poverty and difficulties and to confuse trade promotion measures with "aid."

By accepted postwar custom, a visiting Japanese prime minister to Washington expects to carry home an *omiyage*—or souvenir gift. Mr Ikeda would certainly prefer to accept some assurances about the continuing accessibility of the American import market rather than assurances about the continuing anti-Peking line of American diplomacy. Most intelligent Japanese believe that improved relations with China are necessary, and indeed desirable; many of them forget that the initiative and will for greater accord does not rest only with Japan. A low posture, unhappily, is seldom an asset in negotiation with communism.

## Battle in a Long War

FROM OUR ANKARA CORRESPONDENT

LOOKED at in isolation, the recent convolutions in the high command of the Turkish armed forces were tortuous and obscure. Only when they are seen against the larger backcloth of Turkish history and politics do some of the pieces of the jigsaw fall into a place of sorts. On June 5th, General İrfan Tansel, commander of the air force, was appointed military adviser in Washington; three days later he was reinstated in his old job. The next day, June 9th, General Cemal Madanoğlu, thought to be the most powerful member of the National Unity Committee, resigned his command of the Ankara garrison, and offered to resign from the NUC itself. As an aftermath of this storm, both the commander of the land forces and the commander of the naval forces have been retired, and a number of other changes have been reported.

An intense secrecy, always a feature of Turkish military activities, has pervaded the whole operation. There seems no doubt that for some months the military leaders have become increasingly riled by the interference of those colonels who hold senior posts in the NUC; possibly they considered General Tansel's appointment to Washington the last straw. General Tansel is believed to be very popular in the air force, and his reinstatement as commander-in-chief may have been insisted on by the high command of the armed forces as a means of asserting itself against the National Unity Committee. In effect, the army leaders seem to have told the committee to stick to politics and leave military affairs to them.

But this may be only a minor aspect of a much deeper and more devious affair. The incontrovertible fact that emerged from the crisis once the dust had settled was that General Madanoğlu had been forced to give up the command that formed the sinews of his power, since it gave him direct control of more than a division of troops and tanks in the Turkish capital. His relinquishment of the Ankara command conformed to the rule that members of the National Unity Committee should not hold outside military posts; but another member of the committee, Colonel Osman Köksal, has not yet given up his important command of the presidential guard. The vital question is, who wanted to oust General Madanoğlu from the Ankara command, and why?

A clue may be provided in the rumour that the 14 radical members of the National Unity Committee, led by Colonel Turkes, who were expelled in November, will shortly be returning to Turkey. There is no evidence yet that this is true, but it is interesting that these rumours should coincide with the present crisis.



All roads lead to İnönü?

Since it is known that General Madanoğlu played a key role in the expulsion of the 14 officers, and also that Colonel Turkes had been his chief rival for power inside the committee, it is logical to infer that what is bad for Madanoğlu is good for Turkes.

This latest tussle in the armed forces only makes sense against the backcloth of the struggle for power and political principles now going on in Turkey. General Madanoğlu may possibly have been deprived of the Ankara command because he had let it be known that he was an ardent partisan of Mr İsmet İnönü and supported his return to power as president of the republic. There are groups both in the armed forces and in the National Unity Committee who are anxious to keep Mr İnönü out, and General Madanoğlu may have become a target for these groups. The more one looks at Turkish politics today, the more they seem to revolve round the historic figure of Mr İnönü, now 77 years old. This small, white-haired, smiling man is almost the last link with the great days of Kemal Atatürk. In Atatürk's day the Republican People's party was a revolutionary force; today, the party and its leader, Mr İnönü, are regarded by the youth, by many of the younger intellectuals, and by groups in the armed forces as having a primarily conservative influence. Mr İnönü himself, with his great name and vast political experience, is strongly entrenched. But his power is weakened by the fact that the Republican People's party is split between rivals and contradictory ideologies, and may well fall apart. It is this that makes the government of the country after the elections so uncertain.

The important question today is not whether elections are held—they are a point of honour for Turkey, and will certainly take place unless there is a new coup by entirely new people—but whether the radical social ideas of the Turkes group have affected the armed forces as much as they have clearly affected the intellectuals. Since the Turkish army has always been a progressive force, it is reasonable to assume that they have. It was a striking fact that the 14 officers, although publicly denounced at the moment of their expulsion as traitors and fascists who had plotted to seize power, and even to kill General Gürsel, were not executed or imprisoned, but were given highly paid jobs abroad. The only plausible explanation for this extraordinary moderation was that the expelled officers had substantial support within the armed forces. Whether or not these officers return to Turkey in the near future, the struggle between the ideas they represent and the more orthodox principles of Atatürk's revolution—which have now to some extent ossified into a sort of conservatism—is almost certain to continue. In this struggle, the elections will be hardly more than a passing event.

## Mr Ben-Gurion's Triumph

FROM OUR CORRESPONDENT IN TEL AVIV

AT a Paris banquet in honour of Mr Ben-Gurion on June 6th General de Gaulle greeted Israel as "our friend and ally." Although co-operation between the two countries has been close for years, the relationship has never before been defined in such distinct terms. For Israel this means that the help it has been getting from the French will go on as before, and perhaps even more generously. Economic and scientific help may be added to military aid. As General de Gaulle's reassurance has come at the time when at long last it looks as if the Algerian problem might be solved, it puts an end to the fear, held by some Israelis, that France's friendship for Israel might cool when Paris no longer needed moral support against the Arabs. If nothing else, Mr Ben-Gurion has brought back from his trip to Canada, the United States, Britain and France the means of physical survival for his country if there were to be a clash with the Arabs in the near future.

Physical survival in a hostile environment has been Mr Ben-Gurion's main preoccupation. He has been concerned principally with keeping the Israeli army at fighting strength and with matching the weapons that Egypt gets from the communist block. At the same time the Israeli foreign office has made strenuous efforts to win support for Israel among the new countries of Asia and Africa. The setting up of Israeli embassies in as many countries as possible, the extension of technical aid, the granting of scholarships and the organisation of the Afro-Asian Institute in Tel Aviv are all designed to bolster Israel's position.

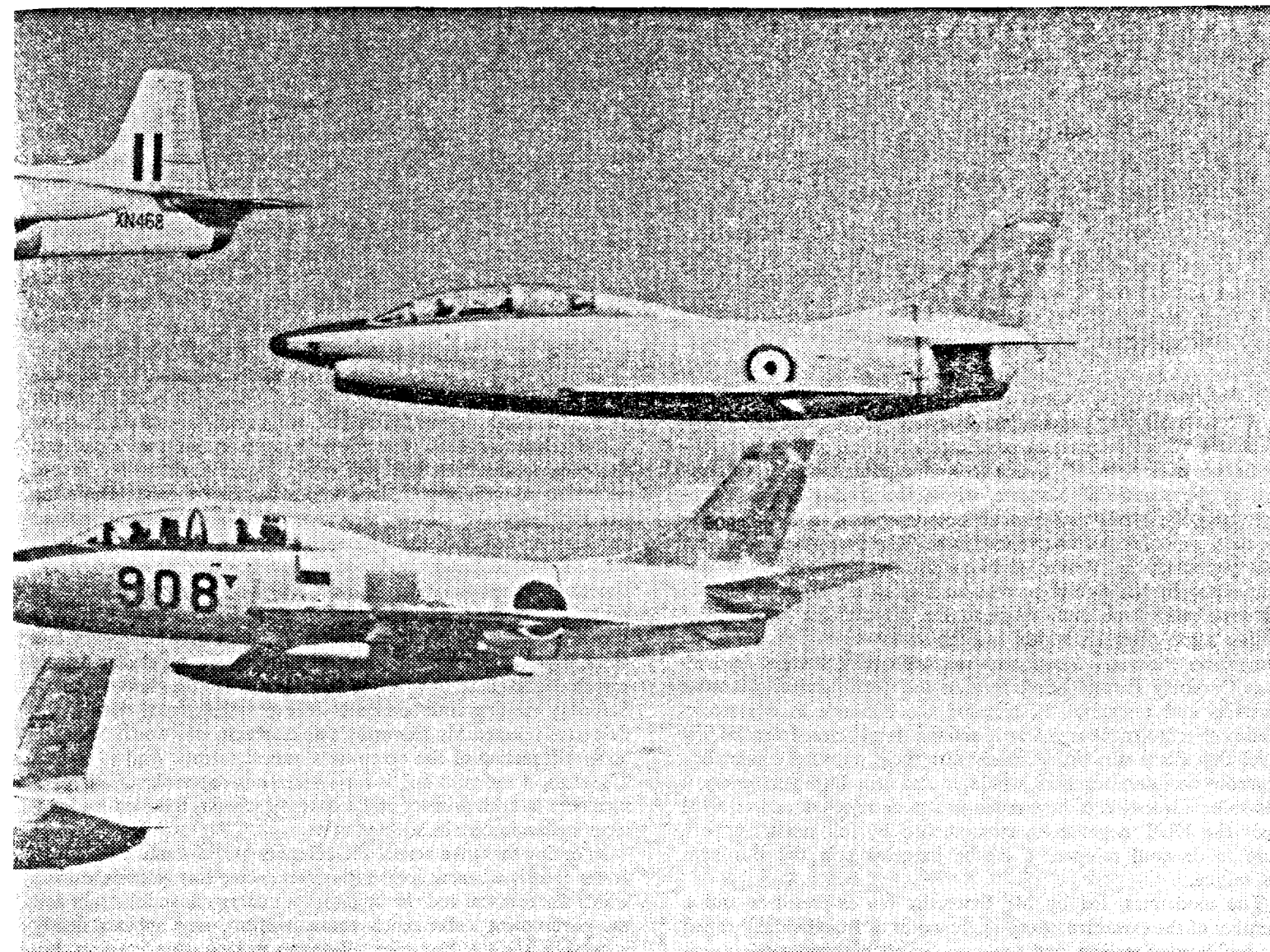
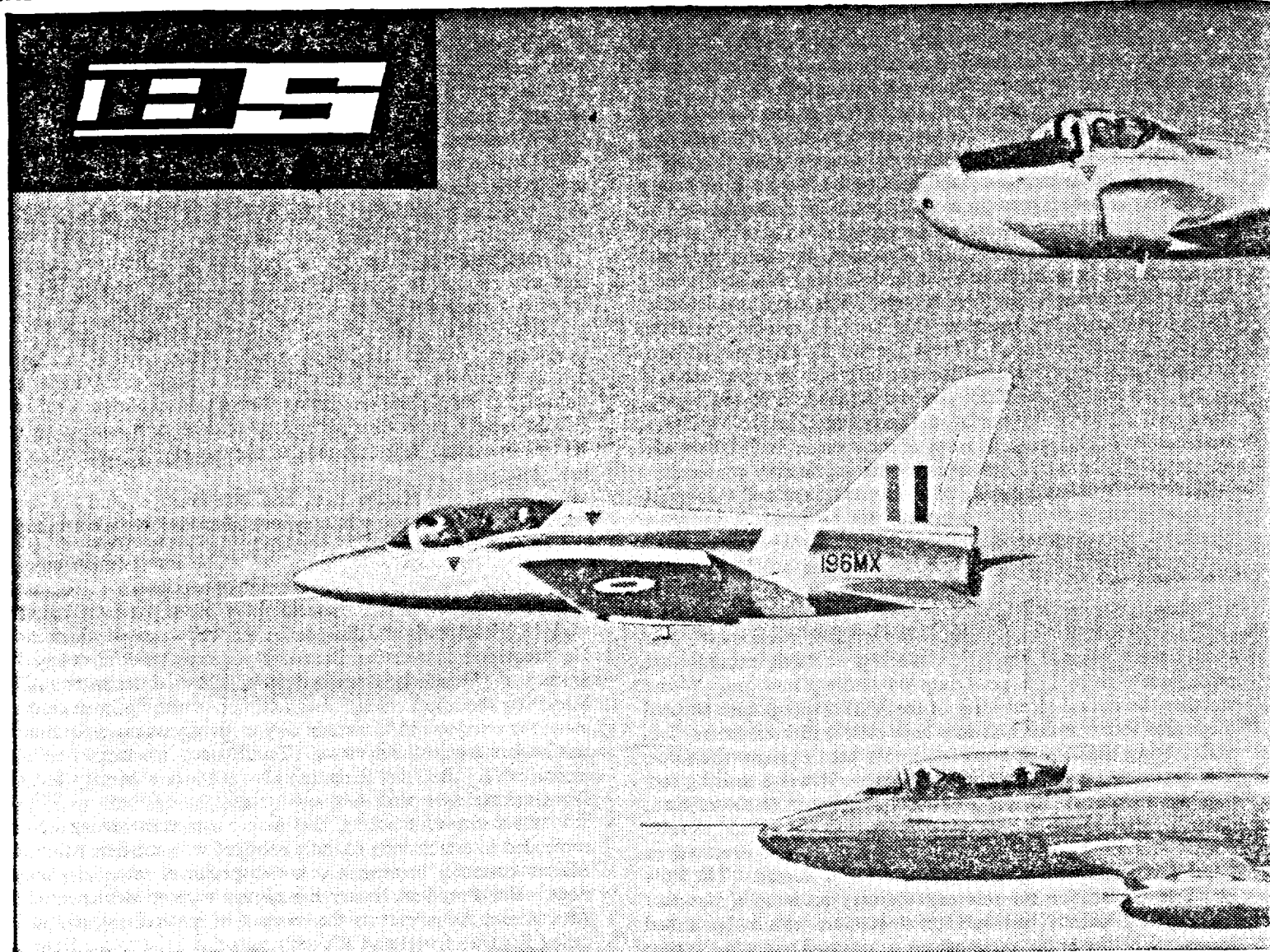
Lately, however, some Israelis have begun to doubt whether all this was enough to keep the *status quo* in the Middle East or whether a more flexible policy could not be evolved which would gradually lead to a relaxation of the tension between Israel and its neighbours. Mapam, the left-wing socialist party, has always urged a more neutralist policy; now the new Liberal party, under the influence of Dr Nahum Goldmann, favours the abolition of military rule in Israel's Arab districts and a cautious compromise on the refugee question. It is thought that the day may be near when the new American Administration will try its hand at some sort of settlement in the Middle East, and that Israel should not await such suggestions passively but try instead to work out a compromise proposal on its own.

WHEN Mr Ben-Gurion decided on his trip to Canada, the United States and Europe he was well aware of this feeling. He succeeded in meeting President Kennedy on the eve of his journey to Europe and learned from him and from Mr Adlai Stevenson that the United States felt that something must be done about the refugees. All he could do was to impress upon the American leaders his personal views. The London meetings were also inconclusive. But the Paris talks turned out a victory for Mr Ben-Gurion.

It was a victory, however, that may prove embarrassing. Israel succeeded in establishing friendly relations with the new Asian and African countries because it is not suspected of imperialist ambitions. But President Nasser has always tried to depict Israel in African and Asian eyes as the catspaw of imperialism, and to be called France's friend and ally may yet prove grist to the Egyptian propaganda mill. Mr Ben-Gurion and his supporters will answer that this cannot be helped; that a small country like Israel has no hope of survival if it cannot shelter under the wing of a great power, and that France has turned out to be this power. Israel, they will say, must be ready and prepared to meet the Arab armies at any moment. The prime minister's critics do not deny this, but they claim that military readiness is not enough. They believe that since Israel above all needs international sympathy, it should be careful not to align itself with one power. Instead, the government should do what it can to allay Arab suspicions of Israel's expansionist intentions.

As the campaign for the elections due on August 15th warms up, these topics are being discussed with rising passion. The opposition accuses Mr Ben-Gurion of staging his journey to the United States and Europe mainly for election purposes. This accusation would be justified if there had been no need at all for the prime minister to seek contact with western leaders at the present juncture. However, to throw out feelers to the new American Administration was imperative and the meetings in France proved that the journey has not been in vain. But this does not mean that the visit was not also useful for election purposes. During the past few weeks, when his picture in company with the leaders of the world has daily been on the front page of the newspapers, his image has recaptured some of the glamour that it had before it was tarnished by the Lavon affair. Cheering crowds of Jews met him abroad wherever he went, and he has come back to Israel in fighting form. There is still no Israeli personality able to stand up to him.





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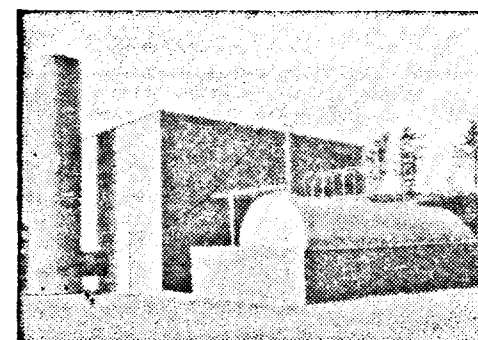
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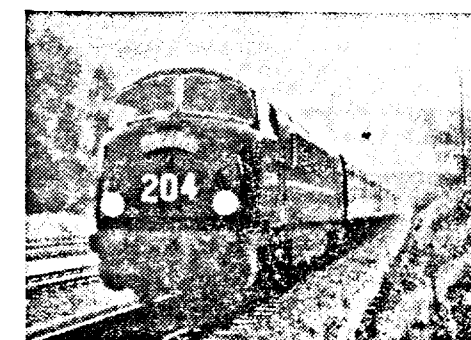
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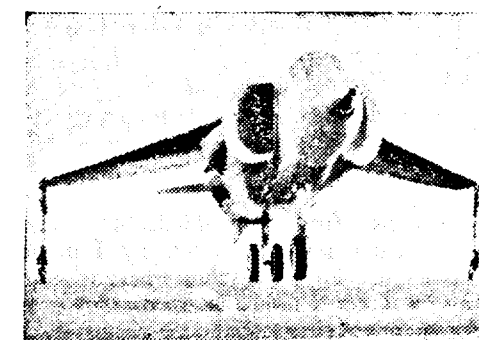
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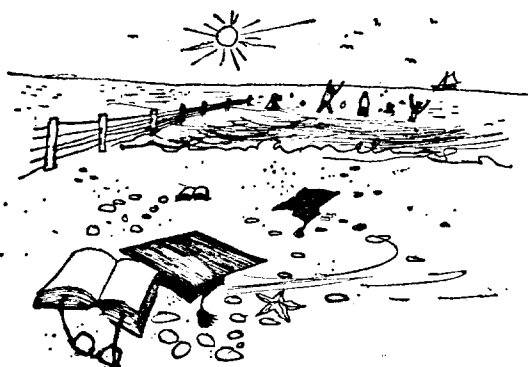
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## HOME REPORT

In HOME REPORT members of the editorial staff and local correspondents report on life and happenings in and around Britain.

## Men or Mendicants?

BY OUR SPECIAL CORRESPONDENT



MONTHS of rising expectations, spurred by rising costs of living, the recent increase in policemen's salaries, and greater self-confidence after years of passive acceptance, culminated last Saturday by the seaside at Margate, where the special delegate conference of the National Union of Teachers voted to reject *in toto* the most generous Burnham award ever. The atmosphere of drama that pervaded the Winter Gardens as the meeting began was augmented by the tightly-guarded secrecy of the affair; even the windows were kept shut, much to the discomfiture of both the stifling 2,200 delegates within and the oddly-assorted gathering of hangers-on without. A militant group of twelve student teachers from Coventry Training College, plus the usual handful of ardent socialists and unilateralists, picketed the entrance in a scarcely-needed effort to encourage drastic action. It was clear from the first gavel that there was little chance that these outwardly calm but inwardly seething teachers would accept the Burnham offer; it was to be a question of how much was to be rejected, and on what basis the NUT negotiators, strengthened by full union support, were to demand re-opening of the bargaining in the Burnham committee.

The moderates, led by Mr Exworthy (an ex-president and a member of the executive, speaking, however as an individual) called for cool-headed realism, and a rejection solely of the irksome operative date of January 1, 1962, as this was the only point on which the authorities were felt to be likely to yield. But Mr Exworthy was soundly defeated. The motion that the delegates eventually carried (by some 118,000 card votes to 99,000) went even further than the original executive recommendation, which had singled out the operative date, beginners' salaries, and unfair treatment of primary school teachers as the three "festering sores" of the Burnham award. The conference resolved that the NUT negotiators would seek to start again by demanding all the concessions claimed

should be done; it was foolish, he maintained, to make a decision without knowledge of what might happen in the meantime, and the local authorities had just given warning that they would refuse to re-open negotiations under a strike threat. Opposing Mr Exworthy, Mr Allsop (also a member of the Executive, and speaking on behalf of the Executive) demanded direct action. He attained the conference's rhetorical zenith when he exhorted the cheering teachers (including the females) to act like men, not mendicants. They did. For the second time, Mr Exworthy and his supporters saw caution swept aside. By now a note of urgency had crept in, since the floor had to be evacuated by 4 o'clock to make way for an invasion of dancing girls for the Winter Garden's usual Saturday evening entertainment. The president ruled that, if the delegates rejected Mr Exworthy's amendment, this would be taken as an affirmation of the executive's radical threats. And so it was. The plan, if the talks fail, is for a token one-day strike of all NUT members in both primary and secondary schools, followed by long-term strikes in certain selected areas.

In opting for strike action, the delegates hurled a direct challenge at the equally adamant local authorities; some sort of crisis, during which the teachers and the union must undergo financial strain and the government suffer much embarrassment, now appears nearly inevitable—unless the strike call proves to be a complete flop. But the teachers' delegates felt their decision justified: at stake was not merely the difference between £600-£1,200 in sixteen years and some advance towards the NUT's initial demand of £700-£1,300 in ten, but the respect that the teachers felt was merited by their professional status. (For one teacher's views, see the letter on page 1357.) Thus they elected to employ non-professional tactics to secure professional dignity. As one leftist picketer put it, "It was about time we teachers learned something from the proletarians."

## Idleness Enriched

BY OUR SPECIAL CORRESPONDENT

CARTOON (or, euphemistically) news cinemas are a distinctively London amusement. These temporary havens from wind, weather and an hour of *longueurs* exist in other cities; but singly, and often in places of dubious name. In London they abound. There are a dozen at least within a mile of Charing Cross, catering for enforced or voluntary idlers, disappointed provincials, touristic pilgrims for whom the whole world of grey stone and weeping monument has become stale, flat and viciously unprofitable, and for those poor shades who would other-

wise, with disconsolate cries, wander about the caverns of London's railway stations, waiting for a connection.

The cinemas are of two main types: mass-production and plush. The first are simple to the point of austerity, mere workshops for the swift assembly of *ersatz* solace, where a tiny foyer (sweets, cigarettes, tickets at a shilling or half-a-crown) leads without ceremony into an auditorium only slightly larger, jammed with seats from the rear wall to the very foot of the little screen. Outwardly the plush are indistinguishable from



by the union's general conference at Easter. The delegates thus gave their representatives on the teachers' panel a completely free hand in the struggle to wring from the authorities the maximum for teachers' pay and pride.

On the all-important question of what was to be done if the new negotiations failed, Mr Exworthy cautiously urged that in such a circumstance another special conference be held to determine what

on the spot

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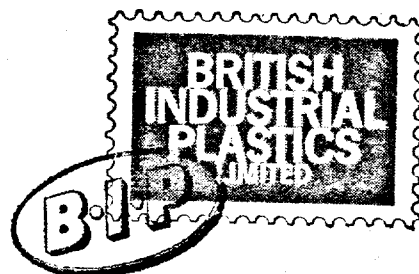
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the austere, but once past the box-office (half-crown only), endless stairs give way to subterranean halls of muted splendour, resting rooms, reading rooms, retiring rooms, restaurants (faint mockeries, all of them, of *salles privées* in Edwardian cafés) and an auditorium in which the seats are spaced decently far apart so that the weary shopper and genteel unemployed may stretch and, if they choose, sleep.

The fare in all of them is rigidly conventional. Often a single newsreel will furnish out a thin feast of cartoons and comedies. A royal wedding, a Derby, a Trooping the Colour will supply a quarter of the programme in its season. Travel films, an occasional naturalist's documentary, odd connoisseur's pieces, will sometimes shine among this dross. But in general it is a gourmand's rather than a gourmet's meal; and the addict may expect to find repeated in each the pot-boiled biographic episodes of Tom and Jerry, Speedy Gonzales, Sylvester and Tweety, Donald Duck, Bugs Bunny *et al.*

The *cinéaste*, picking through this incandescent porridge, fares not so well, but does not starve. Those acid fruits, the UPA cartoons chronicling the eccentricities of Gerald McBoing-Boing and Mr Magoo, can be discovered; but rarely. Intellectual goon films, running, jumping and standing still or expounding the mystique of the Mukkinese battle-horn, draw crowds wherever they are shown; but they are not often shown. And once in a summer some esoteric and highly-prized tidbit (perhaps that British film made with British labour, *The Do-it-yourself Cartoon Kit*) will briefly glimmer. Moreover, news cinemas are the last repositories of the great reputations of film comedy: Chaplin, Laurel and Hardy, Buster Keaton and the Keystone Cops compete bravely with the humourless sadists and desperate clowns of the post-slapstick depression.

**P**ROGRAMMES last an hour, more or less, and the clientèle is drawn indiscriminately from the amorphous crowds outside. A shower of rain will bring in coatless hundreds, a fog will fill them for the whole twelve hours of their daily opening, winter winds will drive the most respectable to a taste for this slightly disreputable (because self-indulgent?) entertainment. And when the doors shut, at eleven at night, among the last to leave will be discovered scarecrow figures who, jobless, penniless, bootless and bedless, have nevertheless managed to raise the shilling admission which applies before lunchtime and have slept their waste of days away, snoring, faintly smelling, indelicately coughing and dreaming who knows what dreams inspired by the tinny fantasies on the screen.

The situations of the little cinemas seem not to have been so much planned as opportunely grabbed, as basements became available. A few, like the three round Picadilly Circus and that in Leicester Square, are ideally placed; and in a normal day will

bring in 1,000 customers each. A royal wedding will double that. But there are others, hopefully installed at quiet stations or set down in a desert of clerkly business, whose trade is forlornly sub-economic. Some have disappeared altogether, others have suffered an X-change, to become fully-fledged, if miniature, emporia of nudism, real violence and the seedy disillusion which rides on the crest of the *nouvelle vague*. The proprietors, more secret than the Admiralty, will not say whether they are more profitable for the change or not: but they have none of the raffish charm of the things they grew from, where every film is U; and the need they fill is less innocent.

But the cartoon cinemas serve a well-defined demand: to while away the idle hours which beset unintellectual people in large cities, whether waiting for trains, avoiding the rush hour or simply lonely in their lunch-breaks. In these warm little cellars they may put off their earnestness, laugh uninhibitedly because unseen at childish shadow-shows (for which they would have to pretend contempt in the light of day), escape the thronged and shuffling gloom of the pavement outside and, for an hour, forget the real world, where the head blown off in a tumultuous explosion can never successfully be put back on again.



FROM A CORRESPONDENT IN EAST ANGLIA

**D**OVER sole is as likely as not to come nowadays from Lowestoft, in Suffolk, which boasts itself the premier British near-water fishing port. It has a curious history. In 1830, after a quarrel between Norwich and Yarmouth over the tolls levied on cargoes shipped up the River Yare, an artificial harbour was built at Lowestoft, and connected by canal and river to Norwich.

That scheme—a belated venture of the canal-builders of the industrial revolution—was a failure. But Lowestoft harbour was acquired by the railways, which built large fish docks, and fostered the growth of a fleet of trawlers similar to Brixham smacks. The days of the great East Anglian autumn herring fishery, in which fifty years ago more than a thousand Scottish and English drifters used to engage, are done. The old trade with eastern Europe in salted herring, diminished by the Russian revolution, has since 1950 died away to a trickle—not because the Russians would not buy the herring, but because the herring shoals themselves have been depleted.

The scientists are still dubious about the reason, but the fishermen are convinced that it is "industrial fishing." The drifters' nets catch only the mature fish, but large foreign (and notably Danish) trawlers are sweeping up enormous quantities of herring indiscriminately for oil and meal factories. Thus, say the East Coast fishermen, they have broken up the fishing that for 800 years was the foundation of their fortunes.

Yarmouth consoles itself with a holiday trade, but its fishing fleet has almost died out. Lowestoft still maintains about

fifteen drifters and drifter-trawlers, whose crews find themselves compensated for the scarcity of herring by their high price. Smoked kippers are still in demand for upper class breakfast tables; they have ceased to provide a popular relish for the workman's tea.

But although the seasonal fishing for herring has diminished, the year-round trawling for white fish has greatly increased at Lowestoft. Like Yarmouth, the town was heavily bombed during the war and had to evacuate half its population, but since then it has been restored to a community of 45,000 people, with big quick-freezing, canning, radio and motor coach building industries, and new shipyards. The suggestion in *The Economist* of January 21st that—rather than try to eke out its career as a fishing port with the help of yet another government subsidy for trawling—Lowestoft should export labour to booming Ipswich was received with a mixture of local anger and derision.

To start with, Lowestoft men say, the town is not a depressed area. Much of its fishing fleet was lost in the minesweeping service during the war. But since then it has been rebuilt—with help from the subsidy. It now consists of more than a hundred trawlers, seventy of which have been built during the past ten years—many of them in local yards. The trawlers have cooled and insulated fish rooms; when landed the fish is sent in insulated vehicles straight to its inland destinations. Before the war much Lowestoft fish passed through Billingsgate and Birmingham. Now one local firm alone

sends fish direct to about eight hundred fishmongers and friers.

Reduction in the British consumption of fish has taken place mainly at the expense of the distant-water fisheries. About 45 per cent of the Lowestoft catch is of plaice. The cod and haddock (which make up about 36 per cent) are said to be very different commodities from the Iceland stuff that has been much longer in the fish-hold. There is a useful trade on contract with the freezing plants, whose dealings with vegetables, fruit, poultry and meat, as well as fish, have grown so large that they employ ten per cent of the labour in Yarmouth and Lowestoft.

THE old type of owner-skipper has gone out of the Lowestoft fishing. Now that a new trawler costs between £90,000 and £100,000 to build, ownership and management can be undertaken only by large concerns, but most of the men at the head of them are still members of local families who have been interested in the fishing for generations. They find the subsidy indispensable. One of them declared: "It's hard to interest the City of London in this industry. If you get more than 5 per cent on your capital in the fishing industry, you're doing very well indeed."

The skippers are vastly changed from the school that found its way about the North Sea by instinct, "the colour of the water," and soundings with the lead. Lowestoft technical college originated a pre-apprenticeship scheme for fishermen, a school of navigation for them, and a school of diesel engineering. The modern skipper is a well-educated man, who may be earning between £2,000 and £3,000 a year while still in his twenties. Similarly, with his share in the boat's earnings on top of his basic wage, a deck hand of 17 can earn £700 a year. The fisher lads walk Lowestoft's streets like an aristocracy of labour. The little gold rings they wear in their ears, as their forefathers did, are marks of rank.

Yet fishing is still one of the most arduous as well as dangerous of jobs. And, as one Lowestoft man put it: "A fisherman has no social life. He's never home for long, and he never knows exactly when it's going to be." The women folk, as well as the men, need to be bred to the demands of this calling. High though its rewards and prestige still are, the temptations of softer jobs ashore are great.

The men and boys who resist those temptations, and continue to follow the most honoured vocation on the East Coast, are admittedly of a very fine type. And in this one owner, asked to justify the retention of subsidies for the fishing industry, found his ultimate argument. "It's worth something for the country to keep this industry going," he said. "Look at the men it breeds—they're better than factory hands! They're a reserve of seamen!" The need "to preserve the breed of seamen" is a claim for subsidising the fishing industry that has been heard since the reign of Elizabeth I. Will it still prevail now?

## Irrelevant Oxbridge?

FROM A CORRESPONDENT IN OXFORD

POPULAR criticisms of Oxford and Cambridge, and speculation about their future within the system of British university education, have taken a number of lines. One of these, that their doors are still too tightly closed because of social prejudice, was discussed in a previous article (*The Economist*, April 22, 1961), where it was argued that the real trouble lay in the inability of many schools to meet Oxbridge's high entrance standards. The present article is concerned with two other criticisms, which seem separate but are in fact connected with each other.

The first is that Oxbridge syllabuses are irrelevant to the urgent needs of the modern world. What is the use of learning symbolic logic in the age of the hydrogen bomb? This can be corrected, it is claimed, by redrawing syllabuses academically so that, say, African Studies replace Greek History; and by designing practical courses like Accountancy or Management as an addition to the theoretical syllabus. (Churchill College has recently announced a course of this sort.)

Arguments against this were developed some years ago during the controversy over Sir Walter Moberly's *The Crisis in the Universities* published in 1949, and have recently been re-stated by Mr Alan Bullock, among others. The university, according to this view, exists primarily to give the country's ablest young men a pause of three or four years to think, to learn, and to reflect; to acquire intellectual (and perhaps social and aesthetic) standards which will enable them to see through bogus arguments quickly and to develop valid ones with conviction; and to realise that the frontiers of knowledge are neither certain nor static. The core of this process is the mastery of the basic theoretical principles of one or two subjects, and some acquaintance with those of others. The method consists as much in mutual discussion between the undergraduates as in formal or informal tuition. In this connection the really able men play a part out of all relation to their numbers, for they teach each other, form a serious link between dons and undergraduates, and set the intellectual pace for undergraduate life in the university as a whole.

The objection that study of this sort is socially unjustifiable is met by the claim that it is in fact closely relevant to the needs of an increasingly specialised and intricate society. For no other method simultaneously concentrates and expands



the powers of the mind, thus enabling the graduate to grasp and criticise a whole range of practical subjects, and to bring an independent judgment to bear on them. Studies perfect nature and are perfected by experience. Conversely, experience without studies can lead to narrow and uncreative views, and the retention of traditional methods at the expense of efficiency; as Keynes never tired of repeating.

THIS view of what a university education should be necessarily leads to suspicion of "practical" and "relevant" courses. It can plausibly be argued (on the normal grounds of the benefits of specialisation) that "practical courses" are best pursued in technological colleges or within businesses themselves. One learns by doing. And it is really not too difficult to see that courses meant—with the best will in the world—to be "relevant" to today's needs may prove to be horribly irrelevant to tomorrow's. To use a military metaphor, those who argue for direct relevance are always committing their main forces to action against enemies who may not exist, or whose strength may be wildly misjudged.

This discussion is germane to another line of criticism of Oxbridge: that it takes the cream of the school entry, thus depriving Redbrick universities of the leaven they need for their student body. The deprivation is the more keenly felt because many Redbrick staffs are themselves Oxbridge trained, and therefore know what they are missing.

One remedy proposed is to spread the entry by some system of regional quotas. It also looks as though some thought is being given to the idea of developing Oxbridge as a primarily graduate centre, thus freeing the talented undergraduate for admission elsewhere. Now the main achievement of Oxbridge has always been in teaching, and this has depended on the presence there of a nucleus of clever undergraduates. The main achievement of Redbrick has, on the whole, been on the side of research. Would it not be a better policy to continue to foster undergraduate studies at Oxbridge and to export her graduates to Redbrick universities for advanced study and research degrees?

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# THE BUSINESS WORLD

## Lesson from Tin

*The Buffer Stock Manager of the International Tin Council has withdrawn as a seller of cash tin on the London Metal Exchange at the ceiling price in the agreement of £880 a ton, as the stocks of tin at his disposal are exhausted—Statement by the ITC, June 20th, 1961.*

**L**AST Tuesday, the defences of tin's stabilisation scheme collapsed as dramatically as a New Year's resolution. In April, when the cash price for tin reached £830 a ton, the manager of the tin buffer stock began to sell with the assurance of a man with 5 per cent of likely world demand this year in reserve. A fortnight ago, when the buying wave lapped at his dyke of £880, he may have held about 8,000 tons of tin and the conviction that he could still hold out for some time. But on Monday, June 12th, turnover in the London market was larger than at any time since the uncontrolled boom of 1950-51. This week, turnover easily topped 1,500 tons again on Monday, and the premium on three months' metal was stretched to £15 a ton; this made spot tin cheaper to buy and hold if one had the cash. The end came swiftly: turnover on Tuesday morning rose to 2,000 tons; a great shout went up for tin at £880 when the second ring of the afternoon session opened. The broker for the buffer pool said he had only 440 tons left and shared it out. Total transactions exceeded 5,000 tons (under 200 tons is normal), and at the end of the day bargains were being struck at a level well above the submerged £880.

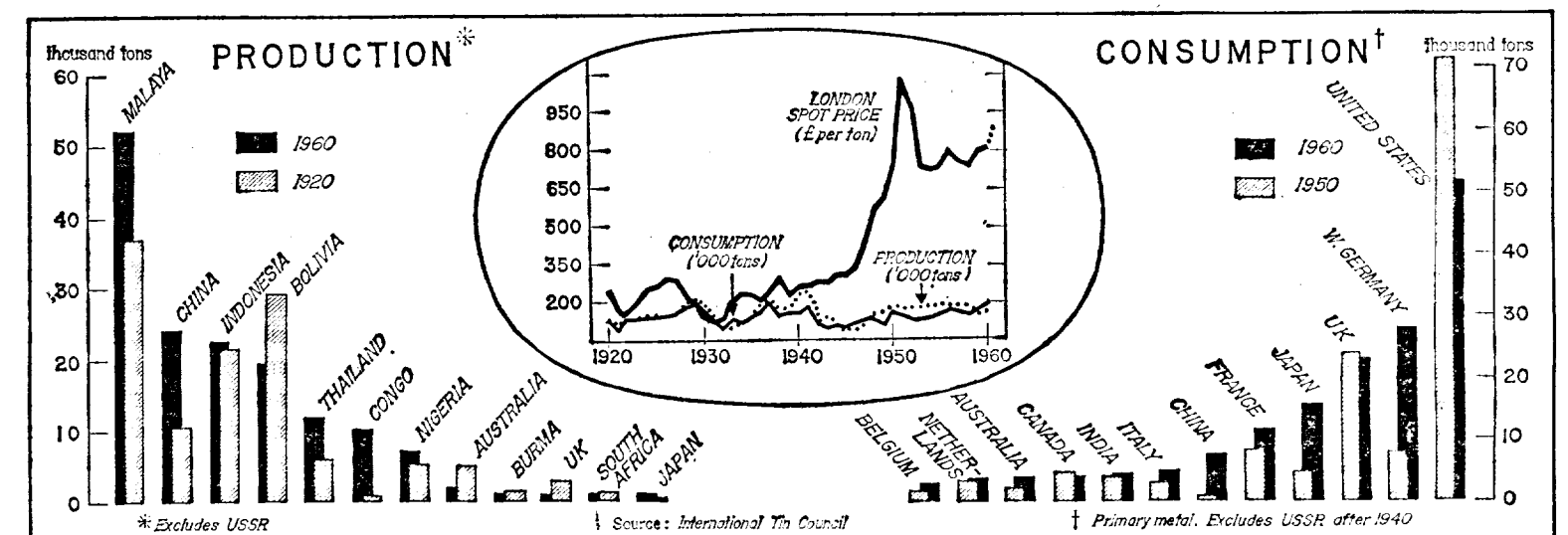
A fortnight short of its first five-year span, tin has shot through the roof. In 1958, it had crashed through the floor. So, to the satisfaction alike of producers who wanted higher prices, of cynical disbelievers in any kind of commodity stabilisation and of speculators who made the killing, the

tin buffer scheme double-faulted. The humiliation of this jewel among stabilisation schemes, adapted widely as the basis of many international commodity agreements since the war, is bound to cast a deep shadow.

But the failure is a matter of degree; even the headlong events of the past fortnight do not add up to a fiasco. The tin scheme was the victim of its own rigidities—a limitation recognised in the greater flexibility written into the new agreement designed to succeed the first. Within its resources and terms, the tin buffer operation has been moderately successful. It managed to store 23,000 tons of tin when demand was weak and realised the last of it when demand was strong. Its special fund likewise helped to smooth out the market—and to make money too. But when they tried to fix the "right" range for tin prices the designers of the scheme lost sight of the point that, if it had a thin floor and a fragile ceiling, it would need correspondingly more headroom to allow market forces to work.

Havana's imprint lies heavily on the international tin agreement. Consumer members share equal voting rights with producers and a distributed majority is needed for all decisions. In practice, producers of nearly all the free world's tin supply are equally represented with consumers of only 40 per cent of it—why other consumers do not join the club is something of a mystery. Membership costs practically nothing, and consumers have the right to veto proposals to

### TRENDS IN TIN



restrict tin exports and change price limits. Perhaps if supplies were distributed at times of shortage specifically in favour of consuming member countries, more would join. If it were considered desirable, pressure could in this way be brought to bear on the United States to release tin from its stockpile. The parties to the agreement have co-operated effectively in the past, but producers feel an added degree of concern about the lower part of the price range and consumers are exercised about security of supplies and the price ceiling.

Producers scratched together the £17 million to establish the buffer pool, and further resources needed to defend prices in the crisis of 1958. Consumers, who can call the tune, had the right to contribute voluntarily to the fighting fund, but did not do so. In fact, as compensation for the imposition of export restrictions from producing countries, they extracted an agreement that the buffer manager should be allowed to deal, at his discretion, within the middle price range of £780 to £830 a ton to forestall a sharp rise in prices. After tin recovered from the worst in 1958, this resulted in a lengthy period of stability which nevertheless succeeded in pleasing no one, least of all the market.

For the loss of tin production when quotas were cut (as low as 52 per cent for six months between 1958 and 1959) consumer members share the blame. They were presumably convinced of the fairness of the scheme they helped to establish, and they could have helped themselves, and saved producers from avoidable distress, by more wholehearted support of the scheme. Both production and consumption of tin are notoriously unresponsive to price changes; now that consumers are at the wrong end of the stick one cannot altogether sympathise with them.

THE RISE IN TIN SHARES

|                            | Jan. 29,<br>1958 | Jan. 1,<br>1960 | Jan. 13,<br>1961 | June 22,<br>1961 |
|----------------------------|------------------|-----------------|------------------|------------------|
| British Tin 10s. ....      | 15/3             | 28/-            | 31/9             | 46/-             |
| Ipooh 8s. ....             | 12/-             | 22/6            | 22/-             | 28/-             |
| Kamunting 5s. ....         | 7/7½             | 16/11½          | 14/6             | 22/6             |
| London Tin 4s. ....        | 7/-              | 10/10½          | 8/-              | 20/3             |
| Southern Malayan 5s. ....  | 8/4½             | 19/6            | 20/9             | 36/-             |
| Tronoh 5s. ....            | 7/10½            | 30/6            | 38/9             | 76/3             |
| Spot tin (£ per ton) ..... | 735              | 785             | 780              | 915              |

With restraint on production relaxed, all tin in the buffer stock sold, and nearly every stockpile (except that of the United States) emptied or emptying, the tin agreement is now a floor and nothing else. Costs of production are steadily rising as richer deposits are exhausted; and demand is increasing—last year, consumption reached the high level of 182,000 tons. But higher prices will squeeze tin out of the uses in which the most convenient substitute is available. If the output from the six major producers in the scheme were never to exceed 150,000 tons a year, and possibly to fall below this, any ceiling price could be positively injurious. Until or unless tin falls by more than £130 to £780 a ton, the buffer manager has no power to buy in tin and meanwhile there can be no upper limit. But it would be doubtful wisdom, because of the destruction of the ceiling, to neglect the floor. Despite the borrowing powers written into the new agreement, even greater resources might still be necessary in a crisis and the level of the floor will need careful review. The mines make the point that tin that is unpayable when ground is originally worked might never be recovered later. Even worse are the harmful social upheavals caused by recession. Nearly all low-cost tin production is in south-east Asia. But for the

forerunner of the present international tin scheme which tried to rescue producers after the slump of 1930-31, comparatively new high-cost producing countries like Nigeria and the Congo might have suffered a complete shut-down for a lengthy period. Each miner may support two other persons directly, and indirectly perhaps twenty more. Between 1948 and June 1959, after export restrictions under the current agreement had been most severe, the number of Nigerians engaged in tin mining was halved, and the country's revenues correspondingly affected.

Now there is no longer a buffer stock to operate, the Tin Council, meeting next week, will have to concentrate on how to satisfy—or pacify—demand for tin this year and next. Malaya, which has the greatest potential, may be able to promise more land for tin mining. Some landowners still prefer to grow food on tin-bearing land to feed their populations. Although some tin companies operating in Malaya are already taking advantage of freedom from export restrictions, the equally important multitude of smaller producers seem so far to be unresponsive. Expansion is difficult for a small miner and capital is scarce, especially with the growing range of other investments now open in Malaya. Bolivia nationalised its tin mines in 1952; Indonesia parted company with Holland in 1958; and the Congo has broken its links with Belgium. The limited output of these countries has been disappointing and is naturally an embarrassment to them. These three important producers ought to be able to make up some of the lost ground in future.

With independence for Nigeria and Malaya, control of tin production has been transformed since the war. It therefore seems odd that the United States which nurtured grievances against the international schemes operated by the "colonial powers" before the war and had such a large hand in the establishment of the present scheme, never joined it. It might be persuaded to redeem itself by releasing some of its 300,000-ton stockpile through the buffer scheme. For strictly strategic purposes, America has enough tin to fight a modern version of the Thirty-Years War. But though other consumers would join American taxpayers in urging their government to reduce its stockpile at this propitious time, many of them are also producers of other materials in over-abundant supply that have sought refuge under the wing of America's strategic stockpiles. For them, America's tin is strategic in the sense that a decision to let some of it go in addition to releases of other materials already being made might generate inconvenient disposals of a lot more commodities.

Speculators must hold some tin wanted for consumption this year. Theirs is the worry of what price will balance demand with supply. A release from the American stockpile, storms that halve crops, or one of the other swift changes in fortune that seem to afflict tin might upset the calculations. A ton of tin goes a long way, and consumers are constantly striving to make it go a lot further. Since 1939, America has raised its use of reclaimed tin from a quarter to a half of annual consumption and the smaller, neater metal goods now being produced use considerably less tin. Tin is convenient rather than indispensable, but the right value in the long run for that convenience may be considerably higher than the present price of £915 a ton.

## Canada's Floating Dollar

PERHAPS inevitably in this year of currency upheaval, the new exchange tactics announced by Canada's minister of finance in his budget last Tuesday (on which our Ottawa correspondent reports on page 1375) are being cited in some circles as another indication that world exchanges are in flux, that the basis of certainty in exchange relationships has been removed. This is too simple a view, for Canada's financial problem is in many ways unique. The Canadian dollar, alone among major currencies, has had no fixed exchange parity for over ten years. From September, 1950, it has been a floating currency without official limits, and it still is. What Mr Fleming has decided is that the official exchange fund should now intervene with the positive aim of driving the exchange rate down. This should come as no great surprise. What has been remarkable through the past few years is that the heavy deficit in the balance of payments did not itself drive down the Canadian dollar. The Canadian authorities, far from adopting the familiar posture of assuring all and sundry that their currency would never depreciate, have been hoping that it would and warning the world that it might. The presumption, admittedly, was that the depreciation would be the result of ordinary market forces. Now that the market has failed to do the job itself, the authorities are stepping in to help it along. That in itself involves a major departure, which raises quite new questions for Canada, and also carries some interesting lessons of general application on the role of floating exchange rates. But while no one can be sure at present where this move will lead the Canadian dollar, it is important to note that the initial step has not been taken under immediate exchange market pressure.

Because of Canada's floating rate, and because of the specially close links with the United States, indeed, there has hitherto been virtually no pressure on the Canadian dollar even though the Canadian economy has long run an external deficit that ranks as a world record. When the Canadian dollar was removed from its peg in the early months of the Korean war, the aim was to check the massive inflow of funds that was taking place in expectation of an up-valuation. In these circumstances Canada was given a special dispensation by the International Monetary Fund, which requires fixed parities with fluctuations of at most 1 per cent on either side.

At first it was thought that Canada would return to a fixed peg, as soon as it was clear what this should be, but this day of decision never arrived. The balance of payments underwent a basic change. In 1960 the current balance swung into heavy deficit and, with a momentary exception in 1952, the deficits have continued. In every year since 1956 indeed they have exceeded \$1 billion.\* The deficit on merchandise trade has recently been reduced, but working against this is the ever-rising deficit on invisible payments, which arises largely from the servicing of the huge volume of foreign investment in Canada. The flow of this investment, both through direct participations and transactions in securities, has risen almost in step with the current deficit, and the size of this inflow has been a major factor in the Coyne-Fleming clash. But it has still not been quite as large as the current deficit, and in each of the last five years a substantial

\* The dollar sign refers throughout to Canadian dollars.

gap has remained. The official reserves of gold and foreign exchange have moved insignificantly; why then did the premium on the Canadian dollar remain, fluctuating only within its range of one to six cents?

The answer is given in the last column of the table. The great equilibrating force has been short-term capital. This has been attracted partly by the increased differential in interest rates that has prevailed since 1958, when the rise in Canada went considerably further than in the United States. A differential of one per cent or more has persisted, bringing Canadian borrowers to New York and United States investors into the Canadian money market. Secondly, the floating exchange rate developed a built-in stability of its own. The fact that (1) it had fluctuated within very narrow limits and (2) that a vast volume of funds was always ready to move for exchange or interest arbitrage, meant that whenever long-term forces pulled the rate down by a cent, money market operators would start thinking about the chance of an exchange appreciation, and begin to move funds in, bringing the rate up again.

So the floating rate did not float much in practice and did not adjust, or even register, the major disturbances in the balance of payments. Rather remarkably, it has been demonstrated that just as exchange speculation can artificially exacerbate "natural" fluctuations in exchange rates where confidence is weak, so in opposite circumstances of firm confidence and high mobility between capital markets the natural fluctuations in exchange rates can be artificially ironed out. In both cases, speculation is an independent factor that itself plays a big part in putting the rate where it is. Between the beginning of 1955 and the end of 1960 Canada ran a basic deficit, after crediting all long-term capital, of \$1,600 million; yet neither its official reserves nor its free exchange rate bore any trace of it.

The underlying forces, clearly, have pointed to a depreciation of the Canadian dollar, but have been frustrated by short-term capital movements. Now the authorities have declared their intention to drive down the rate to a "substantial discount." They are prepared to use the exchange fund to sell Canadian dollars against United States dollars to achieve this

CANADA'S SELF-BALANCING PAYMENTS

|                       | Trade balance | Invisibles        | Current balance | Balance after crediting long-term capital | Financed by: Changes in reserves (minus shows rise) | Short term capita |
|-----------------------|---------------|-------------------|-----------------|-------------------------------------------|-----------------------------------------------------|-------------------|
|                       |               | (Can. \$ million) |                 |                                           |                                                     |                   |
| 1948 .....            | + 432         | + 19              | + 451           | + 506                                     | - 492                                               | - 14              |
| 1949 .....            | + 293         | - 116             | + 177           | + 168                                     | - 128                                               | - 40              |
| 1950 .....            | + 10          | - 344             | - 334           | + 279                                     | - 722                                               | + 443             |
| 1951 .....            | - 147         | - 370             | - 517           | + 120                                     | - 56                                                | - 64              |
| 1952 .....            | + 489         | - 325             | + 164           | + 614                                     | - 37                                                | - 577             |
| 1953 .....            | - 58          | - 385             | - 443           | + 165                                     | + 38                                                | - 203             |
| 1954 .....            | + 13          | - 445             | - 432           | + 118                                     | - 124                                               | + 6               |
| 1955 .....            | - 211         | - 487             | - 698           | - 337                                     | + 44                                                | + 293             |
| 1956 .....            | - 728         | - 638             | - 1,366         | - 95                                      | - 33                                                | + 128             |
| 1957 .....            | - 594         | - 861             | - 1,455         | - 196                                     | + 105                                               | + 91              |
| 1958 .....            | - 179         | - 952             | - 1,131         | - 119                                     | - 109                                               | + 228             |
| 1959 .....            | - 423         | - 1,071           | - 1,494         | - 433                                     | + 70                                                | + 363             |
| 1960 .....            | - 148         | - 1,122           | - 1,270         | - 418                                     | + 39                                                | + 379             |
| 1961 (1st qtr.) ..... | (- 8)         | (- 353)           | (- 361)         | (- 208)                                   | (- 105)                                             | (+ 313)           |



purpose. The intriguing question is how far they will have to. For the Canadian dollar, as has been seen, was being held up only by a market view, which the Canadian government has now upset. United States investors in assets denominated in Canadian dollars have taken losses, while Canadian borrowers who have accepted obligations in United States dollars have incurred additional liabilities. Will they now be undismayed, believing that despite the underlying balance of payments and despite the new Fleming policy the Canadian dollar will return to parity and above it? Or will they expect the depreciation to go further?

If many people do take this view the task before the Canadian exchange authorities may be not how to push their dollar down but how to check its fall. In first dealings on Wednesday the discount on the US dollar was no more than 3 cents, having fallen from a premium of just over one cent to parity immediately after the Coyne dispute came fully into the open. Exchange dealers in Europe expect to see the discount widen towards 10 cents once the broad mass of United States investors and corporations are fully seized of what has happened. "When an exchange rate more appropriate to Canada's economic position has been achieved," Mr Fleming said, "the government will use the exchange fund to keep the rate within the range appropriate to the changing economic situation."

Provided the fall in the exchange is kept within limits, it will be to Mr Fleming's liking. But there is an obvious danger that overseas investors, hurt by their exchange losses and disturbed by the large budget deficit, may undergo a major change of heart. In that case Mr Fleming might well start longing for some of his old problems back. There is no country in the world that is so dependent on the confidence of foreign investors as Canada, and the Canadian government would be foolhardy to neglect it. Mr Fleming has put forward

specific proposals for reducing interest rates. New Federal issues are to be confined to short-dated bonds in the next few months and a sinking fund for retirement of debt is to be established. But while, in theory, the new policy of effecting a "substantial" exchange depreciation may require a concomitant reduction in interest rates, Mr Fleming would be unwise to pay too much regard to the theoretical model until he sees what is happening to confidence. The stimulus of a ten per cent depreciation plus the budget deficit should themselves give a good initial boost to the domestic economy. Investors are already uncertain whether to buy Canadian bonds on the strength of the new policy or sell them on fears of inflation.

But there is everything to be said for Canada adopting a positive policy on interest rates. The sorry course of dispute about Canada's economic affairs marks the utter failure of the negative approach to economic management. The bad example was set first by the Bank of Canada itself when it declined responsibility for the level of the exchange rate and then even of its own Bank rate; the next step was for the Conservative government to shrug off any economic criticism by referring to the responsibility and independence of the Bank—instead of knocking heads together and hammering out a coherent policy. A lower exchange rate, possibly in time a lower interest rate, make sense to a certain degree for Canada in its present state of external deficit and domestic depression. But they will make sense only so long as the stimulus to the domestic economy is not allowed to raise domestic wages and costs. This is the vital point. There is nothing in this exchange manipulation that will make it easier for Canadians to match the United States in its pay scales before they have matched it in productivity. Depreciation, even if there is a fairly clear cut Keynesian case for it in Canada now, is not an easy palliative even there.

## BUSINESS NOTES

### STERLING

#### Still Under Fire

FIRST reactions in the London market to the new tactics for the Canadian dollar were calm. The move was not unexpected in well-informed circles and clearly has little bearing on sterling's troubles. But not all operators are well informed, and on Wednesday afternoon sterling came under sudden pressure in Paris and also in Zurich, where there was a recrudescence of the rumour that the Swiss franc might be revalued. The United States dollar weakened against the Swiss franc but was firm against the D-mark. This movement may have been attributable to operations of the newly active United States stabilisation fund, which has been operating in forward markets.

Sterling weakened to \$2.78½ against the dollar and the Bank of England stepped in with more official support. On Thursday selling from the Continent was resumed

after the announcement of no change in Bank rate. There have also been heavy sales of sterling in the forward market, and discounts have widened further to 2½-2 cents for three months on the US dollar—equivalent to an annual rate of interest on the spot rate of around 3 per cent. The market sees increasing evidence of "Great West Road" selling by United States subsidiaries to secure some cover for their sterling assets.

The official estimate of Britain's balance of payments in the first quarter of 1961 caused few surprises. It confirmed the evidence of the monthly trade figures that the deficit was smaller than in the last half of 1960 but still higher than in the first quarter of last year. On the payments basis, valuing both imports and exports fob, the merchandise trade deficit in January-March was £58 million, compared with £46

million a year before. (For April and May, the trade figures indicate a slight improvement on the year.) Net invisible earnings were again very poor in the first quarter—a mere £2 million—and this was attributable to a further rise in net overseas spending by the government, to no less than £85 million in the three months—a rate of £380 million a year.

The Chancellor of the Exchequer on Thursday made it clear that the Treasury is at last moving to reverse this trend. Mr Lloyd declared that overseas military expenditure and the foreign exchange cost of the forces must be reduced; so must other government expenditure overseas. In addition:

We must say clearly for all to hear that a country without a satisfactory surplus on its balance of payments just cannot provide unlimited quantities of aid, even if some of it is tied.

All this is reasonable enough, but it is not a policy.

On the capital account, the first quarter

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inflow of £58 million in private investment is attributable to the £130 million received from Ford, which came out of non-sterling countries' holdings of sterling balances in this period. These figures are also shrouded by the support operations by European central banks, and the accumulations of sterling under these arrangements

#### UNITED KINGDOM BALANCE OF PAYMENTS (£ million)

|                                          | 1960        |            |             |             | 1961*      |
|------------------------------------------|-------------|------------|-------------|-------------|------------|
|                                          | I           | II         | III         | IV          | I          |
| <b>CURRENT ACCOUNT:—</b>                 |             |            |             |             |            |
| Imports (f.o.b.)                         | 1,012       | 1,021      | 997         | 1,047       | 1,045      |
| Exports (f.o.b.)                         | 966         | 941        | 858         | 946         | 967        |
| Visible Balance                          | -46         | -80        | -139        | -101        | -58        |
| Government (net)                         | -75         | -67        | -70         | -75         | -85        |
| Other invisibles (net)                   | +84         | +105       | +61         | +59         | +87        |
| Identified Current Balance               | -37         | -42        | -148        | -117        | -56        |
| <b>LONG TERM CAPITAL ACCOUNT:—</b>       |             |            |             |             |            |
| Inter-Government loans (net)             | -17         | -20        | -14         | -40         | -21        |
| Official Long Term Capital (net)         | -           | -1         | -1          | -7          | -2         |
| Private investment (net)                 | -22         | -51        | -31         | +3          | +58        |
| Balance of Long Term Capital             | -39         | -72        | -46         | -44         | +35        |
| Balance of Current and Long Term Capital | -76         | -114       | -194        | -161        | -21        |
| <b>BALANCING ITEM</b>                    | <b>+101</b> | <b>+40</b> | <b>+124</b> | <b>+112</b> | <b>+50</b> |
| <b>MONETARY MOVEMENTS:—</b>              |             |            |             |             |            |
| Overseas sterling holdings:              |             |            |             |             |            |
| R.S.A. countries                         | +34         | +4         | -97         | -97         | -37        |
| Non-sterling countries                   | +19         | +118       | +226        | +241        | +131       |
| Non-territorial organisations            | -17         | -27        | -57         | -55         | +4         |
| Gold and convertible currency reserves   | +16         | +40        | +77         | +44         | -75        |
| Other monetary movements                 | +23         | +19        | +75         | +4          | +60        |

\* Provisional.

may also be partly reflected in the inflow of £60 million in "other monetary movements." The balancing item obstinately remains positive, at £50 million, despite the turn in the tide of short term capital movements. This seems to confirm that a good part of this unidentified inflow is in fact on current account. To this extent the identified current balance shows too gloomy a picture.

### INTERNATIONAL FINANCE

#### Basle's New Voice

THERE was a time when the one notable thing about the Bank for International Settlements was its annual report. This year the bank has attracted much wider attention, with the new essay in central banking co-operation arranged under its auspices: "in the shorthand of the exchange markets, 'Basle' today means something very different from 'Zurich.'" At the same time, the BIS has filled the gap in its economic department left by Dr Jacobsson's departure in 1956, and this year's annual report prepared under the supervision of Dr Milton Gilbert ranks with the best of the past.

The report turns critical attention on the interaction between domestic and external

### BUSINESS NOTES

economic influences in leading industrial countries. It shows how some countries, such as Italy and Switzerland, directed policy measures to curbing the external surplus as well as restraining a domestic boom, and had a good measure of success on both sides. On the other hand, Germany's exclusive concentration on domestic stability failed on all counts, necessitating a reversal of policies late in 1960 and the disruptive revaluation early this year. In Germany, as in the United States in opposite circumstances, difficulties arose partly because of reluctance to use fiscal policy as a stabilising device. Too much of the burden of adjustment accordingly fell on monetary policy; international differences in interest rates became unnaturally large; and in the new circumstances of 1960 this led to enormous movements of short-term funds. The outflow from the United States was over \$2 billion; and the shift of funds in Europe in a single week in March, 1961, reached \$500 million.

These movements and the new problems set by European convertibility and the transformation of the dollar problem also receive detailed attention in the second annual report of the European Monetary Agreement. One interesting new estimate in this report is that the amount of gold that "disappeared" into private hands between October, 1960, and January, 1961, was as high as \$800 million. The European Monetary Agreement itself, which was drawn up in 1955 in preparation for con-

vertibility, has in practice hardly taken effect, since settlements are normally transacted through the exchange markets. The agreement is due for review by the end of this year but no major changes are expected.

For Britain, the BIS analysis is eminently sensible. It gives warnings against painting the picture too black and points to "real progress" between 1955 and 1960. It gives a reminder that the lack of dynamism in the British economy is attributable to long-term influences such as the structure of taxation, the direction (it does not say the absolute total) of public investment, and resistances to the shift of resources to the more productive industries. The BIS is at pains to point out that it "takes no position" on these social questions, but emphasises that "the choices made are directly related to the problem of growth." The analysis also emphasises the role of wage inflation in Britain, echoing the theme of the recent OEEC report, in which Dr Gilbert also had a hand. And, in a transfiguration of this year's "Economic Survey" it bluntly but realistically substitutes the past tense for the conditional mood:

If (As) increases in pay continue (have continued) to outstrip the rise in national productivity, the pressure on costs and prices will be (has been) intensified and ability to export will be (has been) impaired.

This would make a fitting text over the Cabinet room fireplace, to be illuminated automatically whenever mention is made of economic growth.

### THE ECONOMY

#### Edging Upwards

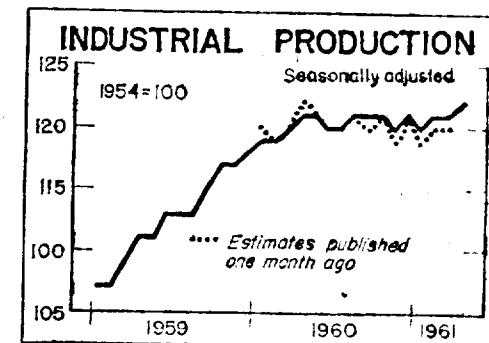
INDUSTRIAL output may well be looking up, but the evidence is by no means overwhelming. The official index for April, after seasonal adjustment, is put at 122 (1954=100), compared with 121 in January. Does this justify the Treasury's comment that "output in April was clearly above previous months"? On the published data, it does not. Revisions have raised the February index (unadjusted and adjusted) a point; revisions could just as easily lower the April figure a point. Apart from this, the rounding-off of this index to a whole number coupled with the hazards of seasonal adjustment (just given its annual overhaul)

make a point movement look pretty inconclusive. Nevertheless, this cautionary tale told, some rise in the index fits in what businessmen think has been happening.

Various bits of the statistical jigsaw for the first quarter of the year can now be fitted together. Looking throughout at seasonally corrected data, industrial output appears to have been running at about the same level as in the previous three months. Fixed investment continued to be the most buoyant element in demand. According to provisional estimates, manufacturers stepped up their capital expenditure by some 5 per cent in real terms and the other industries and services covered by

#### TRENDS IN CAPITAL EXPENDITURE Per cent changes from a year earlier at average 1954 prices.

|                                        | Plant & machinery | Vehicles | Building work | Total |
|----------------------------------------|-------------------|----------|---------------|-------|
| <b>MANUFACTURING INDUSTRY</b>          |                   |          |               |       |
| 1960 1st qtr.                          | +1                | +30      | +19           | +8    |
| 2nd "                                  | +6                | +33      | +28           | +14   |
| 3rd "                                  | +19               | +52      | +46           | +28   |
| 4th "                                  | +16               | +41      | +20           | +19   |
| 1961 1st qtr.                          | +19               | +19      | +20           | +19   |
| <b>OTHER INDUSTRIES &amp; SERVICES</b> |                   |          |               |       |
| 1960 1st qtr.                          | +12               | +46      | +23           | +28   |
| 2nd "                                  | +4                | +11      | +18           | +12   |
| 3rd "                                  | +13               | +16      | +9            | +13   |
| 4th "                                  | +2                | +10      | +4            | +5    |
| 1961 1st qtr.                          | +3                | +9       | -9            | +1    |



the Board of Trade's inquiry increased theirs by 1 per cent: the combined rise was 3 per cent. (The table compares the rates of growth in different kinds of investment.) Full details are not yet available of consumer spending but this probably rose by about 2 per cent. Exports went up some 4 per cent in volume, but most of this apparent recovery reflected delays in shipments resulting from last autumn's dock strike.

If these indicators are correct, then stocks must have fallen; this has now been established. Manufacturers and distributors between them hold three-quarters of all stocks in the country and, according to the Board of Trade's provisional estimates, the rise in these stocks in the first three months of the year was smaller than in any recent quarter: it amounted to only £73 million (at 1954 prices, seasonally adjusted), £88 million less than in the three previous months.

### What Now?

It is by no means easy to get a measure of what has been happening more recently or to assess the momentum behind these tentative signs of growth. Retail business has been doing well, although a little of the zip seems to have gone out of it; exports have remained on a plateau. Steel output has levelled off; the recovery in the car industry has been hampered by strikes; and textiles have been quiet. The positive signs of growth stem from home demand for plant and machinery and new construction. New business for engineering firms was very brisk in March and new orders received by the building and civil engineering industries in the first quarter of this year were a record, worth £521 million or 10 per cent more than those received in the same quarter of last year. But one rather longer-term—though less certain—indicator of future demand, the new commissions received by private architects, showed a fall of 22 per cent over the same quarter of 1960.

The only up-to-date indicator is of the labour market. On June 12th unemployment amounted to a mere 1.2 per cent of the labour force; for what the observation is worth, this shows a smaller fall since May 15th than is usual. If school-leavers, workers laid off temporarily and ordinary seasonal ups and downs are excluded from the figures, unemployment has not changed significantly this year. On the other hand, the demand for labour has increased steadily. The seasonally adjusted numbers of vacancies and wholly unemployed were in balance a year ago; in January the excess of vacancies was 17,000; now it is 60,000.

### AIR TRANSPORT

#### Shape of Things to Come

A SIZEABLE bombshell was lobbed into the airlines' closed shop on Thursday morning by Professor Jack and his colleagues

### BUSINESS NOTES

on the new Air Transport Licensing Board. With an unexpected speed, they have decided that there is room for a second British airline on the North Atlantic, flying in competition with BOAC, and have awarded a 15-year licence for the second service to Cunard-Eagle. The board's decision gives Cunard-Eagle the right to a daily return flight between London and New York—and accordingly offers it the chance of starting its new service on a commercial footing, in marked contrast to the former habit of throwing odd crumbs to the independent airlines to give them a start in business but not with the frequency needed to make money.

The decision may have important bearings on the hearings that the board started on Tuesday—they are expected to last six weeks—involving 78 applications (and 283 objections to them) by independent airlines wanting to start a European network in competition with BEA. Unless the airlines get licences to fly on most of the routes they are seeking, it will not pay them to invest in new aircraft; the board's North Atlantic decision seems to recognise this point.

The board's decisions affect not only British airlines but foreign operators and

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foreign governments. Cunard-Eagle is only over the first hurdle; although it has cleared this in fine style, there are some nasty fences ahead. At home, BOAC has the right to appeal to the Minister against the decision of the board and has already announced that it intends to do so—BOAC will be able to argue strongly that its current losses will be aggravated by competition from Cunard-Eagle. But Mr Thorneycroft may not be guided solely by such considerations; he could withhold the licence if the Civil Aeronautics Board in the United States were to refuse to allow Cunard-Eagle right of entry. This is a danger of which Mr Thorneycroft's predecessor at the Ministry, Mr Sandys, was aware when he prepared the new act, and Mr Sandys was careful to insert a clause that gave the Minister the right to withhold a licence recommended by the board if it was going to create difficulties with other countries. It is the rock on which the whole experiment might founder. An American team now in London negotiating air traffic agreements will present the Ministry with a convenient opportunity to test American reactions to this new British experiment to bring competition into the air.

### IN THE MARKETS

#### Something Has To Happen

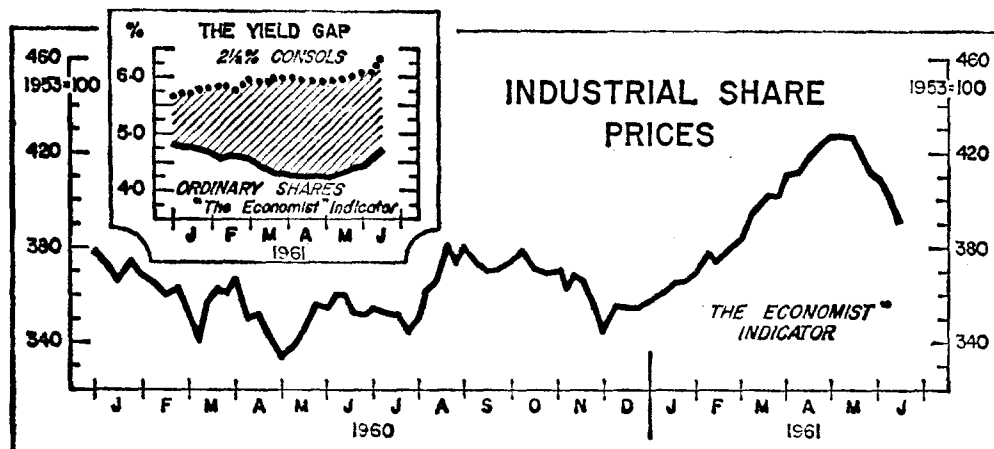
*The position of sterling had not been happy for a considerable time, so it was on the cards that something would happen; something had to happen.*

*What did you expect to happen?*  
—I do not know.

So a City witness described to the Parker tribunal the atmosphere of the summer of 1957. It fits exactly the mood of to-day; investors and dealers firmly believe that the government will take some action to check inflation and to bolster the pound, but they are far from certain what the actions will be or when they will be taken. The Chancellor cannot exercise his power to raise indirect taxes until the Finance Bill is passed, some time in July, and the further fall in sterling before the week-end follow-

ing the poor trade figures for May led the market to consider whether as an interim step Bank rate might be raised to 6 per cent—or even higher. At that point the betting was about "evens" on a rise. The yields on gilt-edged securities are already higher than in the days of 7 per cent Bank rate and to that extent the market has broken contact with the yardsticks of the past. Persistent selling, though light in volume, forced prices down quite sharply and, though there was a momentary rally on Tuesday, War Loan had fallen on Thursday to 53½, the lowest price ever.

As the Bank rate announcement drew nearer, opinion began to harden that another Thursday would pass without a change. It was only a tentative opinion based on the argument that what was required was action that would have a long term remedial effect



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## Toheroa Soup!

### WHAT ON EARTH'S THAT?

SORRY, GASTON. We know you're a wonderful source of information about la grande cuisine, but this is different. This is a New Zealand matter and the enquiry ought to have come to us. For with more than 160 branches and agencies throughout the North and South Islands, we, too, are a 'wonderful source of information'—on New Zealand. If you want to know about things of national interest in New Zealand, ask us—

## The National Bank

OF NEW ZEALAND LIMITED

Head Office:  
8 Moorgate, London, E.C.2 (MONarch 8311)  
West End Branch: 14 Charles II Street, London, S.W.1. (TRAlgar 6791)

## How much do you know—about YUGOSLAVIA?

### Did you know—

—that the value of U.K. exports to Yugoslavia in 1960 rose by £3½ million, the largest increase for 10 years?  
—that Yugoslavia is likely to buy still more from the United Kingdom during 1961?

### Can you say—

—for what particular purpose the World Bank last year agreed to lend Yugoslavia £10 million?  
—how many categories exist under which goods can be imported into Yugoslavia and what those categories are?

The answers to these and other questions concerning trade with Yugoslavia are in a report which has been prepared by Barclays Bank. Other reports revised in June deal with the Common Market, Denmark, Hong Kong, Iran, Japan, the United States of America and Venezuela. —For copies of these, and of reports on any other of the main trading countries of the world, please apply to:

## THE INTELLIGENCE DEPARTMENT BARCLAYS BANK LIMITED

54 LOMBARD STREET, LONDON EC3

or to any branch.



rather than the use of a weapon more appropriate to a short term crisis. It proved right last Thursday, but the logic is not that Bank rate will not be used but that it may be kept as a reserve weapon to be brought into play together with other measures. A rise in short-dated bonds reflected the slight change in mood about interest rates but, whatever the day-to-day movements at the short end of the market, it is all Lombard Street to a China orange that the government will have to act, and that has left the long end of the market groping blindly, dismayed by its past, disheartened by the present and uncertain of its future.

The industrial market is in only slightly better shape. No longer can it blithely comfort itself that inflation is good for equities; instead it has to anticipate what counter-measures will be taken and to live uneasily with the continuing evidence that profit margins in British industry are being squeezed and are more vulnerable to foreign competition. Over the week-end this took tangible shape, first, in a slight increase in the volume of selling and, secondly, in the sharp precautionary moves the jobbers took in marking prices down. In three days' dealings to the close on Monday, the *Financial Times* index dropped from 340.0 to 322.6. This was close to what has been thought to be a psychological resistance point (in the sense that yields at this level are approximately the same as they were before the bull market got into its stride late last year) and, to no one's surprise, bargain-hunters appeared at this point. Their buying was sufficient to drive the *Financial Times* index up to 330.6 on Wednesday. Spanning both the sharp fall and the later rally, *The Economist* indicator fell from 402.3 to 391.2. Views are mixed on the prospect of equity prices plunging lower than they did immediately after the week-end; but it is now clear that they have no early prospect of climbing back to their mid-May peak.

## Caution in Wall Street

A Correspondent cables:

THE mood in Wall Street has shifted from exuberance to caution and, reflecting the change, the Dow Jones industrial average has fallen from its May peak of 705 to 682 this week. Some individual issues, especially in the electronics industry, have fallen very sharply. Brokers say that the fall has been due to a drying-up in demand for equities rather than any widespread disposition to sell; they cite the big reduction in the volume of trading, which has fallen in a few weeks from well over four million bargains to just over three million a day.

Many dealers believe that the decline is unlikely to go much further and that current prices may be sufficiently attractive to spark off the traditional summer rally. With a recovering economy, easy credit and deficit financing they are convinced that equities will still be the preferred investment. The cooling-off in the speculative demand for

new and unlisted issues is thought to be salutary; it may lead to renewed interest in the standard industrial groups that have been relatively neglected. So far the decline has been moderate—no more, some argue, than the kind of technical correction that is normal in a bull market—but, even so, there is a feeling that investors are unlikely to regain their old enthusiasm very quickly.

Price cuts in many industries have raised the spectre of profitless prosperity and Wall Street is beginning to wonder whether the new administration will provide as temperate a climate for business as it had once

## SOUTH AFRICA

THE South African Government has accepted the inevitable consequence of its policies and has extended its exchange control to non-residents, disregarding its earlier promises to the contrary. Non-residents who sell South African shares are now being paid in blocked rands, which may not be repatriated and which may be used only to purchase other securities. Investors are faced with the choice of getting their money out by selling in London at a discount or leaving it in South Africa indefinitely.

The precise meaning of some details in the new controls is still not clear, but it has emerged, contrary to early suppositions, that blocked rands are in fact not transferable between non-residents. Thus although blocked rands are to be termed security rands they are by no means the counterpart of security sterling. This limitation will prevent a market in blocked rands developing in South Africa. In such a market the rands would have been quoted at a heavy discount, equivalent to that ruling in the London market for Kaffirs. It seems, however, that securities bought with blocked rands are transferable to the London market, although they must first be endorsed by an authorised bank and sanctioned by the exchange control. Such transfers will have no effect on the South African exchanges; and if they are freely approved, London brokers should still be able to maintain an organised market for Kaffirs in London.

The net outflow of capital from South Africa last year was £81 million, of which

hoped. While a drastic selling wave is not thought to be likely, investors are expected to be more selective in concentrating upon shares that seem to be assured of rising profits. At the moment, however, the economic recovery has been substantially discounted and prospective buyers are waiting to see whether the second quarter's earnings are up to expectations. A good deal of interest is centred upon the latest offer of Ford shares by the Ford Foundation and its reception should provide some insight into the strength that may underline the present cautious mood.

## On Its Own

£39 million was accounted for by the sale of securities to South Africans by non-residents. Since the beginning of this year South Africa's reserves have fallen by £15 million, despite a drawing from the IMF of £13½ million, and the reserves are now £71 million. In the month from mid-May the loss was £5 million.

Dr Dönges, the finance minister, now feels that the main leakages of exchange from South Africa have been blocked. At the same time, however, South Africa has taken a big new step towards financial isolation, cutting itself off from the inflow of capital that has sustained its economy for so many years. In future South Africa must finance its own development. In fact the first five months of the year have produced a current surplus of £39 million, compared with a surplus for the whole of 1960 of £15 million. Imports have fallen as a result of recent controls and gold sales continue to rise. In the first five months of this year they contributed £128 million to total exports of £321 million, rising by £29 million over the corresponding period of 1960. The present exchange control is doubtless seen as an alternative to devaluation. But if in the future South Africa feels impelled to strengthen its current balance further, devaluation would give a sure boost to gold production and sales by bringing some of the old mines back into profitable production. Few countries have available an unlimited world market at a fixed price for their largest single export.

The immediate reaction of the London

|                                                | End-1959 | Post<br>Sharpeville<br>Mar. 21,<br>1960 | End-1960 | Ex<br>Common-<br>wealth<br>Mar. 16,<br>1961 | June 16,<br>1961<br>London | June 19,<br>1961<br>London | June 21,<br>1961<br>London | June 21,<br>1961<br>Jo'burg | Yield<br>per cent<br>London |
|------------------------------------------------|----------|-----------------------------------------|----------|---------------------------------------------|----------------------------|----------------------------|----------------------------|-----------------------------|-----------------------------|
| S. Africa 3½% 1965-67                          | 85½      | 83½                                     | 81       | 75                                          | 78                         | 78                         | 77½                        | Not quoted                  | 8.5                         |
| Standard Bank.....                             | 51/6     | 42/3                                    | 36/3     | 36/6                                        | 36/3                       | 35/3                       | 36/9                       | 39/-                        | 8.2                         |
| Anglo American Corp.<br>Consolid. Gold Fields  | 213/9    | 180/-                                   | 165/-    | 146/3                                       | 128/9                      | 118/9                      | 121/3                      | 144/-                       | 7.3                         |
| De Beers Deferred ...                          | 98/6     | 76/3                                    | 64/6     | 56/3                                        | 49/-                       | 45/-                       | 47/3                       | 52/6                        | 10.6                        |
|                                                | 192/6    | 171/3                                   | 156/3    | 146/3                                       | 128/1½                     | 117/6                      | 123/9                      | 148/-                       | 10.0                        |
| F. S. Geduld.....                              | 190/-    | 147/6                                   | 123/9    | 105/-                                       | 88/9                       | 81/3                       | 85/7½                      | 95/-                        | 9.9                         |
| Western Holdings.....                          | 168/9    | 148/9                                   | 153/9    | 133/9                                       | 118/9                      | 103/3                      | 111/3                      | 138/-                       | 8.9                         |
| Stiffontein .....                              | 39/6     | 33/6                                    | 35/6     | 30/6                                        | 29/3                       | 25/1½                      | 26/10½                     | 34/9                        | 11.1                        |
| Sth. African Breweries<br>OK Bazaars 'B' ..... | 32/6     | 26/-                                    | 24/3     | 25/6                                        | 24/6                       | 20/7½                      | 21/10½                     | 28/6                        | 9.1                         |
|                                                | 31/3     | 27/6                                    | 27/4½    | 27/-                                        | 26/6                       | 22/6                       | 23/9                       | 29/6                        | 7.1                         |
| FT Gold Mines Index*                           | 89.2     | 78.2                                    | 75.0     | 66.2                                        | 61.1                       | 55.1                       | 58.9                       | ...                         | ...                         |

\* September 12, 1955 = 100.

stock market has been to mark down all South African mining and industrial shares sharply. There was—and to some extent there still is—uncertainty about the working of the new controls. But partly as a result of the dealers' prompt action to protect themselves from losses, there has been very little selling. Discounts on Johannesburg prices, which since last month's restrictions on forward currency dealings had amounted to about 5 per cent, have widened in some shares to as much as 20 per cent. While prices slumped in London, they rose in South Africa, for the big South African institutions which had bought the bulk of the stock sold by non-residents in the past eighteen months have now turned to the Johannesburg market. In London as the market began to settle down a few bargain hunters appeared. The yields might be thought to be tempting; but so they did in March immediately after South Africa decided to leave the Commonwealth and, as the table shows, any investor who gambled then has now a big book loss.

## SHIPBUILDING

### Aid or Self-help?

A CLEAR hint that the Government is considering special aid for British shipbuilding and shipping came from Mr Marples at Port Glasgow last week at a ceremony marking the reconstruction of the Kingston yard of the Lithgow Group. The Minister of Transport virtually committed himself to announcing "some constructive proposals" later this year. Discussions are going on with shipbuilders and shipping companies, and the final form of any aid will be decided upon when they are completed. A Government sponsored scrap-and-build programme has been recently suggested; but shipowners are not keen on a purely British scheme and the chances of an international agreement are remote. Development contracts are favoured by some Government officials, but they would depend upon the willingness of shipowners to charter technically advanced ships; the Government's experience in the parallel case of aircraft development has not been encouraging. There remains the possibility of modernisation loans for shipbuilders, but these would not by themselves stem the growth of unemployment in the shipyards—which is the source of the Government's immediate concern.

Indeed the occasion of Mr Marples's trip to Port Glasgow itself raises the question whether Government help would be justified. The Lithgow Group is one of the few in British shipbuilding that has undertaken modernisation to an extent comparable with the better Continental shipyards—and entirely on its own money. The group includes the Fairfield Shipbuilding yard at Glasgow, which is now about halfway through a heavy ten-year spending programme and is one of the five yards tender-

ing for the new Cunarder. The group's Hamilton and East yards at Port Glasgow are to be rebuilt into a single and bigger yard at a cost of about £1½ million, now that the complete reconstruction of the Kingston yard next door has almost been finished at a cost of more than £3 million over the last four years. Larger building berths and a reconstructed fitting-out basin will enable this yard to build ships of up to 65,000 tons deadweight, against 35,000 tons before.

Provision has also been made for more prefabrication. Completely new plate preparation and fabrication sheds have been built capable of assembling up to 60-ton sections of ships' hulls. These are dropped into place on the assembly berth by travelling cranes running up the centre line of each berth as the erection of the ship pro-

## MURRAY NOT JASPER

### Mr Faulks Reports

THE Jasper affair is unlikely to get any other name, but, as Mr Neville Faulks, QC, says in the final sentence of his report,\* "These are not the Jasper but the Murray group of companies." With Mr Murray and Mr Grunwald in prison it is unnecessary to plunge once again into the intricacies of this unsavoury episode, particularly now that Mr Faulks has reported on them in such lively terms. Mr Faulks describes as "pedestrian" the style of a report which, among its other felicities, describes Mr Murray as "elderly, unscrupulous and rich" and Mr Grunwald as "young, unscrupulous and poor." It is easy to appreciate Mr Faulks's view that "fully to savour the atmosphere of the State Building Society over the last few years the reader must have sat in my place." Mr Faulks continues:

I have heard a witness describing that institution as a den of thieves with Messrs Murray, Grunwald and Jasper relying on and at the same time gravely mistrusting one another. I have been told of Mr Grunwald being closeted with Mr Murray every day from 12 to 1 and almost invariably arriving with a briefcase bulging with banknotes, and have listened to the evidence of a clerk in Harewood & Co. telling me how he went on Mr Grunwald's orders to the bank, drew out £11,000 in cash, and delivered it to Mr Murray who counted it behind locked doors. I have been given accounts of Mr Murray demanding his cash, Mr Grunwald protesting that the dividends have to be washed and Mr Jasper washing away in the City.

Mr Faulks chooses the adjective "acrimonious" to describe a meeting with Mr Murray, whom he characterises elsewhere as "quick-tempered to a degree," and he savours the discovery that at one time Murray was a bull of Capital and Provincial News Theatres and H. Jasper and Company, thinking the shares over-priced, was a bear. In all, as Mr Faulks notes:

There is nothing more incredible than a building society, which by law cannot take

\* "Investigations into the Affairs of H. Jasper & Company Limited." HMSO. 6s.

gresses from stern to bow—an arrangement Lithgow adopted in preference to side cranes during the war to avoid being limited in the breadth of ships it could build. Part of the plate shaping and welding processes are now done automatically. The most impressive new machine is a Messer-Sicomat automatic plate cutter bought from Germany: the movement of four burning heads is controlled by an electronic scanner reading direct from draughtmen's drawings on a tenth scale. With this machine, even the most complex shapes can be cut to an accuracy of 1/16 inch at the rate of 21 inches a minute. The order book for this yard is notably longer than for most other yards; a few days before Mr Marples's visit, it won a contract for a 54,000 ton Norwegian tanker in the face of exceedingly tough competition.

collateral security for loans to non-members, and which, paying a high rate of interest to its depositors, cannot afford to let its money lie idle, handing £3,255,500 to its solicitor pending completion of mortgages to that amount by 161 companies, then either non-existent or non-members, with no written report on title to the properties and no applications in writing for the advances, purporting to demand all the assets of Lintang, the parent company, as collateral security for the advances—AND YET FAILING between 28th July 1959 and 14th September 1959 to make any enquiry in writing as to why the companies have not become members or as to why the mortgages have not been completed, notwithstanding the fact that similar failures to observe the proper practice had occurred on occasions without number. . . .

The last of this affair, which has produced a new building society act and the Jenkins Committee on company law, has yet to be heard. The Lintang has still to be unraveled. As Mr Faulks says: "The position as to civil liability is not uncomplicated."

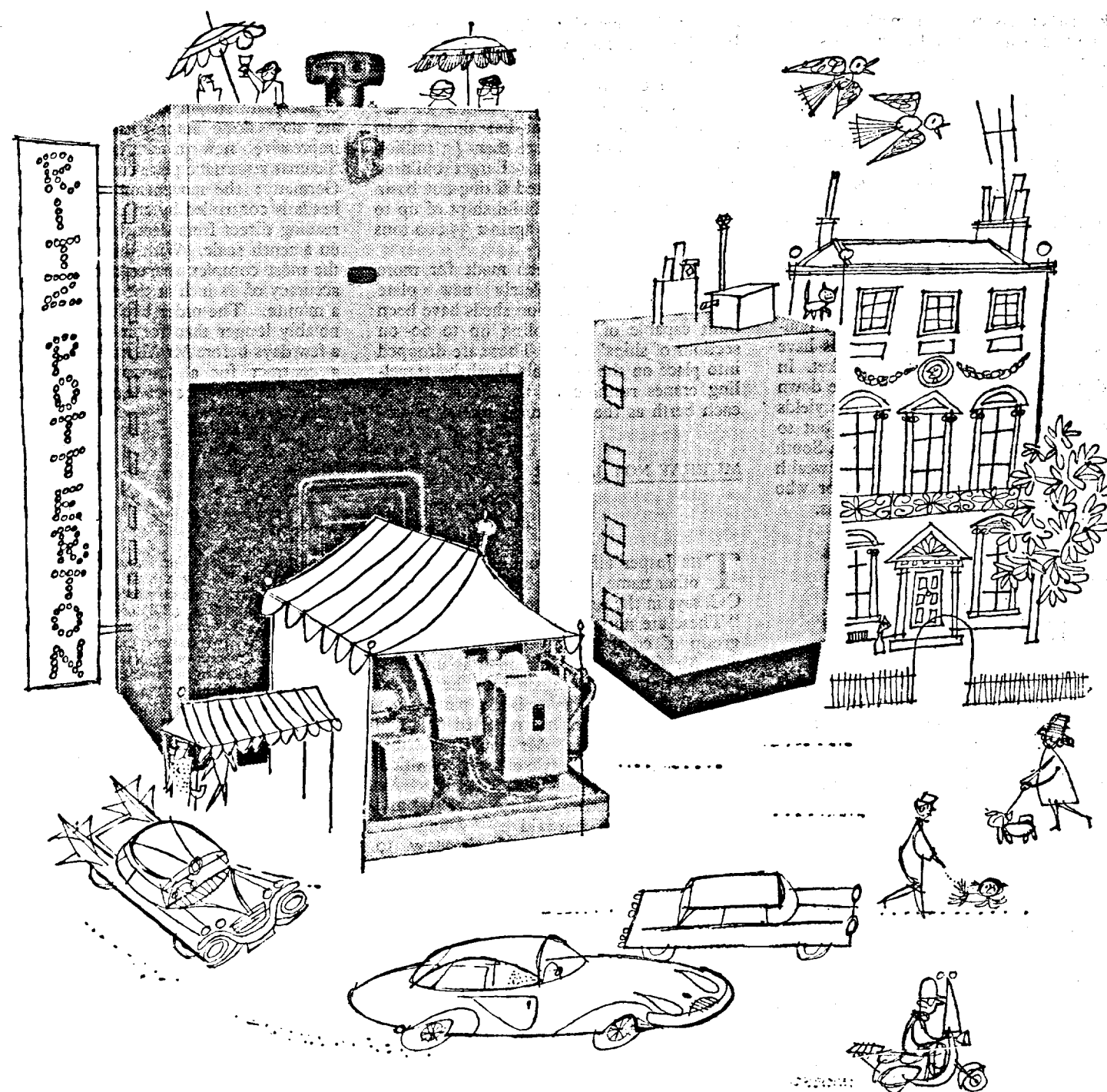
### Is Section 54 Enough?

THE banks which lent money against the collateral of shares are interested in the unravelling of the complications surrounding the Lintang deal and it is against them that Mr Faulks levels criticism on a point of company law. In his opinion, Section 54 of the 1948 Companies Act (which prohibits a company from providing financial assistance either directly or indirectly for the purchase of its own shares) is

generally . . . honoured more in the breach than the observance. The reason is not difficult to find when the fact that the maximum penalty is £100 is considered. Breaches are not only committed by companies and their directors, but also connived at by the banks and financial institutions.

Mr Faulks sums up his construction of the attitude of the banks:

If clients come to us with a proposition which obviously infringes section 54 of the Companies Act, 1948, we will have nothing to do with it, but we take the view that a breach



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of that section does not invalidate the transaction and in cases where we suspect that there may be such a breach but it is not clearly apparent there will be, then we are prepared to deal.

With an important qualification—"if this section is considered to be of any importance"—Mr Faulks suggests a steep increase in the maximum penalty and a provision that a person or corporation aiding or abetting an infringement should be penalised.

The question whether this section has an important value in modern business practice has been argued before the Jenkins committee. The clearing banks in their evidence questioned whether section 54 served any useful purpose, arguing that the present penalty is not a deterrent to fraud. Moreover, their experience had shown that the section presented difficulties to businessmen in carrying through what appeared to be perfectly legitimate transactions (notably in connection with bridging finance when companies are acquired). As a result, the banks have found that the section is being increasingly ignored. The general tenor of their evidence was that this section should be made effective only where minority shareholders needed some form of protection and that fraud would be best prevented, not in the general terms of the section, but by proscribing and penalising particular actions. The choice, then, is between a complicated solution, as put by the banks, or a simple one, as put by Mr Faulks.

### MACHINE TOOLS

#### Russia Not So Hot?

THE forty-two British engineers and plant managers that returned last week from a tour of Russian factories making and using machine tools can hardly be described as a group of disinterested observers, but they ought to know machine tool efficiency when they see it. They came back far from impressed, according to the representative of *Metalworking Production* accompanying them. Russian progress in certain fields of development, such as spark erosion, ultrasonics and the use of tungsten carbide tips, is readily granted. But despite the strict specialisation that characterises Russian machine tool manufacture, and indeed most of their industrial plants, the group considered that quality was sacrificed for the sake of output. Machine finish was "rough and ready," equipment appeared "heavy and clumsy for the tasks," some machines were designed "out of proportion to their capacity" and the quality of instrumentation was even rated lower than the quality of the machine tools. Many of the production figures freely made available at different plants, moreover, could not be matched with the engineers' own assessments of what these plants were capable of—they were far too high.

But it was the poor standard of mainten-

ance of machinery and of entire plants that gave these engineers their biggest surprise. On this opinions were almost unanimous. One summarised their reaction thus:

Despite certain very creditable achievements, something was very wrong. . . . If British or American plants were given the same opportunity for specialisation that Russian factories have, we would be much further advanced. I came away with the impression that they were somewhat disorganised. I suspect they are victims of their own bureaucracy.

However, these weaknesses, the engineers thought, would probably be made good within "five or ten years" considering the extensive training programme now under way for engineers and technicians. They returned "really impressed" by the extent of technical training going on in special schools and the amount of classroom work that was fitted in with practical experience in operating plants.

### Gearing Up British Research

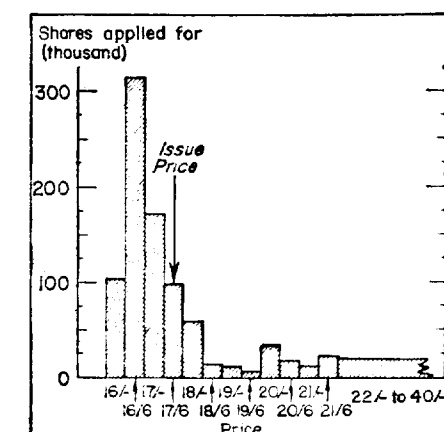
AFTER several anxious months, the machine tool industry's new research association is now assured of raising enough money to qualify for a grant from the Department of Scientific and Industrial Research. The terms of the grant are generous. For the first three years the DSIR will provide £40,000 annually if the association raises an equal sum. If it collects more, the DSIR grant will be bigger but not proportionately so, reading £68,000 if the industry itself raises £75,000. In 1964 and 1965 the grant will be geared down but will still be munificent. The industry will have to put up a minimum of £80,000 before the DSIR pays £60,000 with a ceiling of £80,000 if the industry is able to muster a total of £110,000.

The association submitted the usual outline research programme to support its application for a grant. Although this programme ranges widely it will be some time before staff are recruited and established in a permanent headquarters somewhere "to the south of Manchester near to the geographic centre of the industry." Part of the association's difficulty in fund raising arose from the reluctance of several of the industry's leading firms in research to join it. Perhaps understandably they look upon MTIRA as primarily for the benefit of the smaller fry and for the laggards in machine tool research; they are willing to co-operate but not join. Alfred Herbert, the largest manufacturer, is one of them; it is ready to support the association as a buttress supports a church—from the outside. The official opening this week of Alfred Herbert's new applied research centre at Coventry, whence all its development work will in future be controlled, marked the completion of this company's own six-year £2½ million plan to expand its research and development facilities.

### ISSUE BY TENDER

#### Parway's Success

STAGS are unloved until bears move into the stock market. Then the creatures who are said to embarrass the issuing houses and to disrupt orderly dealings when the market is booming are welcomed. It all seems a little unfair, particularly when the impracticable suggestion is made that the capital profits made by the stags should be singled out for tax. But it has to be admitted that the energy of the stags in recent months has disturbed the market more than is usual—some issuing houses would say more than is warranted. To overcome the difficulties, Kleinwort, Benson, Lonsdale made the experiment of offering 250,000 ordinary shares in Parway Land and Investments for sale by tender. Applications for 886,300 shares at prices ranging from the minimum of 16s. to 40s. per share were received. The issuing house protected the impetuous (one of whom put in for 100 shares at 40s.) by offering a rationed allotment at 17s. 6d. per share to applicants for 297,100 shares at prices of 17s. 6d. or more. Applications at less than 17s. 6d. were ruled out; this excluded many institutional applications and the allotment was reasonably well spread among smaller investors.



The experiment must be judged a success. The client secured some of the "profit" that would otherwise have been pocketed by the stags; the number of multiple applications was kept to an insignificant number; and dealings began in an orderly fashion, with the price rising to 22s. Thus there was a profit for those who wanted to take it.

The Parway issue has some useful lessons for any other companies tempted to follow this experiment. Sale by tender must be hedged with safeguards, such as those adopted by Kleinwort, Benson, Lonsdale, by fixing a minimum price and in issuing all the shares at the lowest accepted price. Secondly, the distribution of applications, as shown in the chart, suggests that applicants can judge fairly shrewdly and that those who offer fancy prices are few. Thirdly, this offer emphasises the dangers of putting in applications at ridiculously



high prices to obtain an allotment; it would not need all that many to force the issue price up to such a level that dealings would begin at a discount. But even when the lessons are digested it remains true that a normal issue at the right price is as good a method as any other.

#### INSURANCE SHARES

### Adding to the Supply

INSURANCE shares are among the casualties of the fall in equity prices. It was not much more than three years ago that dealers and investors first realised that insurance shares had growth possibilities equal to those of leading industrial equities; but once the idea took hold, prices climbed rapidly and dividend yields became thin. In the last month or so the shares of a few offices have held their ground remarkably well, but almost all issues are well below the peaks they touched in May. Yields still look a good way ahead, but, as the rights issue from the Royal shows, the prospect that a further rise in investment income will be reflected in higher dividends has not been perceptibly dimmed. As with many past insurance issues, the Royal's rights offer is on bonus terms. The issue, designed to raise £22 million by offering shareholders three new 5s. shares at par for every one held, is a big one and it more than covers the cost of the acquisition of two Canadian insurance offices earlier this year. The fact that the terms of the offer compensate for

|                      | Jan. 3<br>1961 | Peak<br>1961 | June 19<br>1961 | June 22<br>1961 | Yield<br>1961 |
|----------------------|----------------|--------------|-----------------|-----------------|---------------|
| Commercial Union     | 61/9           | 86/3         | 68/-            | 70/-            | 3 1/2         |
| General Accident     | 103/9          | 176/9        | 157/9           | 163/3           | 1 1/8         |
| Legal and General    | 22 1/4         | 39 1/2       | 32 1/2          | 33 1/16         | 1 1/4         |
| Northern & Employers | 100/-          | 146/-        | 130/6           | 135/-           | 3 0           |
| Pearl Assurance      | 156/3          | 272/6        | 211/3           | 231/3           | 3 2           |
| Prudential Assurance | 18             | 29           | 22 1/2          | 23 1/16         | 2 8           |
| Royal Insurance      | 140/9          | 182/-        | 160/3           | 166/9           | 3 3           |
| Royal Exchange       | 106/11 1/2     | 129/3        | 109/3           | 113/3           | 3 3           |

its size has been reflected in the rise in the shares from 160s. to 166s. 9d. Ex rights, the price is 45s. 6d. and this, being far less "heavy," should improve marketability. After the increase in capital the first full year's dividend is not likely to be less than 1s. 6d. a share, so that the prospective yield is about 3 1/2 per cent.

This is the yield, based on a dividend forecast of 15 per cent, on which the shares of the Provident Life Association have been successfully offered, in 520,000 composite units at 45s. each, made up of one "A" (voting) 5s. share and one "B" (non-voting) 5s. share. Provident Life is primarily concerned with ordinary life assurance; for many years most of its policies were issued in connection with house purchase schemes but since 1952 the company has imposed a strict quota on this type of business, giving itself a greater chance to switch from mortgages to equities. This change in policy will, however, take time to emerge in terms of investment income, and though the company's growth has been steady it is not spectacular compared with other offices.

#### BUSINESS NOTES

#### RAILWAY ELECTRIFICATION

### Learning on the Eastern

BRITISH RAILWAYS and the General Electric Company have not much to be proud of in the story that Brigadier Langley, the chief inspecting officer of railways, unfolds in his interim report on the failure of the multiple unit electric trains on the Eastern Region last winter. He makes it clear that the new trains were not fully tested before they went into service: hardly any of the test running took place on lines electrified at 6.25 kV, though this was the novel feature of this form of traction and apparently the source of most of the trouble. Moreover, most of the testing was done on the Clacton-Walton line, which is straighter and has fewer stations than the Liverpool Street-Bishop's Stortford line—the line the new trains were designed to serve. The immediate cause of the failures was voltages higher than the motors and other parts of the electrical circuits could withstand. The reason for these excessive voltages have been difficult to trace; there appears to have been more than one contributory factor.

The first of these was that the pantograph, which collects the electric current for the motors, was liable to bounce off the overhead wire. This can particularly happen when the level of the wire changes under bridges or through tunnels, and when the pantograph meets a neutral section of wire which is whenever the voltage or phase of the electric current has to be changed. Gaps between these different sections make the wire uneven. A bouncing pantograph makes for an irregular supply of current, and this surely predictable phenomenon played havoc with parts of the electrical system. It caused the circuit-breakers to cut in and out in a manner that gave rise

to excessive voltages. More serious was the effect on the rectifiers: whenever the current was interrupted several times in rapid succession they cut out and failed to re-ignite for up to eight seconds, so passing a.c. current to the d.c. motors, and if the circuit-breaker switched on while some of the rectifiers had cut out, very high voltage current passed to the motor and transformer. Worse still, the battery charger, which supplied current to re-ignite the rectifiers, was also liable to be wrecked by these excessive voltages. On the 6.25 kV line, excess voltages were four times as high as on the 25 kV sections, so trouble was concentrated on these sections.

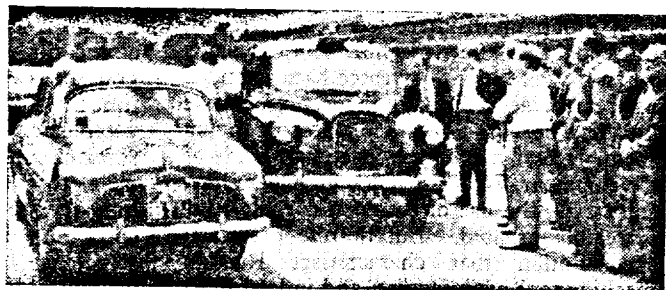
GEC hopes that it will be able to get these trains back into service by the end of the summer. But several problems remain unsolved. No cure has yet been found for the rectifier's habit of cutting out: Brigadier Langley recommends that the excitation gear should be re-designed. The rectifiers themselves have also failed, for a reason that has not been discovered, though it is thought that metal fatigue and inadequate cooling may have something to do with it. Until modified rectifiers have been made by GEC and tested, there is no means of knowing whether the changes it is making to the design will overcome these weaknesses. In addition, British Railways are still unhappy about the transformers, and want to make further tests before deciding whether they, too, need modifying.

The electric multiple unit trains that English Electric built for the Southend line to operate on 6.25 kV current have not suffered such serious troubles as those of GEC, and for a while some of them replaced GEC trains on the Bishop's Stortford line. They have the same circuit-breakers and pantographs as the GEC trains, but different transformers and rectifiers, which are able to stand up to pantograph bounce.

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#### MINICABS

### Opening Salvo



AFTER three days' experience, Welbeck Motors feels confident that its minicab service will pay its way. Nearly all cars have been earning more than the average of £6 for a two-shift day needed to show a modest profit; good drivers have been earning £4 to £6 a shift. At 1s. a mile (plus 1 1/2d. a minute when waiting) this means that their cars have been gainfully employed for at least 80 miles in each eight-hour shift, and some for 120 miles—a utilisation that would suggest that they are rarely at a standstill. The drivers who take £4 a shift will be on the guaranteed rate of £8 a week

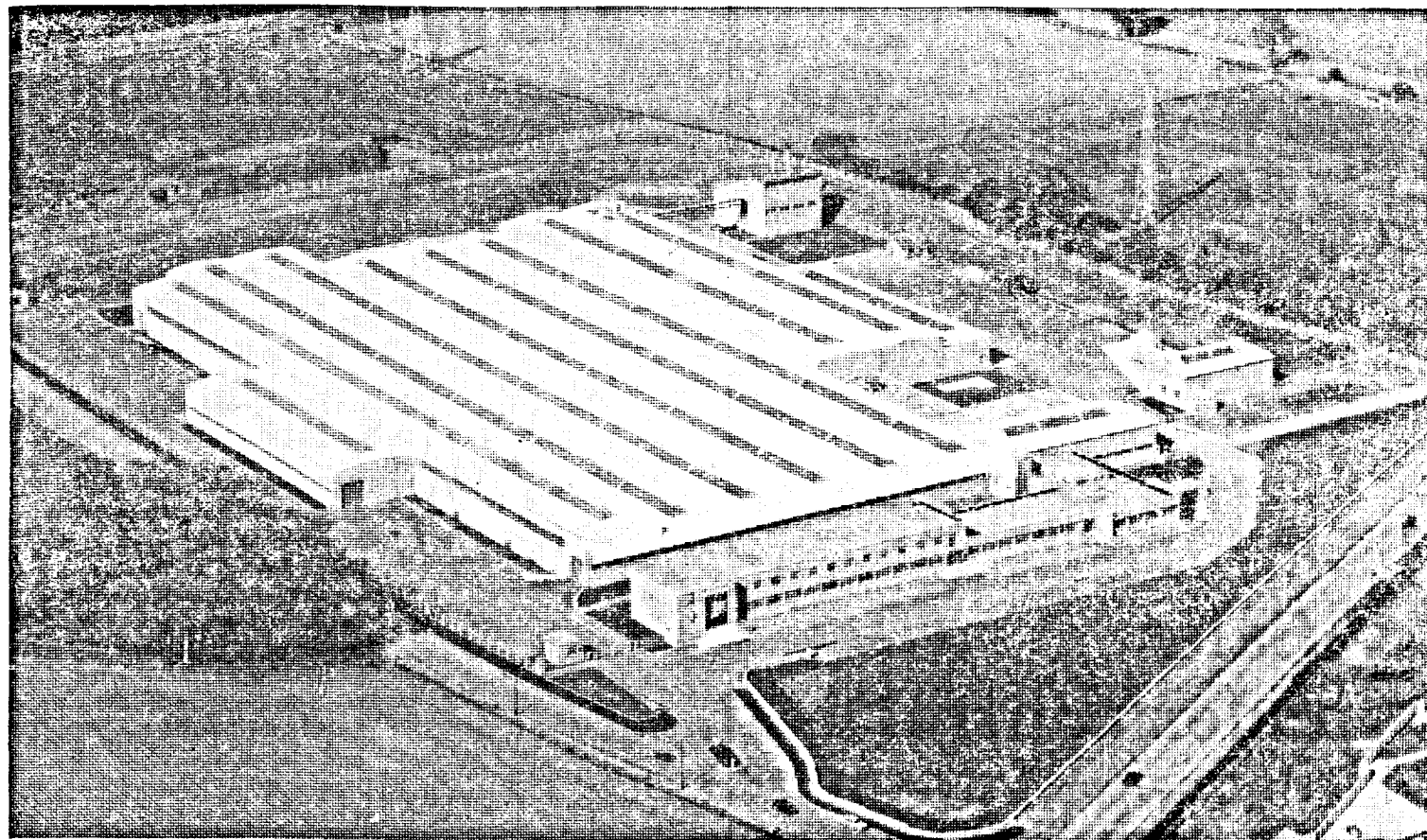
—they get a third of the takings, and most work six shifts a week—but they seem to be getting good tips. Welbeck finds that many of its calls are for the longer trips that it is most anxious to get, as giving a better chance of high utilisation. Minicabs in fact operate little in central London, spending most of the time taking people in and out.

Most minicab bookings have so far been made by telephone, not by hailing a cab in the street and waiting while another is called up by radio; though this has averted friction with the taxi drivers, it has overloaded the telephone switchboard at

THE ECONOMIST JUNE 24, 1961

# SCOTLAND'S LARGEST APPLIANCE FACTORY

## Cubitts' precision planning speeds construction



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Mr. A. E. Hitchcock, B.Sc., Technical Director of Morphy-Richards (Astral) Ltd., says: "Having been closely concerned with the development of the project, I have been able to appreciate the way in which the many problems of site preparation and construction had to be overcome. Building for industry requires the closest co-operation from the Contractor who must combine speed of construction with an understanding of the specific needs of his Client. The completion of this plant on schedule demonstrates the value of this kind of co-operation."



Mr. A. F. Keary, Managing Director of Holland & Hannen and Cubitts (Scotland) Ltd., says: "From commencement to completion of a contract we like to work in very close collaboration with the clients and their consultants. Such a relationship ensures an up-to-the-minute appreciation of clients' requirements and job problems. At Dundee this close co-operation has enabled extensive areas of the factory to be handed over to Morphy-Richards (Astral) Limited for plant installation many months before the due completion date."

Close programming of construction enabled Cubitts to make half the factory floor area available for plant installation four months ahead of schedule. Thanks to this time saving the largest domestic appliance factory in Scotland can go into production earlier than anticipated.

The new Astral factory at Dundee, covering 350,000 sq. ft., is an excellent example of how Cubitts' policy of precision planning saves time—and benefits the client. From the very beginning, Industrial Estates Management for Scotland, Morphy-Richards (Astral) Ltd., the consultants and Cubitts co-operated on detailed construction planning. Every major operation was work studied—for example, it was discovered that the best way to tackle the initial clearing of the eight acre site was by using only one excavator and ten dump trucks. They moved over 100,000 cubic yards of earth and rock within a few weeks. Then, in under three months the vast steel framework measuring 750 feet by 450 feet was erected, and the remainder of the construction work moved forward swiftly according to plan.

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the booking office, so that many potential customers are being lost because they cannot get through or find that they will have to wait too long for the cab to come. At times Welbeck has been getting 15 times as many orders as it can handle. The funds that Mr Isaac Wolfson's General Guarantee Corporation has put into Welbeck, £150,000 for ordinary shares and short-term loans of nearly £1 million secured on its car fleet, seem likely to be profitably employed.

The minicab drivers have hardly been welcomed by the London taximen; though none have yet ended up in hospital as a result of their clashes, some violence has been done to their persons and their cars. Most taxi drivers, however, are obeying their union's instructions to ignore the minicabs, and the small number operating in central London will, Welbeck hopes, convince taximen that they need not fear their competition. So far no minicab drivers have been prosecuted for "plying for hire," though the taximen claim that they have evidence of several cases where minicab drivers have picked up passengers without going through the process of radioing headquarters to send another cab for the passengers. And there is no sign yet of a test prosecution on the legality of this method of booking.

### RADIO INDUSTRY

#### Tube Merger

THE slump in television sales in the past year has initiated a number of mergers in the radio industry, most of them at the set-making end of the business. The decision of Associated Electrical Industries to form a joint company with Thorn for the production of cathode tubes and valves indicates that component makers are feeling the pinch. Thorn, through a series of mergers and purchases, is now the largest producer of television sets in Britain but until six months ago, when it bought Brimar, Thorn made few of its own components—a project announced in 1955 to sell cathode tubes at prices one-third below the then current retail prices having come to nothing. AEI makes no sets, but in a good year it produces perhaps a third of the cathode tubes and a fifth of the valves made in this country. Some of these go into sets made by Ultra, whose set-making factories were taken over by Thorn last month.

The fall in television sales has left both AEI and Brimar with surplus capacity; the object of the AEI-Thorn valve and tube merger is presumably to concentrate production in the most efficient factories and close down or switch the others to different work. The heavy electrical industry has drawn much of its profits in the past few years from an expanding trade in electronics, but recent months has shown a widening gap between standards of performance and design of components used for industrial equipment and those used in domestic

receivers. Since the two can no longer be produced on the same assembly line, this creates difficulties for manufacturers, particularly in valves, which have now been largely replaced in industrial and military equipment by transistors or by special duty valves bearing little resemblance to those found in a television set.

### OSCAR HOBSON

#### Founder of a Craft

FEW things gave financial writers more pleasure than Oscar Hobson's knight-hood in 1955 for his services to journalism. No man will be more missed by the present generation of city editors who, many of them directly and all of them indirectly, owe their status and most of their professional opportunity and skill to him. Hobson made his mark in popular economic writing not because he was a contemporary in economic thought but because he was honest, fearless and clear in everything he wrote. His was a mind of classical quality which he used to bring economic matters of the utmost complexity within range of ordinary comprehension, with skill and charm, often with outright words but never with condescension. His monument is the quality of British financial journalism which at its best—and indeed when it is most wayward—will always acknowledge with gratitude Hobson's example of mind and craftsmanship.

### STEEL

#### Spending on Growth

ONE of the most prominent of the manufacturing industries spending heavily on new capital outlays this year and last is steel—as the annual report of the Iron and Steel Board shows in conclusive detail. In 1960 capital expenditure by steel firms ran to £146 million, almost fifty per cent more than in 1959 and almost double the level of steel investment in 1956. This year the board expects capital spending to be "substantially" greater still. It approved a record £223 million worth of new development schemes during 1960, most of them extending over several years. The Board of Trade, in recording that manufacturing firms expected to pay out on new capital assets about 30 per cent more this year than last, put iron and steel among the industries in the van of this further capital expansion.

#### STEEL'S CAPITAL EXPENDITURE

|                                             | (£ million) |      |      |      |      |      |
|---------------------------------------------|-------------|------|------|------|------|------|
|                                             | 1955        | 1956 | 1957 | 1958 | 1959 | 1960 |
| Coke ovens .....                            | 7           | 8    | 8    | 9    | 8    | 8    |
| Materials handling and blast furnaces ..... | 19          | 21   | 25   | 26   | 23   | 30   |
| Melting shops .....                         | 8           | 10   | 13   | 14   | 12   | 19   |
| Mills & finishing plant .....               | 21          | 34   | 44   | 50   | 51   | 84   |
| Other .....                                 | 3           | 2    | 5    | 6    | 5    | 5    |
| Total .....                                 | 58          | 75   | 95   | 105  | 99   | 146  |

Much the biggest part of this increased steel investment, in the closing years of the industry's third postwar development plan and as it was preparing a fourth look-

ing ahead to 1965, has been put into rolling and finishing capacity. Development schemes now under preparation involve raising steel making capacity from about 27 million tons this year to about 32 million tons by 1965, expansion and modernisation of light rolling facilities, and new techniques of steel making using oxygen and continuous casting. Five large continuous casting projects came before the board in 1960. Among the new oxygen blowing processes included in present plans are examples of the L-D, Kaldo, Rotor and bottom blown oxygen converter processes. Productivity in steel making rose, the board estimates, by 23 per cent between 1954 and 1960. New plant is about twice as productive as existing facilities and it expects the present high level of expenditure on modernisation and development to lead to further substantial gains in steel productivity.

### MOTOR INSURANCE

#### More To Pay

SOONER or later it was bound to happen, with so many insurance companies making losses on motor insurance. The Accident Offices Association, representing one hundred and eighteen insurance companies, has announced that from September 1st premiums charged by its members on the insurance of private cars are to be increased. The association covers about 50 per cent of all policyholders and the proposed increases will affect about one third of its clients. This means that just under one million car owners are going to be asked to pay higher premiums. The last increase was in 1957.

The increases are based on the district rating system introduced in 1934 and in general they affect areas of high traffic density—this is measured by where the car is garaged. The association, fearing the prying eyes of rival insurers, has given only a general outline of the changes. Motorists in Central London and the inner suburbs will have to bear increases of about 20 per cent and 10 per cent respectively. The increase in the comprehensive rate for cars in the Ford Anglia-Austin A.40 price range garaged in Central London will be from £28 to £33 15s. Cars garaged inside the Metropolitan Police Area but outside the London Postal District will, in general, be unaffected. In the rest of England and Wales there will be increases of 10 per cent in some counties and in some larger towns and cities. Many of Scotland's motorists have apparently been enjoying bargain rates in the past; in some cases their rates will increase by 30 per cent though increases in Scotland will generally be in the region of 10 per cent. These revisions should produce an increase of around 5 per cent in the premium income of the companies; this suggests that as only a third of the policyholders are affected the average increase in premiums will be about 15 per cent.



## HONGKONG TEXTILES

*No Obligation without Representation*

PRESIDENT KENNEDY'S emissaries provided Hongkong's cotton spinners and weavers with an excellent brief to replace their fulminations against compromise with Lancashire over the future of voluntary curbs on exports to the United Kingdom. Hongkong's official representatives appear to have been told that an immediate voluntary curtailment of exports to the United States might forestall restrictive legislation. The final suggestions of the American representatives seem to have been couched in presentably liberal terms, and the pill sugar-coated by the grandiose project of an international conference to discuss controlled expansion of imports from low-cost producers. But when the colony's officials called a meeting to discuss these two questions, the spinners and weavers refused to take part, though the garment manufacturers took part alongside other industrialists and exporters.

In reply to the Hongkong government's request that they should join these discussions, they said in elaborate phrases that only an overall settlement would be satisfactory and that concessions should not be granted piecemeal to pressure groups. Reflecting the lofty realms to which this problem has now been elevated by the intrusion of economists, they also insisted that "demands" for quota protection should be based on a "sound and cogent economic basis" as one of the conditions under which they would be prepared to take part in the talks.

At first sight it seems unrealistic that this small colony should adopt such a tough line with its powerful trading partners. If the unofficial talks between government and manufacturers remain deadlocked, the government will still send its representatives to the impending international conference. The machinery for restricting exports from Hongkong already exists. Not for the first time in its history an important body of the colony's traders is at loggerheads with the government, which seems to believe that the manufacturers would get more favourable treatment especially in such questions as Britain's entry into the common market by being conciliatory now. But Hongkong is widely admired for its spirit of self-help and staunch independence. Its truculent defence of free trade would not necessarily bring worse treatment if embarrassing official restrictions have to be imposed, and while its manufacturers are not talking for the good reasons they have enumerated, they cannot be landed with the sort of obligations that have proved inconvenient in the past.

## FILM FINANCING

*Judgment and Luck*

THE National Film Finance Corporation achieved a profit last year for the first time since 1957. The surplus was only

## BUSINESS NOTES

£18,000, and it was struck after providing £95,000 against doubtful loans, but it does show that this "dirty end of the stick" exercise in government aid for film making can be self-supporting—given an improvement in the health of British film production as a whole, as was the case last year. More film producers found finance for their own productions, and NFFC backed only 60 per cent of the British films not made by American companies here, whereas in 1959 it had backed 70 per cent. Rank, Associated British and Anglo-Amalgamated are financing their own films now. The corporation approved loans for 30 first-feature films during 1960, as against 46 in 1959, but the total sum lent fell by only 18 per cent, to £1,046,890.

The profitability of most British films is still marginal even if more production companies are able to invest more in them. The

## THE ECONOMIST JUNE 24, 1961

33 long films backed by the NFFC and released in 1960 are expected to recover only 5 per cent more than their total cost. But for the statutory levy, which brought British film producers £3.9 million in the year to October, 1960, this small profit would have been a substantial loss. To judge from the list of the more profitable films that NFFC backed last year, farce remains the safest bet in British film making. But NFFC is prepared to help the new groups coming into film making as well. It provided finance for "The Entertainer" and "Saturday Night and Sunday Morning." It has lent the full cost of making "The Kitchen," which is based upon the Wesker play, a marked departure from its now customary practice of asking the producer to put up some "end money" and obtain distributor's guarantee as well.

## SHORTER NOTES

The Halifax Building Society is raising its mortgage rate from 6 to 6½ per cent, but existing borrowers will not pay the higher rate until February 1, 1962. From December it will raise its interest rates to most shareholders from 3½ to 3¾ per cent and to depositors from 3¼ to 3½ per cent. These rates are in line with those recently recommended by the Building Societies' Association, of which the Halifax is not a member.

Certain shareholders in British Drug Houses are seeking support for an extraordinary meeting to consider "such offers as have recently been made for the equity of the company" and how soon benefits can be expected from the company's oral contraceptive. Early in 1960 British Drug Houses fought off a bid from Fisons and it was then that the first announcement about the new contraceptive was made. Since then there have been rumours of other take over bids. Last month BDH said it was negotiating with Mead Johnson of Indiana for a closer link between the two companies and that this could lead to the acquisition by Mead Johnson of a minority interest in BDH.

Horlicks has failed to gain control of Burt Boulton and Haywood but it has received enough acceptances to its offer to increase its interest in the company from 11 to 31 per cent. It intends to hold on to this as a trade investment.

In Hongkong the rush to subscribe to the offer of shares in Jardine, Matheson produced a heavy run on the head office and branches of the small Chinese Liu Chong Hing Bank, which stayed open after hours

to pay out doubting depositors. The Hongkong and Shanghai Banking Corporation and the Chartered Bank, after night-long conferences, decided to support the bank. The offer was in fact oversubscribed 56 times.

The International Development Association has extended a credit of \$60 million to India for highway development. Terms are on the same generous basis as IDA's first two loans to Honduras and the Sudan—no interest, amortisation to begin after a ten-year period of grace and then spread over a further forty years.

Bankruptcies increased sharply last year and were nearly back to prewar levels. Failures among hardware and electrical retailers doubled, and in total were a close second to builders. The total number of receiving and administrative orders made in 1960 was 2,801—about 500 more than in 1959—and estimated liabilities rose from £7.7 million to £10.6 million.

Britain's new, smaller 10s. note is to be issued in October. The Isle of Man, as a new departure, is to issue its own notes.

## COMPANY AFFAIRS

Comments on pages 1428 and 1429 on: Wiggins Teape Rolls-Royce United Steel Bleachers' Association John Harvey London & Overseas Freighters

## LONDON AND NEW YORK

Stock prices, yields and security indices on pages 1430 and 1431

## LONDON STOCK EXCHANGE

The week's movements reported on page 1429

## MONEY AND EXCHANGES

Money market report, exchange rates and public finance on page 1432

## THE ECONOMIST JUNE 24, 1961

## COMPANY MEETINGS

## THE AUSTRALIAN ESTATES COMPANY LIMITED

## SIR DENYS LOWSON ON THE COMPANY'S FOURFOLD SPREAD OF ACTIVITIES

## A GOOD YEAR

The Annual General Meeting of The Australian Estates Company Limited will be held on July 5th in London.

Sir Denys Lowson, Bt, the Chairman, in his review, which has been circulated to stockholders, says:

## ACCOUNTS

I am pleased to be able to report that gross revenue for the year 1960 has again increased, the total of £1,333,775 being 8 per cent greater than that for the preceding year.

The year under review was by no means an easy one, and our agency profits as well as the earnings from our cattle stations were lower; although, in spite of adverse seasonal conditions in Queensland, our sheep stations increased their earnings. Thanks to being permitted to mill 8½ per cent over the "peaks" and aided by a favourable season our two sugar mills earned substantially greater profits than in 1959 when "peak" production could not be exceeded.

Owing to an increase in the required provision for Australian taxation the group net profit at £418,520 is about £8,000 lower than last year. The subsidiaries have transferred £168,000 to General Reserves and after making the proposed allocations the carry forward of the parent company will be increased by £37,934 to £457,048.

It will be remembered that last year the company declared a dividend on the Ordinary and "A" Ordinary Stock of 8 per cent and a bonus of 2 per cent less income tax at 7s. 9d. This year we propose to pay a dividend of 10 per cent less income tax, which is equal to 6½ per cent free of tax, and is the same total amount as was paid for 1959. We find that Australian and other overseas stockholders are confused by the method of declaring a dividend at a rate from which allowance must be made for deduction of United Kingdom Taxation (most or all of which is not recoverable by them) before arriving at the actual sum which they receive. By also showing the dividend free of tax we hope that this confusion will be avoided.

## TAXATION

Another Finance Bill has been drafted, and there is still no relief for Overseas Trade Corporations which are trading overseas through subsidiaries as opposed to branches. It will be seen from the Profit and Loss Account that it was necessary to make virtually no provision this year for United Kingdom Income Tax and this indicates that the company is already receiving substantial benefits from the working of the original Overseas Trade Corporation legislation.

I must, however, point out that a substantial part of the company's activities in Australia is carried on by subsidiaries, and the payment of dividends by them would require provision for United Kingdom taxation in spite of the fact that they are purely trading companies and will already have borne Australian tax. At present it is important for those subsidiaries to conserve their funds, so that they may be able to meet

the cost of normal capital replacements and requirements and to have sufficient working capital of their own; but the time will clearly come when it will be appropriate for them to pay dividends to the parent company and it is hoped that by then the present anomaly in the treatment of overseas subsidiaries will have been corrected. This is all the more necessary in these days when it is important also to have local shareholders if this is at all possible; and when the additional United Kingdom income tax payable would appear to be entirely unjustified.

## PASTORAL—SHEEP

Rainfall on our New South Wales and Queensland sheep stations was generally below average in 1960. Drought conditions existed at Dagworth and Bonus Downs for the latter part of the year, making hand feeding and scrub pushing necessary; Mount Morris also fed a supplement to lambing ewes; general rain in the last week of December gave most Queensland properties relief and a promising start. In New South Wales the properties were dry at the close of the year, and all of them were in need of good general rain.

Excellent lambings have increased stock numbers and mortality was lower. Wool clip was 317,500 lb. (representing 987 bales) above last year; more sheep and lambs were shorn, but the overall cut for grown sheep was slightly lighter.

Raby won the Grand Champion award of the Sydney Sheep Show in the strong wool section; and both Raby and Terrick Stud had a number of successes at country shows.

In Queensland, Bonus Downs lease expired at December 31, 1960; but our occupancy has so far gone on undisturbed. Kyabra is to be resumed during 1961, and two small Thylungra additional areas resumed from that lease have already been taken up. Mount Morris will probably lose about 44,800 acres in 1962. In every case we have applied in vain for a renewal of the lease. Terrick Stud has been granted a new forty-year Stud lease, and an application for a five-year drought relief extension of the Dagworth lease is now before the Land Administration Commission in Queensland.

Tyrie, although a freehold owned by us, has been resumed by the New South Wales Government under the New South Wales Closer Settlement Act; and delivery has to be given on November 30, 1961.

## PASTORAL—CATTLE

A favourable selling market for cattle was maintained throughout the year. The season was generally satisfactory on all properties except Chatsworth, where drought conditions again prevailed; this property has had little relief during the last three years. Brandings were down due to adverse conditions at Chatsworth and to the hot, dry period at the end of

1959 on the other breeding properties; the extreme heat at this time caused heavier than normal mortality in young calves.

Following a useful flood in the Cooper, we were able to place cattle to fatten on Mount Howitt for the first time since 1957. We have continued to develop our Santa Gertrudis herds, and to experiment with various crosses from the pure-bred animals. One new lease, Burleigh, was purchased with a herd of nearly 7,000 Hereford cattle. This is the first Hereford herd to be acquired by the Company.

## SUGAR

Australian production of raw sugar in 1960 was 1,383,000 tons, the second highest in the industry's history and some 95,000 tons more than in 1959; of this total 1,320,000 tons were produced in Queensland, compared with 1,217,000 tons in 1959.

Conditions under which the 1960 Queensland crop was grown were not quite as favourable as those of the previous year; however, cane available for harvest was again in excess of available markets, to which sugar production was restricted. A record 776,000 tons of raw sugar was exported; being about 58 per cent of the total output. The increased amount was due to substantial short-falls declared by other British Commonwealth exporters, notably Mauritius. The British Commonwealth Sugar Agreement has again been extended for another year and will now operate until the end of 1968.

Kalamia Mill crushed 343,000 tons of cane, compared with 325,000 in 1959; Pleystowe Mill treated 305,000 tons of cane, compared with 288,000 in the previous year; both Mills maintained a high standard of efficiency. Cane crushed from the Company's own cane farms at Kalamia amounted to 18,000 tons, an increase of 1,100 tons over 1959. During 1960 we acquired the few shares in Amalgamated Sugar Mills Pty. Ltd. (the company which operates Pleystowe Mill) formerly held by outside shareholders; this mill is now wholly owned through our subsidiaries.

About 80 per cent of the Queensland sugar production was handled in bulk during the 1960 season, and in 1961 this should increase to 85 per cent, as Southern Queensland mills' production will be sent to Brisbane in bulk. Mechanical harvesting of cane is increasing; in 1960 almost 3 per cent of the crop was harvested mechanically, while some 48 per cent was mechanically loaded. On present indications it appears that about 100 mechanical harvesters of various types will operate next season, almost double the number in 1960; but, none of them appears to be completely efficient yet under all conditions; particularly when the cane has been badly twisted and bent by storms and rain.

## AGENCY

Wool sold through Brisbane and Melbourne stores amounted to 186,600 bales; an increase of 4,000 bales over the previous year. Average

values per bale were from £1 to £2 lower. In common with the market as a whole turnover of both sheep and cattle was lower; sheep values were reduced in Queensland but were higher in Victoria; the cattle market remained firm.

I referred last year to the need to extend our existing wool store in Melbourne to provide for the storage of another 18,000 bales; and also in particular the display of a further 1,650 bales. This extension was completed in November, and modern fire protection equipment has been installed throughout the whole of the building. This with the maximum use of mechanical equipment, makes the store one of the most modern and efficient of its type in Australia.

#### FARMING AND PASTURE IMPROVEMENT

The University, CSIRO, and the Departments of Agriculture and Stock in Queensland and New South Wales have again given us valuable assistance over the year, and I take this opportunity to extend to them our thanks. Seasonal conditions in Queensland prevented any sorghum ensilage conservation; a small area was sown at Terrick Stud, but there was not sufficient rain to make a crop worth harvesting, although it was used to good advantage for grazing purposes. Two thousand acres of fallow were prepared for sowing in 1961 at Terrick Stud, Gowan, Terrick Flock and Dagworth. Reasonable crops have been harvested at the first three of these areas; but at Dagworth lack of rain and grasshopper infestation prevented any harvest. At Terrick Stud about 700 acres of pulled gidyea country has been raked and burnt, and is in readiness for sowing to buffel grass; an area of 1,000 acres of pulled mulga at Mount Morris will also be sown to buffel.

Further areas were sown to improved pastures on Tanderra, to complete treatment of the area of brigalow razed during the two previous years. Cattle grazed on oats grown under cultivation on this property were fattened and turned off during, and immediately following the winter, when prices were at their peak. The area to be sown to this crop in 1961 will be considerably extended. On Granada an area of five acres of lucerne has been established under irrigation, and 400 acres have been cultivated in preparation for dry farming. At Dalgona 25 acres will be placed under irrigation, and dry farming experiments made.

In New South Wales, the dry lucerne area at Raby has been extended and produced 217 tons for the year, as well as giving good grazing; it is proving a valuable addition to the property's natural pastures. Jemalong produced 37,000 bushels of wheat, and is also growing 140 acres of cotton experimentally, to be harvested in 1961. Tyrie crops did well—the oats produced valuable grazing and finally yielded 9,400 bushels; while a small area of wheat gave 2,800 bushels.

#### WOOL

Wool estimated to be received into Australian Wool Selling Brokers' Stores for the Season 1960-61 is 4,636,000 bales—about 300,000 bales below the record figure for 1959-60.

Estimates for each State are:

|                   | 1959/60<br>Actual | 1960/61<br>Estimated |
|-------------------|-------------------|----------------------|
| New South Wales   | 1,706,602         | 1,530,000            |
| Victoria          | 1,402,696         | 1,350,000            |
| Queensland        | 782,571           | 750,000              |
| South Australia   | 530,500           | 470,000              |
| Western Australia | 404,526           | 450,000              |
| Tasmania          | 98,711            | 86,000               |
|                   | <u>4,925,606</u>  | <u>4,636,000</u>     |

#### COMPANY MEETING REPORTS

Wool from New South Wales, Victoria, South Australia and Tasmania was generally thinner and less well grown. Western Australia provided a better quality clip than in 1959-60, while Queensland production varied considerably, according to rainfall.

Sales over the last five years were:

|                | Bales     | £ (A)       | Average<br>per lb. |
|----------------|-----------|-------------|--------------------|
| 1956-57        | 4,886,561 | 482,859,860 | 79.66              |
| 1957-58        | 4,374,694 | 337,770,554 | 62.45              |
| 1958-59        | 4,790,282 | 295,652,526 | 48.57              |
| 1959-60        | 4,929,227 | 359,429,490 | 57.92              |
| 1960-61 (Est.) | 4,670,000 | 305,301,070 | 52 (Est.)          |

Japan, with a 25 per cent share, should be the largest individual buyer of the Australian clip this season, with the United Kingdom second and France third. Eastern European Countries purchased a larger volume than in 1959-60, but did not give steady competition.

Market movements during the current season are shown by the following clean costs on Australian Show Floors:

|              | Average 64's<br>(Australian Currency) | Average 56's |
|--------------|---------------------------------------|--------------|
| 1960—June    | 111d.                                 | 90d.         |
| August       | 94d.                                  | 79d.         |
| December     | 101d.                                 | 82d.         |
| 1961—January | 96d.                                  | 83d.         |
| February     | 103d.                                 | 90d.         |
| March        | 106d.                                 | 91d.         |
| April        | 114d.                                 | 94d.         |
| May          | 114d.                                 | 93d.         |

#### AUSTRALIAN WOOL MARKETING

An endeavour to hold wool sales in every month of the selling season in 1960-61 met with a disappointing response in July, 1960, when offerings were only 100,900 bales, principally in New South Wales and South Australia. The plan will be continued in 1961-62. A greasy wool futures market opened in Sydney in May, 1960.

At the request of grower organisations, the Commonwealth Government has set up a Wool Marketing Committee of Enquiry to enquire into and report upon the present system of marketing and promotion of the sale of the Australian wool clip. The committee has already taken evidence in Sydney, Melbourne and Brisbane.

The Company has tried in a small way to assist with wool promotion; displays of woollen garments and materials (currently readily obtainable from retailers) were organised at the opening of our new Swan Hill Office in 1960, and at Terrick Stud and Flock Auction Sale early in 1961. These displays created considerable interest.

#### GENERAL

One of the main problems of the Australian economy in 1960 has been the decline in the balance of payments position. Following relaxation of import licensing in February, the volume of imports greatly increased, and this together with some inflationary and speculative trends in the economy, caused the Government to take serious measures in November known generally as the 'credit squeeze.' These measures have already caused increased demands on us for finance from our clients.

The primary producer suffers another squeeze between the steady rise in costs (many of these such as wages, rents, rates, freights, etc., being beyond his control), and a decline in prices for his product. Wool prices were not high, and cattle prices fell during 1960 affecting our pastoral and agency earnings; sugar prices in-

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creased, although not substantially. The season was not generally a good one; and the Company's overall results were therefore good.

Australian and overseas authorities are agreed that the picture of the country's future is one of continuing development and increasing economic strength. The population has grown by 3 million since 1945 to a total of 10,400,000 at the end of 1960. It is estimated to reach 15 million by 1980 and 20 million by the year 2000. Of the increase of 3 million since 1945, immigration comprised 1,160,000 of which some 50 per cent were British.

#### DIRECTORATE

Following the sad loss to the Board last year of the Marquess of Carisbrooke, we welcome Air Vice-Marshal Sir Robert George, KCMG, KCVO, KBE, CB, MC, and Mr E. W. Tulloch, CA, who were appointed Directors on July 1, 1960.

Sir Robert, also on the London Board of an important Australian Bank, has had a distinguished service career in the First and Second World Wars, holding a number of high military and diplomatic posts, before being Governor of South Australia from 1952 until 1960. Mr E. W. Tulloch, a Chartered Accountant, has been Secretary of the Company since 1950 and has a wide knowledge of the Company's affairs and intricate tax problems.

We are confident that these appointments will be of real service to us in the years to come.

#### STAFF

Staff training has continued throughout the Company's organisation, and by regular reviews of organisation and duties, we have tried to see that our staff resources are employed in the best and most economical way possible. In most parts of our organisation salaries and wages are the major business cost, and the efficiency, loyalty and enthusiasm of our staff is one of our chief assets.

We would like to record again our sincere appreciation of the very good work done by all the Company's Australian staff at Mills, Stations, country Branches, and city Offices: they have worked hard and capably in the Company's service, and I express our keen appreciation. To this must be added in particular our thanks to the top Management Group under the ever able and inspiring leadership of our General Manager, Mr G. S. Colman. Once again we owe him and the Assistant General Manager, Mr G. H. Colman, a real debt of gratitude.

#### CHAIRMAN'S VISIT TO AUSTRALIA

During my visit to Australia in November and December, 1960, I had the opportunity to visit many of the Company's Stations, Sugar Mills and Offices in Queensland, New South Wales and Victoria.

Altogether, I travelled over 6,000 miles in Australia mostly by chartered aircraft; visiting in particular Canobie, Kamilaroi, Granada, Chatsworth and Mount Howitt, of our North-west Queensland cattle stations; Thylungra, Terrick Stud and Flock, of the Queensland Sheep stations and Buckingham, Raby and Jemalong of our New South Wales Sheep stations; as well as flying over several of our other stations, including Millungera and Dalgona.

Pleystowe and Kalamia Sugar Mills were inspected; here substantial amounts have been spent on new plant and machinery in recent years to improve capacity and effi-

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ciency, resulting in worth-while gains in the rate of crushing per hour as well as an increase in capacity of about 60 per cent compared with pre-war. The combined output of these two Mills represents about one-twelfth of the total Australian production of raw sugar; the group ranking third in the Australian raw sugar industry.

I was able to spend some time at our offices in Brisbane, and took the opportunity to visit a number of Queensland and Victorian Branches during my tour. In Melbourne I had valuable conferences with the General Management at Head Office, and throughout my visit was able to meet Station Managers and Senior Executives of the Company, so as to learn something of their problems and ideas. Whilst in Melbourne I attended a number of Company functions, including the official opening, which I have referred to above, of the important new Wool Store extension at West Footscray, by the Premier of Victoria, the Hon. H. E. Bolte.

#### FUTURE PROSPECTS

The Company's results are always largely dependent on favourable seasons and prices, factors which are beyond our control. In 1961 so far there has been no general wet season; but some areas have received beneficial rains. In Queensland, Terrick Stud, Terrick Flock and Mount Howitt, and in New South Wales, Oolambeyan, have had good rain. At Tyrie and Jemalong the situation is satisfactory; but patchy storms have only afforded temporary relief at the other stations and relief measures will be necessary unless good general rain is received. The Northern cattle properties generally are very dry, and will have great difficulty in the winter if no relief comes.

There is every indication that the American demand for third grade beef will continue throughout 1961. Prices for first and second quality meat for export to the UK market are low by comparison; but the keen demand for beef suitable for the local Australian trade maintains competition. We expect that these three outlets will sustain prices at a satisfactory level; although these will be lower than in 1960.

Wool prices have firmed a little in recent months, and it is hoped that this improvement will be maintained for the balance of 1961 and extend into the 1961-62 wool selling season.

The season in the sugar areas has so far been dry: production is expected to be steady at about existing levels under the International Agreement. Although the future of world markets is somewhat obscure due to the Cuban situation, it does not appear likely at present that we will be permitted to increase production greatly.

On the agency side, while in Victoria the season generally should be good, it is far from assured in many parts of Queensland, so long as the present dry conditions continue.

#### FOURFOLD DIVERSIFICATION OF ACTIVITIES

Primary produce comprises 75 per cent of Australia's exports, of which 44 per cent is from wool and sheep skins, 10 per cent from meat and 3 per cent from sugar. Wheat, flour and barley account for a further 9 per cent, while metals and manufactures also amount to 9 per cent. It will thus be seen that the country is still vitally dependent on the future of wool and the maintenance of its position among the essential textile requirements of the world. However, as I have indicated on previous occasions, the

#### COMPANY MEETING REPORTS

strength of this Company lies in the fourfold diversification of its activities; namely, sheep, cattle, agency and sugar.

These are entirely connected with Australia's primary industries and production. It would seem reasonable to assume that over the years primary industry will continue to play a vital part in the Australian economy; not only from the angle of earning additional export income, which Australia needs so badly at the present time, but also to support the ever-increasing population of Australia itself. We believe that we have a vital role to play in Australia's future, and we shall continue our endeavours to fit our various products and activities into what will be most helpful, effective and beneficial to that great country.

### AMBER CHEMICAL INDUSTRIES LIMITED

#### IMPROVING OUTLOOK

#### MR D. G. N. LLOYD-LOWLES REVIEWS ACTIVITIES

The following is an extract from the chairman's statement circulated with the report and accounts for the year ended December 31, 1960:

Our "top-line" profits rose from £17,133 in 1958 to £22,423 in 1959, and for last year—1960—to £31,872, an increase of nearly 50 per cent.

After making full provisions for depreciation and the other usual items, we are left with a net profit, subject to tax, of £17,825 compared with £7,464 in 1959, nearly 150 per cent increase.

With regard to the trading position, the Group is now divided into three main Divisions, each one of which traded at an increased rate of turnover and profitability during the year under review.

These three Divisions are:

1. OILS, which include Metal Working Lubricants, Ambersil and Fuel Additives: I told you last year of our tie-up with D. A. Stuart Oil Co Ltd, of Canada and USA. This has proved of the utmost value already, and, in the view of your Board, its potential is very great. The range of cutting oils which Amber has evolved over the years, and for which it has gained an excellent reputation, continue to find acceptance amongst some of the best known names in the engineering industry, but there is no doubt that our association with Stuart has opened the door to a much larger field for the future.

2. CAUSEWAY REINFORCEMENT: The turnover and profits of this subsidiary, of which we own 75 per cent, have not only proved a record but have actually exceeded our forecasts. A sound and progressive business has been built up in our Northfleet Works, which, judging from orders in hand, will materially surpass last year's performance.

3. INDUSTRIAL CHEMICALS AND FELTS: Papermaker's felts which we have for many years imported from Canada, have more than doubled their sales and, if trials at present being undertaken by several of the leading paper manufacturers in the country are successful, we should enjoy a further increase next year, now that the import quota has been lifted.

### WESTERN SELECTION & DEVELOPMENT

The thirty-first annual general meeting of Western Selection and Development Co., Limited, was held on June 16th in London.

Mr C. J. Burns, Chairman, presided, and the following is an extract from his circulated Statement.

Members will have noted from the Report of the Directors that changes in the operation of the Company have been proposed following the successful offer made by Philip Hill, Higginson, Erlangers Limited on behalf of the Ghana State Mining Corporation to purchase shares of certain mining companies operating in Ghana.

The profit for the year ended September 30, 1960, amounting to £165,982 was not affected by this offer and represents an increase of £32,115 over that of the previous year. Opportunity has however been taken in the Accounts to revalue the holdings of the Company recently taken over by the Ghana State Mining Corporation and the resulting surplus of £265,862, together with the balance brought forward from the previous year of £90,415, make available a total of £522,259, from which sum an appropriation of £430,098 has been made against shares in and advances to Canadian prospecting and mining companies.

Your Directors recommend a dividend of 8 per cent, less income tax, and, subject to the confirmation of the Court, a further distribution by way of return of capital equivalent to 1s. per unit of stock.

This Company's business has, in the past, been concerned mainly with the acquisition, development and promotion of gold mining properties in West Africa. The records show how successful over the years these activities have been, and how much this Company has directly and indirectly assisted in the development of Ghana.

Of recent years, due to rising costs, particularly wages, and the unrealistic price received for gold, mining operations have been made acutely difficult.

The offer made on behalf of The Ghana State Mining Corporation was considered to be fair and reasonable and your Directors accepted and, as a result, the Company has received £678,000.

At the present moment it is still too early to make a complete appraisal of the possibilities of future mining operations in Canada and accordingly a reserve has been provided to cover all prospecting work to date.

#### POLICY

In recommending a distribution of 1s. per Unit of Stock by means of a capital reduction scheme, your Directors have given careful consideration to their future policy for the Company. Over the past few years the Company's portfolio has been gradually strengthened by the purchase of investments outside Ghana. This has been successful to the extent that the Company's quoted investments currently have a market value in excess of £450,000, in addition to which is the cash received from our Ghana holdings.

It is the policy of your Directors to concentrate on investment within the United Kingdom and should favourable opportunities arise, direct interests will be taken in suitable industrial and commercial undertakings.

The report and accounts were adopted.



## Review of 1960

## ROLLS-ROYCE LIMITED

The following are extracts from the statement by the Rt. Hon. Lord Kindersley, C.B.E., M.C., the Chairman, which has been circulated with the report and accounts for the year ended December 31st, 1960.

## General Review

We started the year 1960 with the knowledge that great efforts would be required to meet the production programme which had been set for aero engines and motor cars. Although a substantial increase in output was achieved in both cases it still fell short of what was needed to satisfy customers' requirements.

The increase in revenue to over £100 million is of itself encouraging but even more so is the increase in exports to £53 million. In all three divisions of your company the possibilities of maintaining our total revenue depend upon the export of our products throughout the world. However, as I have said before, increasing sums must be spent upon the development of new products if we are to maintain our rate of growth in highly competitive overseas markets.

Stockholders will wish to know about the possible implications of the Budget proposal

relating to motor cars costing more than £2,000. At the time of writing it is too early to gauge what the effect on our own business will be, but I cannot emphasise too strongly that any circumstance which jeopardises the future of Rolls-Royce cars may have repercussions which go far beyond the affairs of our Company. At a time when the importance of exports dominates the national financial scene, to risk the disappearance of an accepted symbol of British quality surely requires greater justification than has so far been made apparent.

## Dividend Decision

The last four years have seen an increase of some £20 million in the stockholders' funds employed in the business. Half of this has been subscribed by the stockholders and half has resulted from the retention of profits. During the same period many millions have been charged against profits for the development of

new products. These factors have made possible the increased revenue in 1960 and stockholders are clearly entitled to some share in this improvement. Your Board are therefore recommending that the total distribution should be increased from the level at which it has been held for the last four years.

Your Board have also considered their policy in relation to the payment of interim dividends and feel that future interim dividends should represent a larger proportion of the total distribution anticipated for the year. In the absence of unforeseen circumstances they will hope in due course to recommend an interim dividend on account of the year 1961 at the rate of 5 per cent.

The present high rate of production, coupled with the capital expenditure associated with new products and the increasing amount of business on deferred terms, has resulted in recourse to substantial bank overdraft facilities and other forms of temporary borrowing. Your Directors consider that it would be prudent to finance at least a part of the present requirements on a more permanent basis. They have therefore taken steps to increase the amount of debentures in issue by £12 million.

## Aero Engines

The first task in this division for 1960 was to recover the ground lost by the fire at Mountsorrel in 1959. It was, therefore, particularly unfortunate that all the efforts made to achieve this should have been offset by other problems and in particular those which resulted in the delay of delivery of Tyne engines. This was a great disappointment but only serves to emphasise the exacting nature of the aero engine business.

Production of engines for the British Government has continued to occupy a substantial part of our capacity during 1960. Deliveries of Conway engines for the Victor, and of Avon engines for Lightning and Sea Vixen aircraft have continued, and during the year the Lightning entered Squadron service with the R.A.F. It is of interest that Rolls-Royce engines power over thirty types of military aircraft in service with, or on order for, the armed forces of twenty-eight countries. During the year we also started delivery of Dart engines for the Argosy military freighter.

The development of the first of the new generation of by-pass engines proceeded satisfactorily during the year and the Spey engine ran for the first time. A larger version of the Conway for the Vickers VC 10 also commenced its development phase.

During 1960 we have received orders for our established range of commercial engines at nearly double the rate for 1959 and we ended the year with an increased order book.

## Motor Cars

During the year under review a record output of cars was achieved, about half of the production being exported. Generally speaking, we are susceptible to the same trade cycles as affect the British motor industry as a whole,

## Condensed Statement of Accounts for 1960

| NET ASSETS                                              |     | £           |
|---------------------------------------------------------|-----|-------------|
| Cash                                                    | ... | 690,220     |
| Debtors                                                 | ... | 27,271,376  |
| Stocks                                                  | ... | 37,297,406  |
|                                                         |     | 65,259,002  |
| LESS CURRENT LIABILITIES:                               |     | 33,535,809  |
| (including bank overdrafts                              |     | £9,651,421) |
| Net current assets                                      | ... | 31,723,193  |
| Investments in other companies                          | ... | 389,818     |
| Property and plant                                      | ... | 19,123,954  |
|                                                         |     | £51,236,965 |
| FINANCED FROM:—                                         |     | £           |
| Share capital                                           | ... | 20,145,063  |
| Capital reserves including share premiums               | ... | 2,570,259   |
| Retained profits                                        | ... | 18,487,886  |
| Debtenture stock                                        | ... | 3,827,994   |
| Deferred liabilities                                    | ... | 6,147,671   |
| Interests of outside shareholders of subsidiary company | ... | 58,092      |
|                                                         |     | £51,236,965 |
| INCOME, PROFIT AND DIVIDEND                             |     | £           |
| Income                                                  | ... | 109,270,697 |
| Profit before tax                                       | ... | 5,174,636   |
| Profit after tax                                        | ... | 3,150,159   |
| Net dividend (11 per cent.)                             | ... | 1,352,254   |

although for several reasons the phasing may be different. The large back-log of orders which followed the successful introduction of the 8-cylinder engine in the autumn of 1959, however, tided us over the recession experienced by the industry in general in the latter half of 1960.

## Oil Engines

Last year, after a promising start, demand slackened somewhat in mid-summer. However, in the autumn, there was evidence of a revival in enquiries for contractors' equipment, and there has also been an encouraging increase in orders for marine propulsion and generators, and other applications.

## Rail Traction

This part of our activities is extremely buoyant, particularly in the sphere of supplying engines and hydraulic transmission for industrial locomotives. An encouraging order has been secured for the propulsion equipment for 50 locomotives in Sweden. Rolls-Royce rail traction equipment is now operating in all five continents.

## Nuclear Engineering

Work is continuing by our subsidiary, Rolls-Royce and Associates Limited, in collaboration with Vickers-Armstrongs (Engineers) Limited, on the installation of the nuclear machinery in the hull of Dreadnought I and also in the land-based prototype at Dounreay.

Work is now proceeding on the nuclear compartment equipment for the second nuclear submarine. This equipment will be mainly of British manufacture and the reactor core will be produced by Rolls-Royce in a new factory in Derby which is also producing the core for the land-based prototype at Dounreay.

You will no doubt have read in the press that your company has joined forces with Imperial Chemical Industries Limited (Metals Division) and Rio Tinto Limited, to form a



The new Spey by-pass jet engine being assembled at Derby for development testing.

new company to operate in the field of civil nuclear engineering in collaboration with the Atomic Power consortia. The new company is to be called Nuclear Developments Limited.

## Rocket Motors

The Government face a difficult decision as to whether we can, with European collaboration, afford to venture into space, and the effort by the Minister of Aviation to form a European space club is quite remarkable—he is to be congratulated for his tenacity of purpose. It would be a very sad decision if we were unable to participate in this advanced technology with its great promise in regard to international communication systems.

After reviewing the Group's overseas activities, the Chairman continued:—

## The Future

The year under review has seen many new records established—the highest figure of exports yet recorded, coupled with total sales and the backlog of orders reaching new high levels.

What of the future? Our motor car business accounts for some 10 per cent. of our total sales. Our oil engines business is still in the early stages of its growth. Our earning power in the immediate future must therefore continue to be largely dependent on our aero engine business.

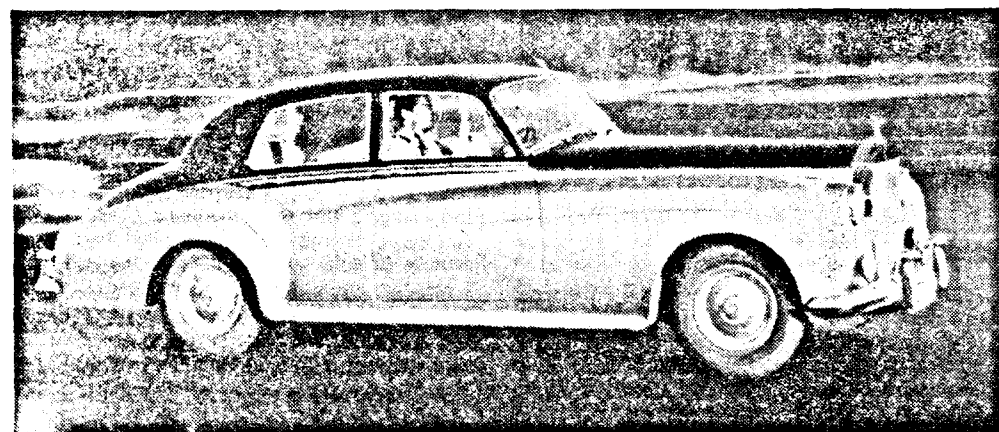
I am glad to say that our output of aero engines is now running at a higher figure than last year. Development expenditure will remain at a high level but I have every hope that in 1961 we will see a better return for the many millions which have been spent on the development of new aero engines in recent years.

Our efforts in the oil engine field were originally concentrated within fairly narrow limits, but each year has seen these limits extend, and I am hopeful that this trend will continue.

Finally, I express my thanks to all who have contributed to the success of our business during the year and for the excellent spirit and teamwork which has continued a feature throughout our organisation.

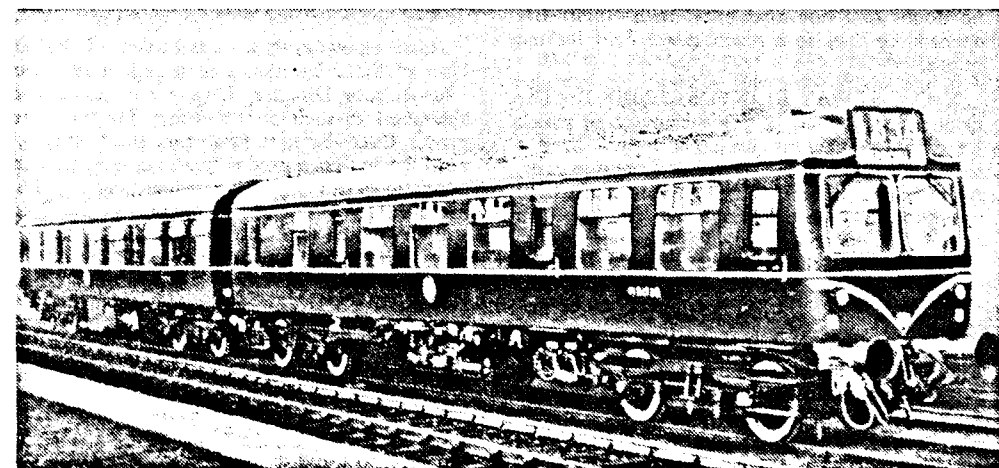
## ROLLS-ROYCE LIMITED

AERO ENGINES • MOTOR CARS • DIESEL AND PETROL ENGINES • ROCKET MOTORS • NUCLEAR PROPULSION



ABOVE: Rolls-Royce Silver Cloud II Standard Saloon, coachwork by Rolls-Royce.

BELOW: British Railway railcars built by Cravens Limited, and powered by Rolls-Royce diesel-hydraulic power units.



## CASTROL LIMITED

### GROUP SALES THROUGHOUT THE WORLD AGAIN A RECORD

#### PROFIT MARGINS AFFECTED BY HIGHER COSTS

##### MR L. W. FARROW'S REVIEW

The forty-fourth annual general meeting of Castrol Limited will be held on July 14 at Castrol House, Marylebone Road, London, NW.

In his statement which has been circulated with the report and accounts for the year ended December 31, 1960, Mr L. W. Farrow, CBE, the chairman, said:—

On August 2, 1960, the name of the Company was changed from C. C. Wakefield & Company Limited to Castrol Limited, in order that the maximum benefit might be derived from the goodwill attaching to its principal product. Since then certain overseas subsidiary companies have made similar changes and on January 2, 1961, Wakefield-Dick Industrial Oils Limited, our principal United Kingdom subsidiary, became Castrol Industrial Limited.

##### GROUP TRADING

The general picture of Group trading during 1960 was one of increased sales and lower profit margins. I am pleased to report that total sales throughout the world constituted a new record but the benefit of this additional business was more than offset by a rise in costs and operating expenses, with the result that the Group trading profits of £4,586,845 showed a reduction of £112,291 in comparison with 1959. Having regard for the fact that the Group has continued to meet fierce competition in all aspects of its trading, I am sure that stockholders will agree that the achievements of the year are not unsatisfactory.

Although it is well known that there is a current world surplus of crude oil, this situation does not apply to base lubricating oils and the grades purchased by the Group in 1960 were generally more costly than in the previous year.

Group sales of Castrol showed a further expansion last year, reaching a new ceiling, and in the United Kingdom this principal product of your company continued to dominate the branded motor oil market. This is evidence of the unequalled reputation for consistent high quality built up by Castrol over a period of more than 50 years.

Many stockholders will be aware of the decision of the Board of Trade last year to refer to the Monopolies Commission for investigation and report the solus sites system of retailing developed by the major petrol companies in recent years. We welcome this enquiry in so far as it relates to lubricants as we firmly believe that it is not in the interests of the motor trade or the motoring public for the availability of competitive products to be restricted.

##### INDUSTRIAL OILS

In 1960 the demand for the Group's industrial products showed a gratifying increase and both our subsidiary companies operating in this market in the United Kingdom, Castrol Industrial Limited and Fletcher Miller Limited, achieved higher sales than ever before. However, for the reasons that I have already men-

tioned, the aggregate trading profits returned by these two companies remained virtually the same as in 1959.

The Group's output of industrial oils is substantial and this business continues to make a valuable contribution to the overall profits.

##### RESEARCH AND PRODUCTION

In my statement last year I referred to the board's decision to establish a new Research Centre. This will be situated at Bracknell, Berkshire, and it is anticipated that the project will be completed by the end of 1962.

As specialists in lubrication for more than 60 years and the pioneers of many of the important technical advances in this field, we appreciate to the full the value of research and it is your directors' intention that this aspect of the Group's activities shall continue to receive the degree of priority that it deserves.

The United Kingdom works' developments that I mentioned last year are proceeding satisfactorily. A part of the extension at Rotherhithe should be available for use in September next and the construction of the Blancyre installation is expected to be completed early in 1962.

In order to provide for the future production requirements of the Group in the West Country, a plot of land adjacent to our Bristol works has been acquired for development in due course.

##### SYNTHETIC LUBRICANT FOR GAS TURBINE ENGINES

I am pleased to report a considerable increase in the demand for this product during 1960 and stockholders will be interested to learn that more than half the Rolls-Royce Dart engine aircraft used by civil airlines in Europe are now lubricated by Castrol 98.

In addition, this lubricant has been accepted by the Ministry of Aviation as suitable for use in military aircraft. We are the first and only British company to produce a synthetic oil to meet the requirements of the particular specification concerned.

##### OVERSEAS TRADING

In 1960 the Group's sales overseas continued their upward trend and, in the aggregate, exceeded the record of the previous year by a satisfactory margin. Due principally to the effect of higher costs and operating expenses, however, the overall trading profits derived from these operations showed a slight reduction in comparison with 1959. It is gratifying to record that, in spite of undiminished competition, the demand for our products increased in all but one of the 20 countries abroad where our affairs are conducted through branches or subsidiary companies.

It is perhaps opportune to remind stockholders that approximately 50 per cent of the Group's turnover results from its overseas business.

Due to continued adverse trading conditions

in the countries concerned, one or two subsidiary companies were again unremunerative. However, your directors are hopeful that the special attention being given to these particularly difficult markets will result in an early improvement in the position of the subsidiaries in question.

Progress is being made in the premises and plant developments in Australia and New Zealand which, when completed, will considerably strengthen our branch organisations in those two countries and provide them with sufficient productive capacity to meet future sales expansion. 1960 was a record year for Castrol sales in Australia and our branch there is actively engaged in extending its industrial oils business, where there is a rapidly increasing potential. New Zealand branch had a most successful year, achieving a new peak in both sales and profits.

In Italy, also, we have decided to erect a new production unit to cater for expanding sales. This will be located on the outskirts of Milan and will be owned by Saito S.p.A. in which the Group now has a 75 per cent interest. Our contribution towards the cost of this project will be provided entirely by Castrol Italiana S.p.A. from undistributed profits.

Towards the end of last year the parent company acquired from its former agents in Brazil, their holding of 25 per cent of the issued capital of Castrol do Brasil S.A. which has thus become a wholly-owned subsidiary. The Brazilian company has made rapid trading progress since its formation in 1956. This expansion of business, coupled with the local economic situation, has rendered it necessary for Castrol do Brasil S.A. to retain the major proportion of the profits that it has made to date.

##### SUPPLEMENTARY SUPERANNUATION SCHEME

The Group's long established superannuation schemes impose a limit on the maximum pension payable to any member. As a result of the rise in the cost of living and the growth of the Group in postwar years, the maximum pensions provided by the schemes for certain directors and senior executives are disproportionate to their current salaries. Accordingly, supplemental pension agreements from time to time have been entered into with the persons concerned and, in order to provide for the major portion of the Group's liability in this respect, the board has established a Trust Fund which has received the approval of the Inland Revenue.

Following an actuarial valuation, an initial sum of £283,055 was paid into the fund in 1960. This comprised the payment of £258,000 in respect of service prior to the year 1960 and a standard contribution for 1960 of £25,055. Standard contributions will continue to be made annually and new members will be admitted as and when they qualify.

Payments into the fund by the Company and its United Kingdom subsidiaries will be an allowable charge against profits for taxation purposes, although the allowance for the £258,000 will be spread over a period by the Inland

### THE ECONOMIST JUNE 24, 1961

Revenue. The income of the fund will also be exempt from tax.

After due consideration of the provisions of the National Insurance Act, 1959, the board decided that the Group would participate in the Government's Graduated Pension Scheme in respect of all employees in the United Kingdom.

The increased State pensions resulting from this decision will be additional to the benefits provided by the Group's private schemes.

##### ACCOUNTS AND DIVIDENDS

The consolidated net profits of the Group amounted to £1,704,947 (1959, £1,819,431).

The increased charges for staff superannuation schemes and directors' emoluments, in comparison with 1959, result chiefly from the payment of the 1960 standard contribution in respect of the new supplementary superannuation scheme.

By reason of additions to the fixed assets of the Group there is an increase of £50,266 over 1959 in the sum set aside for depreciation.

Your directors recommend the payment of a final dividend on the ordinary stock at the rate of 13½ per cent, less income tax, making a total for the year of 20 per cent which, on the capital as increased by the one-for-two scrip issue in July, 1960, compares with an equivalent of 18½ per cent paid in respect of 1959.

Preference and ordinary dividends absorb a total of £692,738 (1959, £637,884). Net transfers to reserves in the Group accounts total £971,487 which includes £921,441 to general reserve (parent company £900,000). After these appropriations the consolidated profit and loss account shows a carry forward balance of £930,017 (1959, £889,295).

It will be observed that of the consolidated net profits for 1960 a sum of approximately £1,000,000 is being retained in the Group.

Current assets of £16,574,112 exceed current liabilities and provisions by £8,596,275, virtually the same position as at the end of 1959. This is after having made payments during the year for additional fixed assets, the initial contribution to the new supplementary superannuation scheme and the purchase and cancellation of £111,243 of the company's debenture stock, amounting in all to approximately £1,000,000.

The additional cost of financing an expanding international business has inevitably led to some depletion of the liquid resources of the Group but its net assets have increased and the consolidated balance-sheet indicates a position of considerable financial strength.

On December 31, 1960, total stockholders' interests amounted to £13,264,627, an increase of £745,409 over the previous year.

The financial results for 1960 reflect a further year of satisfactory trading and development.

##### DIRECTORS

Mr W. F. List, who was appointed to the board in 1947 and who has been assistant managing director of the Company since 1952, will relinquish that office upon his retirement on December 31, 1961, after more than 50 years' distinguished service to the Group at home and abroad. I am happy to announce, however, that the benefit of his valuable experience and advice will continue to be available to the Group as he will remain a director of the Company.

Having regard for the expansion of the business during recent years and the extent to which

### COMPANY MEETING REPORTS

the interests of the Group have grown, your board considers that, in future, the weight of responsibility immediately below that of the managing director should be spread. It has been decided, therefore, that Mr J. A. V. Watson, Mr L. G. Packham, Mr C. E. R. Millidge and Mr A. A. Barr will be appointed assistant managing directors of the Company with effect from January 1, 1962. In his new capacity each of the aforementioned directors will be assigned particular spheres of special interest in the day-to-day management of the business.

##### OUTLOOK

Group sales are continuing to expand and for the first four months of the current year show an increase over the corresponding period of 1960.

Notwithstanding the increases last year in our

selling prices in the United Kingdom, which had remained unchanged since 1956, there are no indications at present of any lessening in the pressure on profit margins. The results for 1961 will largely depend upon the extent to which margins are affected by costs during the year.

##### MANAGEMENT AND STAFF

I know that you will wish me, on your behalf, to express to our deputy chairman and managing director, Mr L. M. Broadway, and his colleagues on the board our appreciation of their management of the affairs of the Group throughout 1960. Our thanks are also due to the directors of our subsidiary companies and all members of the staff of the Group, at home and overseas, without whose continued diligence and loyalty the achievements of the year under review would not have been possible.

## COMPAGNIE GÉNÉRALE D'ELECTRICITÉ

PARIS, FRANCE

(Electrical Engineering)

The Annual General Meeting of Compagnie Générale d'Electricité was held in Paris on May 31, and the following are details of the report presented by the Board of Directors:

##### REVIEW

Exports showed an encouraging increase and were 10 per cent up on the previous year. The Company's sales network now covers practically the whole world, and in the Common Market, Tunisia, Morocco, the new Republics in former French Africa, Switzerland, Spain, Portugal, the United States and Argentina, the Company is represented either by associated companies or wholly-owned subsidiaries.

In the field of research, the second stage of the group of laboratory buildings at Marcoussis was completed in 1960, and the building project is expected to be finished in the course of this year. A total of 225,000 sq. ft. of laboratory space will then be available to serve the Group's research requirements.

The total number of people employed by the Group in France amounted to 32,000. Group turnover reached N.F.1,200 million and orders placed during the year totalled N.F.1,300 million. In absolute terms the Company's turnover has doubled during the past five years.

##### PRODUCTION AND SALES

The activities of the Cable Division continued to increase satisfactorily and new orders received included a second marine telephone cable to link France with North Africa.

The Delle plant, which specialises in electrical engineering, increased its turnover by 20 per cent.

##### PROFIT AND DIVIDENDS

Net profit for the year amounted to N.F.24,370,075.78 as against N.F.20,801,926.87 in 1959, and it is accordingly proposed to distribute a net dividend of 9.03 per share as against N.F.8.77 in 1959 and Frs.853 in 1958.

The report, the accounts, and the proposals put forward by the Board of Directors were adopted.

## FITZROY FINANCE

### PROPOSED RIGHTS ISSUE

The thirteenth Annual General Meeting of Fitzroy Finance, Limited, was held on June 16th in London.

Mr H. D. Michaels, Chairman and Managing Director, presided, and the following is an extract from his circulated Statement:

The net profit for the year ended March 31, 1961, amounted to £46,404 as compared with £26,393 for the previous year. This profit compares favourably with the forecast of £43,000. Your Board recommend a final dividend of 8 per cent, less tax, making 12 per cent for the year, as forecast.

The Company has continued to make steady progress and the upward trend of new business financed is still continuing.

I fully expect that the new business transacted by us for the year ending March 31, 1962, will be in excess of any previous year. The working relationship with our associated companies ensures us a constant flow of sound new business and the amount of business placed with us by other associates in the trade is increasing and could be increased still further, if our resources permitted.

As I reported in December last, the £70,000 arising out of the recent flotation has been quickly absorbed and since then we have made arrangements to increase the Company's borrowings from outside sources. All the additional finance thus obtained has been fully utilised.

The report and accounts were adopted and resolutions were passed approving an increase of the Capital from £200,000 to £750,000 by the creation of 2,750,000 shares of 4s. each and sanctioning the capitalisation of £57,000 from Capital Reserve and £5,294 from Profit and Loss Account for the purpose of distributing fully-paid shares to existing holders in the proportion of one new share for every three shares held.

##### CHAIRMAN'S ADDITIONAL REMARKS

The Chairman, addressing the meeting, said: I have pleasure in announcing that it is our intention to maintain the dividend at not less than the present rate of 12 per cent on the new increased capital. I have already referred to the need for further capital in order to expand our business and to provide this we intend to ask your approval in the near future to make a rights issue on advantageous terms to shareholders.



## J. LYONS & COMPANY LIMITED

### INCREASING COSTS OFFSET HIGHER TURNOVER

#### MR B. A. SALMON ON CHANGING TREND OF CATERING SERVICE

The Annual General Meeting of J. Lyons & Company Limited will be held on July 4, 1961, at the Trocadero Restaurant, Piccadilly Circus.

The following is the Statement by the Chairman, Mr B. A. Salmon, which has been circulated with the Report and Accounts for the year ended March 31, 1961:

In December last, Mr I. M. Gluckstein expressed the desire to relinquish the office of Chairman of the Board which he had occupied since July, 1956, with distinction to himself and to the inestimable benefit of the Company. In deference to his wish, his resignation was accepted, and he was appointed to the office of President. I am pleased to say that he is remaining on the Board, and we shall thus continue to enjoy the benefit of his exceptional experience.

It is with deep regret that I have to record the death, during the year, of Mr A. H. Salmon. He took an active part in the running of the business until shortly before his death. He served the Company throughout his business life, and possessed an outstanding technical knowledge of the catering trade. He is sadly missed by his colleagues on the Board and the staff who worked with him.

During the year, Mr Brian Salmon was appointed an Ordinary Director of the Company. He is a son of the late Mr Julius Salmon, and, like all members of his family, was born and bred in the business. He has had a long training in all important activities of the Company, and for some years has been a General Manager. In accordance with the Articles of Association of the Company, he holds office until the forthcoming Annual General Meeting, and will then be eligible for re-election.

#### THE YEAR'S TRADING

From the Company's Profit and Loss Account it will be seen that the balance from trading account is £4,808,200, compared with £5,583,951 for the previous year, and the net profit for the year is £1,036,907, compared with £1,399,255.

We propose the payment of final dividends at the same rates as last year on the Ordinary, the "A" Ordinary and the Proportional Profit capital which, with the interim dividends paid in December last, will absorb £610,055. The dividends paid and accrued on Preference and Preferred Ordinary Stocks amount to £315,935. The balance of the net profit for the year is £110,917; after adding the balance brought forward from the previous year, there is a balance of £561,503 carried forward in the Profit and Loss Account.

This year's profits are disappointing. Although turnover was higher than in the previous year, the increase was not as much as we expected when we planned our expenditure, the poor summer of 1960 contributing to this shortfall.

The cost of some important raw materials rose; other costs, including wages, increased, and these factors more than offset the profit from the increase in turnover. We have continued our policy of offering the best value to the public, and this involves holding prices down as long as possible. We are confident that this is the right policy for the Company, though it may at times adversely affect profits.

#### ROLLS CONFECTIONERY LTD.

We recently came to the conclusion that to make progress in our chocolate and sugar confectionery business it would be essential to operate on a much larger scale. To do that meant either investing heavily in promotion and advertising, or acquiring one or more companies to add to our subsidiary, Rolls Confectionery Ltd. The alternative was to withdraw from the business altogether. We came to the conclusion that our resources would be better applied to the expansion of other divisions of the business, and that withdrawal was the more advisable course. Accordingly, in May last, we entered into an agreement with Callard & Bowser Ltd., a subsidiary of Arthur Guinness Sons & Company Ltd., whereby on July 1st they acquire the goodwill, trade names and manufacturing facilities of our chocolate and sugar confectionery business. The manufacture of chocolate couverture which is used by our own departments and subsidiary companies, and of the Maison Lyons range of chocolates and confectionery, will continue unchanged.

#### CATERING

The rising standard of living offers further opportunities for the expansion of our substantial catering business. In order to take advantage of these opportunities, we have to try to assess the changing requirements of the public, and then to provide economically what is wanted. Such assessment involves decisions on the type of meal to be served and the form of service to be used, namely, waitress service, counter service, self-service, or a combination of these methods. The speciality restaurants at our Corner Houses show how these factors can be balanced; they are an adaptation of fundamental catering principles to changed conditions. This is a process which must go on all the time, and we believe catering in 1980 will differ as much from catering today as the present form of catering differs from that of 1940. We have already announced our plans to extend to other areas the form of catering which has been successful in the West End of London, and a beginning has been made during the year under review with the opening of the London Steak House in Baker Street, and a modified Corner House in Notting Hill Gate. As a result of our experience, we plan to open twenty-five or more Steak Houses in locations within a fifty mile

radius of London. The capital expenditure to carry out this programme, although spread over several years, will be high.

It is our intention that the Steak Houses should be fully licensed but unfortunately it is still difficult to obtain a licence, even one restricted to serving liquor with meals. Here I would mention that it is not the volume of sales of alcoholic drinks in this type of restaurant which is so important as the right of a customer to enjoy a drink with a meal, if he wishes. We are hopeful, therefore, that the Licensing Bill now before Parliament will become law in a form which will put an end to these difficulties.

Now I turn to our unlicensed establishments. These serve a whole cross section of the public, and are an accepted form of popular catering which constitutes an established feature of twentieth century life. Here again tastes change, and we are devising, within this range of unlicensed establishments, various types of service which will be developed during the forthcoming year.

Throughout the whole of our catering business, we serve more than three million meals every week, and to do this we must maintain a large staff. It follows that we have to be efficient in the use of staff, and be able to train them quickly. The streamlined menus of our speciality restaurants enable us to train in a comparatively short period the staff necessary to prepare and cook perfectly a limited range of dishes. The speciality restaurants and simplification of menus lead to economy in the use of labour, equipment and space, and thereby enable us to charge lower prices than if we served a wider variety of dishes.

But there are still many customers who prefer a more comprehensive menu on classical lines; we continue successfully to provide for them, notably at the Trocadero and in our Banqueting and Outdoor Catering Services.

#### EXPORT, OVERSEAS BUYING

Because of the vital need for this country to increase its exports, it is appropriate to make a reference to our own activities in this field. The scope for exporting finished food products is limited, and is continually being restricted by the action of foreign governments; nevertheless, we are constantly exploring all possible overseas markets, and our representatives and executives travel extensively to explore markets for Lyons products. We now sell our products through subsidiaries or agencies in more than seventy countries, and thereby make a useful contribution to the economy of the country.

Some months ago, the government of Ghana announced that no licences to cocoa buying agencies in that country would be renewed. We had for many years a buying organisation there, which is consequently now being closed.

#### LEO

Our subsidiary company, Leo Computers Ltd., continues to progress. The computers employed on service work are earning their keep, and our activities in this direction are still expanding. The first Leo III is almost complete, and we are pressing ahead with the sales of this latest model. We are going on with the development of the computer business, though it may take several more years to achieve its full growth.

#### PENSION SCHEME

Under the National Insurance Act, 1959, a

new graduated State Pension Scheme came into effect in April, 1961. After careful deliberation with our Pension Consultants, it was decided not to contract out of the Government Scheme. The Company's Pension Fund, which provides an additional pension on retirement, will continue, as will the death benefit provided by the Company in connection with it.

#### STAFF

In conclusion I wish to express my appreciation and that of my colleagues on the Board, for the enthusiasm with which the staff have

carried out their work during the year. An example of this fine spirit was given, by the staff of our Outdoor Catering Department, at the official opening of the Esso Refinery at Milford Haven last November. On the eve of the opening, a violent gale laid waste our specially prepared catering arrangements, but with the splendid co-operation of the staff of the Esso Refinery, who made alternative accommodation available to us, our own staff completed the catering on schedule. I know stockholders will wish to join me in thanking the staff of the parent company and subsidiaries for their continued loyalty and support.

## FINANCE CORPORATION FOR INDUSTRY

### CONTINUED GROWTH IN ADVANCES

### NEW BUSINESS AMOUNTED TO £10M.

The sixteenth annual general meeting of Finance Corporation for Industry Limited was held on June 21st in the Conference Hall of The Chartered Insurance Institute, 20, Aldermanbury, London, EC2. The Lord Sinclair of Cleve, KCB, KBE (the Chairman), presiding.

The following is the Chairman's Statement which had been circulated with the report and accounts:

The accompanying accounts cover the year to March 31, 1961. During the period a further £19,550,000 was advanced to clients. Repayments during the year totalled £4,250,000 with the result that outstanding loans (less provisions) rose from £44,510,000 to £59,810,000—the increase being financed almost entirely by further borrowings from our Bankers.

New business entered into during the year amounted to £10 million but this is not yet reflected in the accounts. At March 31, 1961, the outstanding commitments had fallen to £14,500,000—a decrease which results from the taking up of instalments of loans previously negotiated. There were, however, several new projects under consideration at the date of the Balance Sheet.

As will be seen from the Profit and Loss Account, the amount of interest receivable less interest on advances from Bankers is £1,165,179, an increase of some £530,000. This increase reflects the growth in the total sums advanced to clients over the last two years. Other Income is a very small figure this year but this item in the accounts is largely unpredictable.

The charge for Taxation is substantially higher at £591,775. This year there is no relief, as there was last year, in respect of losses in previous years.

#### PROFIT AND LOSS ACCOUNT

Profit for the year after Taxation amounts to £563,126 and, together with the surplus brought forward at the beginning of the year, makes a total available for appropriation of £835,342. It has been decided to transfer £750,000 to General Reserve and it is proposed that a dividend of 6 per cent should be paid to the Shareholders, thus leaving a balance of £66,967 to be carried forward in the Profit and Loss Account.

We consider that none of the outstanding loans or commitments need give cause for

anxiety, and I hope that in the coming year there will be further opportunity for the facilities which the Corporation can provide being used profitably and to the benefit of the national interest.

#### CHAIRMAN'S ADDITIONAL REMARKS

Addressing the meeting, the Chairman said: My Lords and Gentlemen, the Report and Accounts have been in your hands for some three weeks and I propose with your permission to take them—and the Statement that goes with them—as read. (Agreed.)

The Directors' Report records the very deep regret of the Board at the death on August 19th last of Lord Weeks. Lord Weeks was one of the leading industrialists of his generation: he served his country with great distinction in the two world wars; and he had an outstanding record of public service—notably, after the second war, his contribution to the development of technological education. He was one of the original directors of this Corporation and succeeded Lord Bruce as Chairman in 1957. The Corporation owes much to his wisdom and leadership and his qualities of mind and heart were such that his memory will long be an inspiration to all who were privileged to work with him.

The Directors' Report also records the appointment of Sir Archibald Forbes to the Board. Sir Archibald was previously a Director of the Corporation from 1950 to 1953 when he resigned on his becoming Chairman of the Iron and Steel Board. His wide experience of industry and, in particular, his knowledge of the Iron and Steel Industry in which the Corporation is largely interested will be of great value to the Board.

On the results of the year there is very little to add to my Statement which accompanies the Accounts. As Lord Weeks explained last year we cannot disclose details of transactions with clients. It is, however, still true that finance in connection with developments in the Steel Industry constitutes the greater part of our business. In general these developments are proceeding satisfactorily—indeed in some cases they are ahead of schedule.

The amount of interest received less interest paid on advances from Bankers has shown a substantial increase. This in part arises from the increase in advances made to clients during

the year but it is also a reflection of the saving in our interest charges as a result of the amount paid in advance of calls by the Bank of England in 1958 and by the use of the Corporation's own resources.

Although the Board have no reason to question the security for the outstanding loans or commitments at present on our books it is in the nature of our business if we are to fulfil the purpose for which the Corporation was set up, that we assist the development of projects of national importance which cannot for one reason or another obtain at the time the necessary finance through normal channels. We therefore consider it wise that we should as and when we can seek to build up reserves. With the transfer of £750,000 from Profit and Loss Account this year the General Reserve now stands at £1,750,000.

We have several new projects under consideration at the present time. I have no reason to anticipate that the results of the current year will be less satisfactory than those now before you.

In conclusion—and on a personal note—I would like in the first place to express to my fellow Directors my warm appreciation of the help and support they have given me since I became Chairman and, secondly, on their behalf as well as on my own to convey to Mr Nelson and his Staff our sincere thanks for all that they have done for the Corporation during the past year.

The report and accounts were adopted.

The retiring directors, Sir Archibald Forbes, GBE, Mr John Anthony Pollen, Mr Charles William Allan Ray and The Lord Sanderson of Ayot, MC, were re-elected; the remuneration of the auditors, Messrs Deloitte, Plender, Griffiths & Co., was duly fixed and the proceedings terminated with a cordial vote of thanks to the Chairman and Directors proposed by Mr C. N. Knight and seconded by Mr K. G. Drummond.

*Copy for the insertion of Company Meeting reports must reach this office not later than Wednesday of each week and should be addressed to:*

*The Company Meetings Department,  
The Economist,  
22, Ryder Street, S.W.1.*

# MINERALS SEPARATION LIMITED

## MR. J. N. BUCHANAN'S STATEMENT

The fifty-sixth Annual General Meeting of Minerals Separation Limited will be held on July 12th at the Chartered Insurance Institute, 20 Aldermanbury, London, E.C.

The following is an extract from the Statement by Mr J. N. Buchanan, the Chairman, which has been circulated with the Report and Accounts for the year ended December 31, 1950:—

The Gross Profits of the Group this year reached a new record of £1,331,219 as against £1,108,161 last year which in itself was the highest profit attained by the Company up to that time. In view of the general buoyancy of the revenue, we think it fair that shareholders should not be denied their share in this increased prosperity of the Company. We therefore propose a Final Dividend of 11d. per share, making with the Interim of 4d. per share already paid, a total amount of 1s. 3d. per share for the year. Over-all capital and reserves have risen from £408,158 to £534,510, an increase of £128,352, mainly due to last year's capital issue. The dividend this year is payable on the larger capital resulting from the Rights Issue made last year. It should be remembered that

we only had the use of this new capital for less than half of the year.

## DEBENTURES

We made an offer to purchase the outstanding Debentures at a discount in September last and the offer was accepted by all holders. The resulting credit of £48,310 you will see has been added to Reserve in this year's Balance Sheet.

## TAXATION

As reported last year, we had lodged an Appeal against the Provisional Assessment made upon us for 1958, which was based on capital gains resulting from the sale of some of our investments. This Appeal was heard in October last before the City of London Commissioners who discharged the Assessment.

## GENERAL REVIEW

For some years it has been our custom to attach to the Annual Statement a 10-year summary of Group Balance Sheets, Profits and Dividends. This year the summary covers 11

years so as to retain 1950 which is significant as the last year of the old capital. Those of you who have been shareholders for some years—and we are proud to know that many of you have been of that order—may remember that in our 1955 Jubilee Report I gave you a more comprehensive picture of the policy and progress of the Company over a period of some years than can readily be done in the relatively short period of one year. I propose to repeat that precedent and to give you a general review since 1956.

In those four years, our capital and reserves have grown from £2,662,000 to £5,341,000. This only takes in quoted investments at Balance Sheet figures; if market values were substituted the comparable figures would be £3,166,000 and £9,731,000.

As a large part of our assets are invested in unquoted securities, of which it is difficult to estimate the real capital value as against book value at any one date, it is not possible to give an accurate percentage distribution showing where all the capital is employed. We can, however, compare the revenue received from the four main divisions detailed as under.

1. Foseco (formerly Foundry Services).
2. Mercury Securities.
3. Investment Trust portfolio.
4. Other subsidiary and allied companies.

1. *FOSECO*. Last year about 53 per cent of our total revenue came from this source.

Minerals Separation first acquired 20 per cent of the Ordinary Capital of Foseco in 1944, another 30 per cent in 1953, a further 10 per cent in 1956 and finally, 20 per cent in 1959, when the original 15 year contract and pooling arrangements came to an end. We therefore now hold 80 per cent of the issued Ordinary Capital of Foseco. It was not until the end of the war in 1945 that Foseco could seriously begin to expand their opportunities in countries outside the United Kingdom. Moreover, old-standing Agency agreements entered into in earlier years hampered growth in some countries, particularly in the USA. Until these difficulties were dealt with, full use could not be made of the Foseco methods and organisation. It was not, therefore, until the early '50s that material progress was reflected in rising Group turnover. Such turnover amounted to over £1,000,000 for the first time in 1952. By 1955 £2,000,000 was recorded, by 1957 £3,000,000 and by 1959 £4,500,000. Last year Group turnover rose to £6,000,000. Despite the ever-increasing costs, the profit margins have, overall, remained satisfactory.

**2. MERCURY SECURITIES.** Although the dividend received from our holding in this company accounted for only about 5 per cent of our gross revenue, the market value of our holding at the end of the year was about £3,800,000 and at the time of writing this Report it is still higher. As stated in past years, our policy has been to maintain a holding of about 15 per cent in the Ordinary issued capital of Mercury Securities. In view of the substantial rise in the market valuation, the income return on our holding is small. It is, moreover, in our opinion necessary at all times to keep a reasonable balance between the various sections of our assets. For these reasons, while we intend to maintain a substantial interest in Mercury Securities, we no longer feel that we should be bound by a rigid 15 per cent or any other definite percentage.

3. INVESTMENT TRUST PORTFOLIO.  
Last year this contributed about 25 per cent  
of our gross revenue.

**4. OTHER SUBSIDIARIES AND ALLIED COMPANIES.** These companies together contributed about 17 per cent of our gross income last year.

As I emphasised in my Jubilee review in 1955, the essential factor that we look for in acquiring interests in subsidiary and allied companies is good management. In the following review I have included after each company the name of the individual mainly responsible for the conduct of the particular company concerned. Their names are all outstanding in their particular fields and their success has increased our confidence that the principle underlying our policy is sound.

(a) ANGEL HILL INVESTMENTS. (*Mr I. W. Adler and Mr J. O. Adler.*) This group, which combines Modern Engineering (Bristol), Modern Concrete (Bristol) and A.T.A. Industrial Company, specialises in structural steel, large span buildings, the fabrication of A.T.A.

hyperbolic shells, and are the sole UK licence holders for the patent roof construction based on the Silberkuhl system. Although competition was severe and in some cases, therefore, the margin of profit was lower, this was compensated for by increased turnover. Over-all, results for all the companies were good and the 1961 order book has started in good shape.

(b) J. W. JACKMAN & COMPANY. (Mr. F. W. Neville.) The recession in the Foundry industry was felt by Jackman towards the end of 1959 and early in 1960, but despite a poor start, the output for 1960 was better than for 1959, although here again the profit margin was somewhat lower. The value of orders in hand at the end of the year was satisfactory.

(c) LEIGH KNIGHT (BRADFORD). (*Mr M. B. Leigh.*) This company had a good year with results rather better than those of the year before. Their order book is in good shape and their general prospects remain good.

(d) **HOWARD POTTERY.** (Mr *D. K. Bailey.*) During the course of the year Howard Pottery sold a subsidiary, Kirkhams Limited. The integration of Sudlow, which was acquired last year as mentioned in my Report, has proved rather slower and more difficult than had been foreseen with the result that profits for the year were a little lower than we had expected.

(c) VOSPER. (*Commander Peter Du Cane.*) This is a public company whose report is readily available. Although the company showed a loss for 1960, this is essentially a business in which it is necessary to take a view over a period longer than one year. The company maintains a research and development team and other skilled labour. These all enjoy a very high reputation and it would in our view be foolish to reduce their number and efficiency merely because at times the company's order book was low. As their Chairman states in his report, this is now better balanced and they have grounds for reasonable optimism for the coming year.

(f) SHERMIN INVESTMENTS. (*Embracing Medical Supply Association.*) (*Mr Peter Sherwood.*) In 1960 Medical Supply Association made a good start under its new management. There was a substantial increase in the production and profits. The company became the sole distributors in the UK for the American Steriliser Company of Erie, Pennsylvania, the largest manufacturers in the world of sterilising and operating theatre equipment. In partnership with them a new company has been formed in the UK to manufacture these goods in which Medical Supply Association has a 40 per cent holding. During 1960, Medical Supply Association also acquired all the share capital of W. H. Bailey & Son, a company that, amongst other activities, is contractor to the Ministry of Health for a range of products including surgeons' gloves. Considerable success was achieved in the sale and distribution of the products of Air Shields, Inc., of Harboro, Pennsylvania, for whom Medical Supply Association act as agents in this country. M.S.A. also became the sole distributors in the UK for the American Cystoscope Makers, Inc., the leading manufacturer in the world of all endoscopic instruments. The year 1961 has started with considerable increase in turnover for the first quarter.

**PERSONNEL.** It remains only for me to thank those in all the above companies and those here in our Head Office, whose successful work during the year is shown in the results we put before you today.

LAMBERT BROTHERS  
LIMITED

## ANOTHER SUCCESSFUL YEAR

The fifty-eighth annual general meeting of Lambert Brothers Limited was held on June 22nd in London.

The following is a résumé of the statement issued to the Stockholders by the Chairman, Mr R. Rattcliff Steel.

I am pleased to be able to report upon another successful year's trading by your Company. I have stated in past years that we derive much of our prosperity from the activities of our Shipowner friends who in turn depend on the state of the freight market for their success. Shipping during 1960 again had to contend with many difficulties. Although some improvement in the level of freights was maintained over much of the year the effect of the continuing surplus of available tonnage in both tanker and dry cargo sections of the industry combined with the rising costs of operation has prevented any marked return to prosperity for shipowners. We must hope these difficulties will be resolved with the passage of time.

The Consolidated Accounts for 1960 show a net profit of £284,726 after charging United Kingdom Taxation £205,469. The profit for the previous year contained a taxed provision of £67,500 no longer required; thus a true comparison of the net trading profits shown is £284,726 for 1960 and £244,159 for 1959.

In these circumstances the Board feels justified in recommending the maintenance of the final dividend at 17½ per cent making with the increased interim dividend of 7½ per cent a total of 25 per cent against 22½ per cent for 1959. It is proposed to increase the General Reserve by £50,000 to £900,000 and to carry forward on Profit and Loss Account £602,481.

It is further proposed to make a distribution of  $1\frac{3}{4}$  per cent out of Realised Capital Accretions.

All sections of the business have contributed to the not unsatisfactory result of the year's trading. The Temple Steamship Company had a better year, the fleet being fully employed at somewhat improved rates. Lambert Brothers (Insurance) Limited continues to expand its sphere of operations in the Marine and Non-Marine fields at home and overseas. The development of new ideas has further increased the prestige of the Company. The London & Overseas Insurance Company Limited, under the management of our Insurance subsidiary, has made a good recovery from a period of poor results. The finances are in a sound condition and the Directors' confidence in the future has been shown by the recommendation of an increased dividend.

I have mentioned in previous statements that the activities of the Group are devoted to the provision of a comprehensive service to our worldwide clientele in shipping and other spheres. Our aim is to expand this service constantly to meet the needs of our friends not only by the setting up from time to time of new sections but also by welding the whole organisation into a co-ordinated team working together in the interests of the Company and our clients. This is achieved by the wholehearted effort of our most efficient staff. The loyalty of our friends is the measure of our success in this.

The report was adopted.

### SUMMARY OF GROUP BALANCE SHEETS, PROFITS AND DIVIDENDS, 1950 TO 1960

[illegible]



# KUALA LUMPUR-KEPONG AMALGAMATED LIMITED

## MR H. F. COPEMAN ON GROUP'S EXPANSION

The fifty-fourth annual general meeting of Kuala Lumpur-Kepong Amalgamated Limited was held on June 15 in London, Mr Harold F. Copeman (chairman and managing director) presiding.

The Chairman stated at the Meeting:

In amplification of my statement issued with the Report, I have to advise you that the total crop harvested from all the estates in the Group amounted to 23,204,265 lb for the eight-month period from 1st October last to 31st May, which shows an increase of just over 100,000 lb over the comparable period in the previous year. I think it is desirable to point out, however, in giving you these figures, that they will not agree with any figures you may be given in the next Annual Report, because of the different accounting dates of the new subsidiaries; I give them merely as an indication of progress.

Although this is a rubber producing Company, we have in the past had a fairly large income from tin in respect of the areas leased off to mining companies. Over the past two or three years this income has been negligible, in view of the incidence of the tin restriction scheme. Operations have, however, been resumed, and I hope to see a considerable increase in receipts, at any rate for the next few years.

I am, however, a little surprised at the delays which occur in applications to the Government for variations of leases. In the case of one of the areas leased for tin, application has been made by the mining company for a variation of the lease (which was granted only for dredging purposes) to allow open cast mining in view of the improved methods and the prospects of recovering a greater amount of tin. It is eight months since the application was made and we are still waiting to hear the result. This delay is somewhat inexplicable when we consider the recent reports about tin areas rapidly being depleted, the considerable amount of new prospecting that is being done and, above all, the urgent need of Malaya for the revenue accruing therefrom. This application if granted will improve to a small extent our revenue from tin.

Another matter of delay in regard to mining arises from an application for conversion from an agricultural lease to a mining lease, which was made some seven months ago, in respect of an area we had sold for Iron Ore Mining, the sale being subject to conversion of the lease. The latest news of this is that it is expected to come before the State Council later this month. If this application is successful, it will mean an accretion of approximately £140,000 to our cash balance, a welcome addition in view of the large replanting programme still ahead of us.

We have had one or two inquiries as to the dividend policy and in reply I have said that the policy as expressed in the circular of the 31st October last to the shareholders of Kuala Lumpur and its present subsidiary companies still stands: that is to say, that we propose to pay an interim dividend in September next. It is anticipated that this interim dividend will

be 5% net, which is equivalent to just over 8% gross. It will be appreciated that the fall in the price of rubber will affect the dividend policy of all Plantation Companies.

### GROUP EXPANSION

In his circulated statement to shareholders the Chairman stated:—

Before dealing with the activities for the year under review it may, I think, be of interest to our many new shareholders if I briefly review the expansion of our Company, particularly in the course of the past few years.

Early in 1957, we held our fiftieth annual general meeting and a short review of the fifty years' working accompanied the report and accounts for that year. During those fifty years the issued capital was increased from its initial figure of £180,000 to £462,250 and the planted area from 1,582 to 9,683 acres. The following year a small increase was shown both in capital and acreage. At the annual meeting held in 1959 we reported an increase in the issued capital to £685,665 and in area to 13,628 acres, following on the acquisition of the balance of the capital of the Sungei Chermang Rubber Company in which we held a large minority shareholding and which is now in voluntary liquidation.

In August, 1959 offers were made for the capital of the Jeram and Tamiang companies, followed in November of the same year by an offer to the stockholders of Eastern Sumatra, with its wholly owned subsidiary, Sungei Kahang. As a result of those offers we now hold 84.1 per cent of the Jeram share and debenture capital, 97.9 per cent of the Tamiang capital and 100 per cent of the capitals of the Eastern Sumatra and Sungei Kahang companies, and our issued capital was increased to £1,398,796 and the planted area to 33,770 acres.

It is interesting to recall that the Jeram company also has a history of expansion prior to its acquisition by this Company. In 1955 Jeram purchased the Seventh Mile Estate of 1,257 acres, in 1957 Coalfields Estate of 1,139 acres and at the end of 1958 Tuan Mee estate of 1,484 acres. With those acquisitions and with new plantings Jeram increased its planted area from 2,441 to 6,707 acres.

Bringing the history of Kuala Lumpur up to date, offers were made on October 31st last to the members of the Caledonian (Selangor), Glen Muar, Kepong (Malay), Kuala Kangsar and Tanjong Malim companies, following on which our issued capital has been increased to £3,438,157 and the planted area controlled in the East to 83,395 acres. With the exception of 8,703 acres in Sumatra all the areas to which I have referred are in Malaya, but one must not overlook the Kepong subsidiary, Oban (Nigeria) Rubber Estates with 6,886 planted acres, and the other shareholding interests in plantations in Nigeria.

With the acquisition of Kepong and the other companies in the latest amalgamation Kuala

Lumpur's name was changed to Kuala Lumpur-Kepong Amalgamated Ltd.

### ACCOUNTS

The extent of our interest in the main subsidiary companies is given in the report and I need only add that Kepong Plantations, Buntar and Oban are subsidiaries of Kepong (Malaya) and that, following on a reduction of the capital of Eastern Sumatra, the Sungei Kahang company is now a direct subsidiary of Kuala Lumpur-Kepong Amalgamated. It will be appreciated that the accounts now submitted to you cover only the companies in the group at September 30th last and take no account of the latest amalgamations. In addition to the profits which have accrued from the estates directly owned, we have taken into account the following:

**Jeram.** A dividend of 9d. per share gross, equivalent to 37½ per cent.

**Tamiang.** A dividend of 15 per cent free of tax equivalent to 24½ per cent gross.

**Eastern Sumatra.** A dividend of 35 per cent gross the profits from which this dividend was paid included the profits of the Sungei Kahang company. In addition to that dividend, account is also taken of a capital distribution of £20,000 from profits realised by the sale of investments.

I take this opportunity of reporting that a remittance of £27,513 has recently been received from Indonesia, being the remittable profit for 1957.

**Kuala Lumpur.** It will be recalled that, in view of the offer made on October 31st last to acquire the shareholdings of other companies, an interim dividend was paid on December 5th and it was stated at the time that no final dividend would be paid. The reason for that was, of course, that the shares issued in respect of the offers were made *pari passu* with the existing shares of Kuala Lumpur excepting that they carried no entitlement to that dividend.

### ESTATES

Since the close of the financial year a number of my co-Directors and myself have been to the East. We took the opportunity of visiting the estates of the Group, and indeed I visited all our estates in Malaya and the Bukit Maradja estate in Sumatra. It was not possible in the time at my disposal to examine every estate thoroughly, my aim being to obtain a general picture of all the estates and to meet the staff. I am able to report that we found them all, on the whole, in good condition and efficiently managed.

### POLICY

The acreage statement annexed to the report shows that out of nearly 75,000 acres held in Malaya, there are nearly 29,000 acres of old rubber; this means that 39 per cent of our Malayan rubber has still to be replanted. It is essential, if full competitive power is to be available against the synthetic products, that this old

rubber be dealt with as quickly as possible. The rate of rejuvenation must, however, depend upon the finances available and in that connection it must be borne in mind that the replanting of any given area involves expenditure which gives no return for some six to seven years. It may well be that this period will be shortened by as much as two years, if some of the new clones now under test by the Rubber Research Institute should live up to their promise. The period of immaturity can also be reduced by the use of selected clonal seedlings and advantage will be taken of the best material that may be available from time to time.

With a view to diversification it is proposed to replace some of our old rubber with oil palms. Preliminary reports indicate that soil conditions on one of our larger estates are satisfactory and it is hoped to make a start before the end of this year. One advantage of oil palms is that they mature in three to four years.

### GENERAL

So far as concerns the future, it is generally agreed that world consumption of rubber over the next ten years will steadily increase; it is obviously in our interest that as much as possible of the demand must be met by natural rubber. That demand, however, will only be met to the utmost by natural rubber if the price is competitive with synthetic, and that can only be done, so far as one can see at present, by increasing the yield per acre, which in its turn means a progressive replanting policy. One is sometimes apt to forget that in ten years hence the rubber replanted in the late 1930's will be over 35 years old and past its prime. It is essential, therefore, that all companies build up and maintain ample liquid resources so as to ensure that replanting can continue even if profits should be seriously reduced.

As you are aware, our principal interests are in Malaya. Up to the present every encouragement has been given to the plantation industry by the Malayan Government. Having attained self-government it would not be unnatural if first thoughts tended towards their own nationals rather than towards expatriates. It is only proper to say that there has been so far no undue bias against the European and so long as that continues we shall be able to play as valuable a part in the economic welfare of the country as in the past.

### DIRECTORATE

Since our last general meeting Mr Marshall, Mr Scott and Mr Simpson have joined the Board and, in accordance with the Articles of Association retire from office. Mr Douglas and Mr Calver also retire from office. I take this opportunity to thank them for all their support and advice and cordially recommend their re-election.

In conclusion, I have also to express our thanks to our Local Agents, Visiting Agents, Managers and Staff for their hard work and loyal co-operation throughout the year. I would pay a special tribute to Mr Holms who, for very many years was manager of Eastern Sumatra's estate in Sumatra. For the past few years he has been the General Manager and Visiting Agent of our Agents in Sumatra and has now retired after over 35 years in Sumatra. His services, particularly since the war, have been extremely valuable and we wish him a long and happy retirement.

The report and accounts were adopted.

## THE "SANITAS" TRUST, LIMITED

### RECORD SALES

The thirty-fifth annual general meeting of The "Sanitas" Trust Limited, will be held on July 11th in London.

The following are extracts from the circulated statement of the chairman, Mr Charles Sweeny:

I am pleased to report the complete reorganisation and augmentation of our sales staff at home and abroad; a substantially increased advertising and sales programme and the introduction of a new system of parcels discounts; a general overhauling and re-equipping of our accounts and administrative services; the repackaging and presentation of a large number of our established lines and, perhaps most important of all, the considerable amount of research has been done throughout the year on the creation of new lines, which it is intended to introduce to the market very shortly.

These changes have been carried through comparatively smoothly and overall sales of your Company's products during the past year have exceeded the record set up in 1957.

### TRADING RESULTS

The Consolidated Trading Profit for the year (including Investment Income of £97,547) amounts to £507,558 after all charges except Taxation. This compares with £483,045 for last year and is, in fact, rather better than the previous highest Profits earned by your Company in

1957. Your Board consider this quite satisfactory, especially in view of the fact that a substantially increased advertising programme has been carried out, the benefits of which do not immediately accrue. Operating expenses have also increased during the year, and a new Pension Scheme has been introduced.

Provision for Tax requires £237,673, after taking credit for provisions in prior years no longer required, amounting to £10,926, leaving a Net Profit for the year of £269,885 available for dividends and Reserves. This figure compares with £251,418 last year. Your Directors recommend a final dividend of 30 per cent. The total dividend for the year of 45 per cent compares with the equivalent of 34.6 per cent paid in the previous year on the capital as increased by the Bonus Issue of 3 for 10. In addition, your Directors recommend a Bonus Issue on the basis of one Ordinary Share of 2s. each, credited as fully paid, for every ten held.

The year under review has seen some substantial changes within the framework of your Company, but your Board are confident that these changes have improved our overall efficiency and prospects. We shall continue to press for more sales and we intend allocating increasing sums to advertising, both at home and abroad. This expenditure should have a cumulative effect on sales and is really a long-term investment.

In this year your Company has achieved record sales and profits which, though very satisfactory, makes the future more than usually difficult to foretell. Your Board are quietly confident that in the forthcoming year your Company should continue to enjoy a further overall improvement.

## BANCO DI NAPOLI

Head Office: NAPLES, ITALY

The Annual General Meeting of the General Council of the Banco di Napoli was held on April 24, 1961.

The volume of Deposits, Savings Accounts, and Current Accounts at December 31, 1960, amounted to Lire 693,737,108,663 which represents an increase of 18.87 per cent over the 1959 figures.

Net profits reached the figure of Lire 806,387,509. After distribution, the capital and reserves of the Banco di Napoli amount to Lire 19,545,941,443.

Board of Directors.—Chairman: H. E. Prof. Ep. Corbino. Vice-Chairman: Ing. Costantino Cutolo, Cav. del Lav. Gen. Manager: Dott. Stanislao Fusco, Cav. del Lav.

### BALANCE SHEET AT DECEMBER 31, 1960

| LIABILITIES                              |                | Lit.              |  | ASSETS                                 |                 | Lit.              |  |
|------------------------------------------|----------------|-------------------|--|----------------------------------------|-----------------|-------------------|--|
| Capital                                  | 15,500,000,000 |                   |  | Cash                                   |                 | 23,051,038,883    |  |
| Reserve                                  | 3,526,803,676  |                   |  | Balances with other Banks              |                 | 59,335,492,433    |  |
| Deposits and Bonds                       |                | 19,026,803,676    |  | guaranteed Securities                  |                 |                   |  |
| Current Accounts                         |                | 313,665,943,361   |  | Securities and Bonds                   | 243,661,391,584 | 107,143,553,135   |  |
| Funds held for Third Parties             |                | 337,329,657,708   |  | Current Accounts                       | 280,744,915,329 |                   |  |
| Special Reserve Fund                     |                | 42,741,507,594    |  | Advances against Securities            | 10,001,517,184  |                   |  |
| Covering Industrial Credit Risks         |                | 8,147,238,823     |  | Carried Forward                        | 2,134,688,940   |                   |  |
| Bills and Cheques                        |                | 19,106,592,804    |  | Mutual Credits                         | 98,471,941,328  |                   |  |
| Credit Bonds Issued                      |                | 46,896,866,673    |  |                                        |                 | 635,014,454,365   |  |
| Advances against Securities              |                | 4,881,049,341     |  | Holdings                               |                 | 6,057,454,614     |  |
| Assets Rediscounted                      |                | 34,474,521,738    |  | Premises, etc.                         |                 | 1,342,891,867     |  |
| Acceptances, Endorsements and Guarantees |                | 24,279,086,995    |  | Furniture and Fittings                 |                 | 1,342,891,867     |  |
| Bills for Collection                     |                | 10,699,215,222    |  | Acceptances and Endorsements           |                 | 24,279,086,995    |  |
| Sundry Creditors                         |                | 45,572,936,288    |  | Bills Receivable                       |                 | 17,849,140,525    |  |
| Miscellaneous Liabilities                |                | 9,694,107,650     |  | Sundry Debtors                         |                 | 45,986,458,618    |  |
| Current Accounts                         |                | 3,602,777,992     |  | Branch Accounts                        |                 | 10,692,509        |  |
| Profit Balance c/f to 1961               |                | 4,751,846,659     |  | Miscellaneous Assets                   |                 | 2,004,505,066     |  |
| Profit 1960 available for Distribution   |                | 806,387,509       |  | Contra Accounts                        |                 | 3,602,777,992     |  |
| Bankers' Drafts                          |                | 2,513,585,500     |  | Bankers' Drafts                        |                 | 2,513,585,500     |  |
| Securities Deposited as per Contra       |                | 183,955,768,574   |  | Securities Deposited for Third Parties |                 | 183,955,768,574   |  |
| Securities Deposited with Third Parties  |                | 98,792,138,161    |  | Securities Deposited at per Contra     |                 | 98,792,138,161    |  |
|                                          |                | 1,210,938,039,268 |  |                                        |                 | 1,210,938,039,268 |  |



# WIGGINS TEAPE GROUP

(WIGGINS, TEAPE & CO. LIMITED)



Makers of Gateway Papers

## ANNUAL REPORT AND ACCOUNTS OF THE WIGGINS TEAPE GROUP FOR 1960

The Wiggins Teape Group produce in their own mills and factories a wide variety of papers and paper products. Some of the more important uses are:

### PAPERS FOR EVERY OFFICE REQUIREMENT

Writing, ledger, airmail, copy, duplicating, blotting, translucent for photocopying, base for punched cards, index and ivory boards. Papers for continuous stationery and office forms.

No carbon required paper for copies without carbons. Personal and commercial envelopes and stationery.

### PAPERS FOR PUBLICITY

Coated Art and chromo, gummed, letterpress, offset and gravure papers. Cover papers.

### PAPERS FOR THE DRAWING OFFICE

Gateway Natural Tracing, details, cartridges.

### SPECIALISED AND SECURITY PAPERS

Sensitized Cheque, stamp base, money order base, map and chart papers. Recorder papers. Carbonising base. Pasting base.

### PACKAGING AND HOUSEHOLD PAPERS

Glassine, greaseproof, pure vegetable parchment, glazed imitation parchment, tissue, M.G. Sulphite, foil backing, 'Bakewell' household parchment. Printed, waxed and laminated flexible packaging materials.

### TISSUES

Carbonising facial and hygienic (hard and soft), including converted products.

### INDUSTRIAL BASE PAPERS

For Photographic, dyeline, ferro, plastic, laminates, abrasive, filter, saturating and many other purposes.

All other qualities of paper handled by our Merchants Organisation.

### DISTRIBUTION CENTRES—

United Kingdom: Belfast, Birmingham, Bristol, Cardiff, Edinburgh, Glasgow, Leeds, Liverpool, London, Manchester, Newcastle, Nottingham.

Overseas: Dublin, Cape Town, Port Elizabeth, Durban, Bloemfontein, Johannesburg, Salisbury, Ndola, Nairobi, Lagos, Karachi, Bombay, Madras, Calcutta, Singapore, Kuala Lumpur, Hong Kong, Tokyo, Melbourne, Adelaide, Sydney, Perth, Wellington, Auckland, Christchurch, Buenos Aires, New York, Beirut and AGENCIES throughout the World.

### SALIENT POINTS

|                                                                |             |
|----------------------------------------------------------------|-------------|
| Net Profit after taxation and minority interests ...           | £3,683,802  |
| Debt Interest ... ..                                           | 128,637     |
| Preference Dividend ... ..                                     | 147,166     |
| Ordinary Dividend ... ..                                       | 1,294,499   |
| Profit retained in Group ... ..                                | 2,113,500   |
|                                                                | £3,683,802  |
| Net Current Assets ... ..                                      | 14,918,147  |
| Fixed Assets ... ..                                            | 24,304,923  |
| Trade Investments ... ..                                       | 709,339     |
| Total Capital Employed (including Debentures and Loans) ... .. | £39,932,409 |

### EXTRACT FROM STATEMENT BY MR. L. W. FARROW, C.B.E., CHAIRMAN

**STATE OF TRADE—PRODUCTION AND SALES:** I am glad to report that the production of the Mills of the Wiggins Teape Group increased by a rather better percentage than the average of the mills in this country. This was matched by an equally satisfactory Group turnover.

**EXPORTS:** In our Organisation we place considerable emphasis on exports and during this past year have continued to pursue our overseas trade with the utmost vigour through the means of our twenty-seven overseas selling branches, our eighty agents, and our overseas technical sales staff based on London. Last year I reported that our 1959 export sales from this country were a record. I am pleased to report that in 1960 we increased our export tonnage by no less than 21 per cent. over 1959.

**SELLING PRICES AND COSTS OF PRODUCTION:** In view of the increases in the costs of raw materials, power, wages, repairs and salaries, the prices of some of our products were increased towards the end of the year. Notwithstanding the increase in the quantity of paper made and its effect on the costs of production, the increases in costs to which I have referred more than offset this effect, the result being that our average margin of profit per ton showed a small decline from that of 1959.

**NEW DEVELOPMENTS:** The new No. 6 paper machine at our Dartford Mill and the reconstructed No. 5 paper machine are producing satisfactory paper and are contributing satisfactorily to our Group profits. The further developments referred to in my Statement last year are in the process of construction and the plants should come into operation over the next eighteen months,

beginning with the paper machine at our Hele Mill in Devonshire, which should start production in the autumn of this year. When in full operation, these new projects should make a substantial contribution to our overall results.

**ASSOCIATION WITH BRITISH-AMERICAN TOBACCO COMPANY LIMITED:** In November last we announced the proposals for a merger of certain of the Group's papermaking interests with those of British-American Tobacco Company Limited.

For some time it has been the intention of your Board to expand the Group's papermaking interests overseas. This association with British-American Tobacco Company Limited, who already had papermaking interests overseas, will undoubtedly enable the plans of your Board to be realised much more quickly than they could otherwise have been. In addition, the proposed subscription by British-American Tobacco Company Limited for 1,800,000 shares will provide the money we shall have to put up for our share of the cost of capital developments of the joint venture during the next few years.

**PROSPECTS FOR THE CURRENT YEAR:** The sales of the Group for the first four months show further expansion but the profits are running at about the same rate as those for the similar period of 1960. On the 1st July, 1961, a further reduction of duties on imported paper will take place. This is bound to have an adverse effect on the prices of certain of the home produced papers. However, only certain of the Group's operations are affected. Subject to no unforeseen circumstances occurring, we can look forward to another successful year.

# AB SEPARATOR



Stockholm, Sweden

(International Manufacturers and Suppliers of ALFA-LAVAL Farm Separators, Milking Machines, Dairy Plant, and DE LAVAL Industrial Separators, Plate Heat Exchangers and Industrial Plant)

## INCREASED DEMAND FOR ALFA-LAVAL AND DE LAVAL PRODUCTS

International sales of the Alfa-Laval/De Laval Group of Companies to outside customers in 1960 increased to a new high of 795.1 million kronor (approx. £55.2 million) from 753.4 million kronor (approx. £52.3 million) the previous year. The order book at the end of the year was greater than at any time in the Company's history.

Swedish sales accounted for 241.8 million kronor (approx. £16.8 million) (220.4 million kronor, approx. £15.5 million, in 1959) an increase attributable, as also in 1959, mainly to the continued success of the Olofström subsidiary company, which specialises in motor-bodies and parts supplied under contract to the Volvo Motor Company, as well as household equipment, pressed steel parts for separators and plate heat exchangers, a type of industrial heat transfer device.

The demand for the Company's products in 1960 has been very strong both in Sweden and in the world market. In particular, the demand for separators and plate heat exchangers for industrial and marine applications has been considerable.

Increased sales were achieved in most of the Company's traditional markets, especially Japan, Finland, the German Federal Republic and Eastern Europe.

### COMPLETE INSTALLATIONS IN DEMAND

A great number of complete plants have been sold abroad for refining of edible oils and fats using special processes developed by the Company and which include separators and plate heat exchangers.

Among major deliveries completed in 1960 there was a dairy plant for a daily output of 300,000 litres (66,000 gals.) to New Delhi, in

augured in December, 1960, and a similar plant for 100,000 litres (22,000 gals.) of milk a day to Cairo, inaugurated in July, 1960.

### DESIGN AND DEVELOPMENT WORK

In the milking-machine field several new items have been brought out. Various new components of milking plants have been developed, simplifying the erection and operation of these plants. Considerable attention has been paid to milk cooling on farms and an entirely new type of milk cooler has been successfully marketed.

With the trend in the dairy industry towards still larger units the Company introduced, in 1960, a dairy separator for 10,000 litres (2,200 gals.) per hour, and this has been in great demand.

In the industrial section, a new larger type of nozzle separator for kaolin, yeast, fish oil, sugar juice, etc., has been produced, while special separators have been designed for the plastics industry and for washing and purification of gas-turbine oil.

New fields of application have been found for plate heat exchangers including cooling fresh water and lubricating oil on board ships.

The first "Centri-fish" plants have been installed for the production of fish oil and fish meal on board trawlers.

In the thermal field, a rotary thin-film evaporator, "Centri-Therm," designed on a new principle, has been successfully introduced for gentle and rapid concentration of heat-sensitive liquids in the food and beverage industries.

### AFFILIATED COMPANIES

*Olofström, Sweden.*—1960 dividend 1.6 million kronor (1959 dividend 1.4 million kronor) will be received by the parent company. The Olofström factories are being expanded.

The affiliated companies outside Sweden have maintained or increased their sales and in most cases improved their financial position.

In the EFTA countries the Alfa-Laval Group has manufacturing companies in England (Brentford, Middlesex), and Austria in addition to the factories in Sweden, while in the Com-

mon Market there are factories in Germany, the Netherlands, Italy and France. Outside Europe the Group has works in the United States, Canada, Argentina and the Union of South Africa. New factories will shortly be put into operation at Poona in India and São Paulo in Brazil.

The average number of persons employed within the Group during 1960 was 17,769 (16,786 in 1959) of which the companies outside Sweden employed on average a total of 9,038 (8,742).

### NEW MAIN ALFA-LAVAL WORKS IN SWEDEN

The move of the Stockholm plant to the new separator factory at Tumba, 25 kilometres (15 miles) south-west of the Swedish capital, started during the last months of 1960 and is expected to be completed this summer. For the Group as a whole, the manufacture of several types of large separators for industrial and dairy use is centred at the new Tumba Works.

### MAINTAINING DELIVERIES

The general shortage of labour affecting all industries in Sweden plus Swedish shortages of certain raw material, particularly stainless steel, has limited the Company's possibilities of meeting the growing order book at a reasonable pace from Sweden. To compensate for these difficulties the manufacture of certain separator types has been transferred as far as possible to the Company's factories outside Sweden.

### BOARD OF DIRECTORS DURING 1960

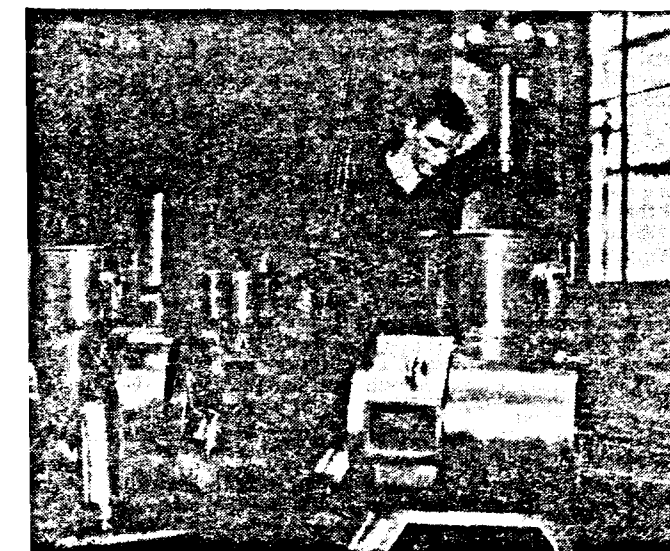
J. Wallenberg, Gösta de Geer, Nils Ericsson, Karl Granfors, Hans Ståhle, *Managing Director.*

### PROFIT AND DIVIDENDS

Net profit for 1960 amounted to 11,409,737 kronor which, together with 27,462,892 kronor brought forward from the previous year, produced a total of 38,872,629 kronor available for allocation.

It was proposed to distribute 10,800,000 kronor in the form of a dividend of 12 kronor a share and to carry forward the balance of 28,072,629 kronor.

The report and the accounts were placed before the Annual Meeting of shareholders held on Friday, 26th May, in Stockholm.



The spindle being carefully fitted to an Alfa-Laval dairy separator at the new Alfa-Laval Works at Stockholm-Tumba.



## ARTHUR BALFOUR & COMPANY

### 1960 A GOOD YEAR

The sixty-second annual general meeting of Arthur Balfour & Company Limited was held on June 19th at Sheffield, The Right Honourable The Lord Riverdale of Sheffield, DL, JP (Chairman and Managing Director), presiding.

The following is an extract from his circulated statement:

I concluded by statement last year in a mood of cautious optimism. I am glad to say that the optimism was justified and we have had a good year. During 1960 the flat spots in our activity were few and slight and the whole of the twelve months were concerned with brisk production.

We had no untimely troubles during the year. No unexpected bad news came in from overseas. It is pleasant to record that in general, the decisions of previous years appeared to be justified and the work we had done on plant and organisation had a chance to show its worth and prove its value.

The increase in sales has been encouraging on a wide front, but particularly so in the case of the Alloy Tool Steels and Die Steels.

The high levels of operations had a favourable effect in reducing the overhead charges as a percentage of costs but otherwise the tendency was for profit margins to shrink rather than expand, particularly in the export trades.

Export markets revealed as usual some up and down effects, but overall our exports expanded, though to a lesser extent than the rise in home sales. We are however very proud of the high proportion of the products which we export. The contribution to Group results from overseas showed an advance on the previous year, but our efforts in this direction were not achieved at the expense of our home trade.

The profit of the Group before Taxation but after exchange adjustments is £542,906 compared with £329,921 for the previous year. Taxation absorbs £281,476 compared with £162,733. The Board recommend a total dividend of 12 per cent which compares with 9 per cent for the year 1959.

Commenting on the problem of rising costs, Lord Riverdale said:

We continue to do all we can to mitigate the effect of the increases, but despite all our efforts they must represent a threat to reasonable profit margins which would become rapidly more serious if the scale of output were to be reduced for any reason.

The year 1961 has opened quite well and our turnover for the first four months exceeded that of the same period in 1960. There was considerable talk of recession in the first two months and this stemmed particularly from the automotive industry, which appears to have recovered markedly. The general tone in the consumer industries, which are customers of the Group, is now relatively favourable.

Though we had an all time record turnover in the month of November, 1960, I should hesitate before attempting a long term forecast, but at this stage in this year I think we are unlikely to exceed these results, but with good fortune we should closely approach or hold the same level.

The report was adopted.

## COMPANY MEETING REPORTS

### PHILIP HILL INVESTMENT TRUST

#### AN ACTIVE AND SUCCESSFUL YEAR

The twenty-ninth ordinary general meeting of Philip Hill Investment Trust Limited was held on June 19th in London, Sir Brian Mountain, Bart (the chairman), presiding. The following is an extract from his circulated statement:

The year under review has been an active and successful one for the Group. The gross income from dividends and interest, including the increased dividend from the subsidiary Company of £250,000 (£100,000), has risen to £1,606,955 (£1,091,382). Directors' Fees, expenses of management and interest on the Debenture Stock amount to £230,174 (£177,484), leaving a net profit before taxation of £1,376,781 (£913,898). Taxation, after allowing for double

## THE ECONOMIST JUNE 24, 1961

taxation relief, absorbs £528,030 (£326,972), leaving the net profit of the Trust at £848,751 (£586,926).

Philip Hill, Higginson, Erlangers Limited, and its Subsidiary Companies have had a successful year. The consolidated profits before taxation have risen to £1,272,133 (£943,325).

These results enable the Board to recommend a final dividend on the increased Ordinary share capital of 7 per cent, less income tax, which, together with the interim dividend of 11 per cent, less income tax, paid last October on the old Ordinary share capital, would make a total distribution of 12½ per cent on the existing Ordinary share capital (equivalent to 25 per cent (22½ per cent) on the old Ordinary share capital) and will require £765,625 (£482,822).

Subject to unforeseen circumstances, your Board expects the results for the current year to prove satisfactory. The report was adopted.

## WILMOT BREEDEN (Holdings) LTD

The following information is condensed from the Annual Report for 1960 considered at the Twelfth Annual General Meeting held in Birmingham on 21st June, 1961.

|                                      | 1960       | 1959       |
|--------------------------------------|------------|------------|
| Net Income from all sources          | £1,367,083 | £1,654,552 |
| Taxation                             | 760,030    | 972,678    |
|                                      | 607,053    | 681,874    |
| Group Net Assets                     | 10,436,715 | 8,059,255  |
| Ordinary Share Capital               | 4,200,000  | 3,150,000  |
| Ordinary Dividend: Total (after tax) | 289,406    | 289,406    |
| Rate                                 | 11½*       | 15%        |
| Times covered                        | 2.3        | 2.6        |

\* On the increased capital.

The Group has 11,000 shareholders and 9,000 employees.

### Motor Car Division

The rapid fall in demand after June was accompanied by increased competition. To meet this, improved production methods are being developed and are already showing results. If the expansion of the car industry is shortly resumed, earnings should be restored to normal levels. However, the outlook for the industry during the latter part of the year remains uncertain.

### France

Expansion and reorganisation have proceeded rapidly. New capital of £600,000 subscribed by Wilmot Breeden (Holdings) Limited, together with £1,200,000 in the form of a French State loan and a non-repayable French State subsidy, have provided adequate finance. The holding of the parent company in its main French subsidiary has been increased to nearly 90%. Orders for components of Wilmot Breeden design are materialising as expected. The French companies should make an appropriate contribution to group earnings during 1961.

### Flight and Special Products

Orders for aircraft components, Truffo stainless steel pipe bends and fittings continue to rise. Development work is progressing on a new type of heat exchanger likely to have a wide application for diesel engines and gas turbines.

### Hydraulics

Sales of Telehoist tipping gears and Telesig screw pumps and valves are expanding. A new factory of 40,000 sq. ft. is planned in Cheshire to serve commercial vehicle customers who are establishing themselves in the North of England. Licences from the U.S.A. have been granted for the United Kingdom and Europe for the manufacture of Pegasus electro-hydraulic signalling valves and Hartmann hydraulic motors.

### Electronics

Sales of the marine products of the Ferrograph Company have increased and have established a worldwide acceptance. Their new marine radar has been introduced. This has a high performance and an attractive price, and brings an important type of navigational aid to the owners of smaller craft. The Wayne Kerr Company achieved a higher profit despite increased expenditure on research and development. A new type of computer has been developed, and has been well received both here and in the U.S.A.

### Australia

Sales continued to expand and produce a satisfactory profit. Recent credit restrictions have created more competitive trading conditions.

**Principal Operating Companies in the Group—Wilmot Breeden Ltd., Telehoist Ltd., The Ferrograph Co. Ltd., The Wayne Kerr Co. Ltd., Compagnie Industrielle de Mecanismes S.A. (France), Autocoussin S.A. (France), Wilmot Breeden (Australia) Pty. Ltd.**

## THE ECONOMIST JUNE 24, 1961

## COMPANY MEETING REPORTS

# 1960 Best operational year for GULF OIL

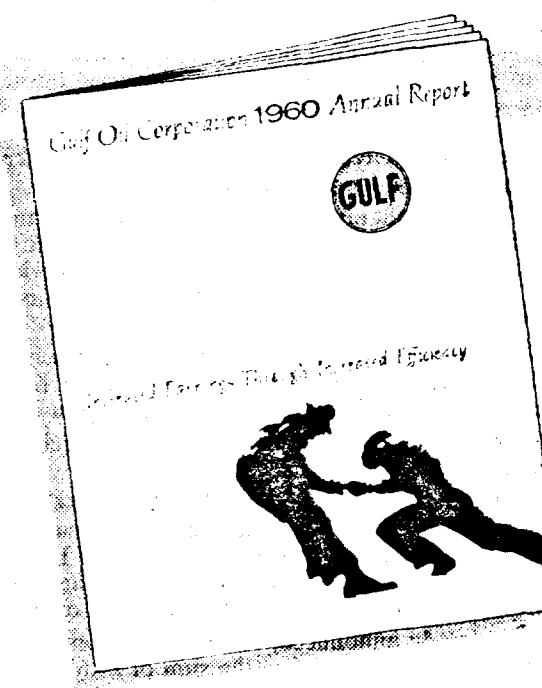
Gulf's 1960 Annual Report, recently mailed to shareholders, records net earnings of \$330,310,000 - an increase of 14% over the previous year.

Contributing significantly to earnings were the Company's United States operations which brought in \$198 million or 60% of total net income.

In all major scopes of activity, new records were established. World-wide, production was up 12.5%; crude oil processed rose 11%; and sales of refined products showed a 2.8% gain.

Financial and operating highlights of Gulf for 1960 and 1959 appear below.

If you'd like a copy of the complete Report, write to: Gulf Oil (Great Britain) Limited, 6 Grosvenor Place, London, S.W.1.



### CONSOLIDATED FINANCIAL DATA

|                                                                     | 1960            | 1959            |
|---------------------------------------------------------------------|-----------------|-----------------|
| Net Income . . . . .                                                | \$ 330,310,000  | \$ 290,467,000  |
| Per Share* . . . . .                                                | \$3.20          | \$2.82          |
| Cash Dividends . . . . .                                            | \$ 99,558,000   | \$ 96,876,000   |
| Per Share . . . . .                                                 | \$1.00          | \$1.00          |
| Stock Dividend . . . . .                                            | 3%              | 3%              |
| Working Capital (current assets less current liabilities) . . . . . | \$ 781,185,000  | \$ 690,650,000  |
| Long-Term Debt . . . . .                                            | \$ 257,385,000  | \$ 265,935,000  |
| Total Assets . . . . .                                              | \$3,813,429,000 | \$3,576,318,000 |
| Sales and Other Operating Revenues . . . . .                        | \$3,212,205,000 | \$3,170,847,000 |
| Capital Expenditures . . . . .                                      | \$ 346,155,000  | \$ 335,771,000  |

\* Based on the shares outstanding at the end of 1960.

### OPERATIONS DATA—LONG TONS PER ANNUM\*\*

|                                                 |            |            |
|-------------------------------------------------|------------|------------|
| Net Crude Oil and Condensate Produced . . . . . | 72,400,000 | 64,300,000 |
| Net Natural Gas Liquids Produced . . . . .      | 1,000,000  | 1,500,000  |
| Crude Oil Processed at Refineries . . . . .     | 36,000,000 | 32,900,000 |
| Refined Products Sold . . . . .                 | 39,500,000 | 38,400,000 |
| Natural Gas Liquids Sold . . . . .              | 4,300,000  | 4,500,000  |

\*\* Operations data include Gulf's equity in all operations in which it has an interest.

# UNITED DRAPERY STORES

A GROUP OF COMPANIES  
COMPRISING OVER 750 RETAIL SHOPS  
DEPARTMENT STORES AND DISTRIBUTIVE BUSINESSES  
IN ALL PRINCIPAL TOWNS THROUGHOUT THE  
UNITED KINGDOM AND EIRE

*Extract from the Chairman's Statement from the Report  
and Accounts for the year ended 28th January, 1961.*

The Group trading profit for the year amounts to £10,102,689 which represents an increase of £1,077,855 over the previous year's profits. Our previously owned businesses have contributed £864,455 towards this satisfactory increase, the balance of £213,400 relating to profits of our new businesses brought into our accounts for the first time. It becomes increasingly difficult to acquire suitable additional businesses on reasonable terms. It is, therefore, especially gratifying to report in these circumstances this substantial increase in the profits of our existing businesses which has been brought about by a record increase in turnover.

The net profit attributable to the Group for the year amounted to £4,662,973 and is £817,019 higher than the previous year. In view of the excellent results of the second half of the year's trading your Board proposes a final dividend of 30%, which is an increase of 5% on last year's final dividend. This brings the total payment for the year up to 45%, less tax, against 37½% last year. When the Rights Issue was made in November, 1960, your Board forecast a final dividend of 25% which would have made the year's dividend 40%.

The book value of our freehold and leasehold premises has increased substantially and now exceeds £20 million. We continue to acquire, wherever possible, the freeholds of properties we occupy on lease. We have also developed a number of valuable sites owned by the Group in important shopping areas, including Cardiff, Sheffield and Croydon.

We own a large amount of property which is let to tenants outside the Group and our rents from this source last year amounted to approximately £400,000.

We were actually committed to £1,695,000 for capital expenditure at 28th January last, but in addition to this our development programme will cost an additional £2½ million, making a total of over £4,000,000 of which we estimate £3,000,000 will be spent in the current year. The amounts ploughed back into the business, together with the amounts written off as Depreciation and Amortisation, are now at the annual rate of over £2,750,000 and any expenditure on capital account in excess of this will be provided out of our present surplus of current assets.

As already announced, to bring the Company's Issued Share Capital more into line with the real capital employed, it is our intention to capitalise the sum of £4,612,298 from Share Premium Account and to issue to Stockholders one new fully paid Ordinary Stock Unit for every two existing Ordinary Stock Units held.

The turnover of the Group for the first quarter of 1961 shows a substantial improvement over the same period last year. This is especially satisfactory as we are comparing current sales figures with a period which covered the last three months of unrestricted hire purchase sales a year ago.

Our interests are well spread, our policy of expansion will continue and I am hopeful that, in the absence of unforeseen circumstances, I shall again next year be able to present a satisfactory report.

## EXTRACT FROM TWELVE YEARS' REVIEW

| YEAR ENDED<br>JANUARY | GROUP PROFIT<br>BEFORE<br>TAXATION | NET DIVIDENDS<br>PAID TO<br>SHAREHOLDERS | PROFIT<br>RETAINED<br>IN BUSINESS | GROUP NET<br>ASSETS |
|-----------------------|------------------------------------|------------------------------------------|-----------------------------------|---------------------|
|                       | £                                  | £                                        | £                                 | £                   |
| 1950                  | 966,730                            | 142,508                                  | 198,791                           | 4,317,733           |
| 1951                  | 1,255,743                          | 211,262                                  | 225,389                           | 4,791,311           |
| 1952                  | 1,760,974                          | 236,333                                  | 370,151                           | 6,050,605           |
| 1953                  | 2,264,575                          | 323,794                                  | 344,020                           | 6,582,858           |
| 1954                  | 2,601,584                          | 409,620                                  | 440,419                           | 9,435,103           |
| 1955                  | 4,038,379                          | 838,639                                  | 1,004,518                         | 13,190,089          |
| 1956                  | 5,501,668                          | 1,300,180                                | 1,153,576                         | 21,364,888          |
| 1957                  | 5,971,536                          | 1,300,180                                | 1,299,697                         | 22,857,351          |
| 1958                  | 6,389,080                          | 1,429,725                                | 1,280,408                         | 24,307,497          |
| 1959                  | 6,520,998                          | 1,603,678                                | 1,649,295                         | 26,899,903          |
| 1960                  | 7,410,355                          | 1,926,441                                | 1,919,513                         | 31,785,903          |
| 1961                  | 9,255,657                          | 2,507,278                                | 2,155,695                         | 38,653,539          |

A Copy of the 34th Annual Report and Accounts can be obtained on request from:

The Secretary: 364-366, KENSINGTON HIGH STREET, W.14.

## HIGHLANDS & LOWLANDS PARA RUBBER CO. LTD.

In the statement presented at the Annual General Meeting on June 20th in London the Chairman, Mr T. B. Barlow said:

### RECORD PROFIT

The profit for 1960 of £1,451,000 is our record and is the result of hard work by our managers, staff and labourers, whom we thank. The issued capital has been increased to £2,373,826 after the acquisition in 1961 of the Sembilan and Edinburgh Companies consisting of 4,563 acres of rubber.

The interim dividend of 3d. and the proposed final of 7d. per 2s. stock unit less tax require £590,100. The Malayan Government takes in quit rent, net cesses, export taxes and income tax more than half the profit and nearly 50 per cent more than the dividends.

Appropriations of £262,000 to Replanting Reserve and £554,200 for Taxation leave an increased carry forward of £152,800.

Current Assets exceed Current Liabilities by nearly £1,500,000.

### ESTATES

The rubber crop of 23,979,000 lb made an average profit of 9.8d per lb and with a yield of 775 lb per acre, the return was £32 per acre. The palm oil and kernel crop of 10,600 tons gave a combined profit of £29 per ton or £33 per acre and was responsible for over 20 per cent of our profit.

With 27 per cent of our planted area still immature we can count on steadily increasing crops and lower costs of production.

### MALAYA

Under the leadership of Tunku Abdul Rahman, the Prime Minister, the last twelve months have been a time of happiness, peace and prosperity in Malaya, and priority has been given to planning and preparation for rural development. Tun Abdul Razak, the deputy Prime Minister, is in personal charge of the campaign which he is prosecuting with drive and energy. One of the most important events of 1961 has been the publication in Malaya of the Government's second Five Year Plan for the years 1961-65. The broad object of the Plan is to maintain and accelerate the economic progress of the Federation and lay the foundations of higher living standards for everyone, especially those in the rural areas.

The Minister of Finance has stated that spending will be governed by money available.

Rubber replanting—both by estates and smallholdings—is acknowledged by the authors of the Plan to have been "perhaps the outstanding economic achievement of the last five years." The vital importance of the replanting programme to the economic future of the Federation is recognised, and the Plan stresses the need for a continuation of the rate of replanting achieved in recent years. To this end an allocation of \$165 million of public investment is proposed, of which \$120 million is for commitments for grants under the existing scheme but only \$45 million for continued grants up to 1965.

### OUTLOOK

With rubber at 26d. per lb there will be less incentive to build factories for synthetic pro-

duction; and with palm oil at over £80 a ton we enjoy a fair degree of diversification. While we cannot expect the unusually high profits of the last two years, under present market conditions a reasonable and substantial return may be expected from our estates.

The report and accounts were adopted.

## AUGUSTINE INVESTMENTS LIMITED

### RECORD TURNOVER

The fiftieth annual general meeting of Augustine Investments Limited was held on June 16th in London, Mr R. E. Brook, C.M.G. (the chairman), presiding.

The following is an extract from his circulated statement:

Our turnover for 1960 was a record and our trading profit would also have been a record but for the setback in the broadcast relay field referred to in the Preliminary Announcement made in April.

Fortunately, the earning capacity of the Group's underlying assets remains virtually unimpaired and though our profits before tax are some £43,000 lower than last year this affords no reason for affecting the dividend and the Board therefore recommend maintenance at 25 per cent, less income tax, for the Final Dividend which will make a total for the year of 37½ per cent, less income tax.

The fortunes of the Optical Division continue to prosper and both turnover and profit reached record levels. Expansion in this field has been actively pursued by the opening or purchase of six new practices during 1960, all of which are now operating to our satisfaction. The Board feel that they have cause to be fairly optimistic as regards 1961.

The Printing Division, too, had an excellent year with record turnover and substantially increased profits. We look forward to another successful year in 1961, during which we hope to acquire further printing interests.

Commenting on the decision to sell their interests in the Viewline relay system, Mr Brook said: During the year it gradually became evident that in most of Oxford, which was the principal centre of endeavour, off-air reception from B.B.C. and I.T.V. was such that the relay system, though fundamentally sound, could offer little if any advantage to subscribers. It was a grave disappointment for us to find that more money than we were prepared to provide would have been necessary to make the system succeed within the foreseeable future.

Striking a more hopeful note, since the end of the year under review the Group has agreed to advance £50,000 as a secured loan with the option of conversion into equity to a group of companies engaged in the manufacture of fibre glass products, plastics and research into the application of transistors.

Your Company this year celebrates its Golden Jubilee. In the course of its existence it has experienced many changes, not least in the nature and scope of its activities, but the last six years have seen a striking improvement in its fortunes and the Board retain their confidence in the future.

The report was adopted.

## SPICERS LIMITED

(Paper Makers, Paper Merchants, and  
Manufacturing Stationers)

### THE FUTURE AN EVER WIDENING PROSPECT

The seventy-third Annual General Meeting of Spicers Limited was held on June 21st in London, Sir Richard E. Yeabsley, CBE, JP, FCA (the chairman), presiding. The following are extracts from his circulated statement:

I am glad to be able to report a further improvement in the affairs of your Company during the year 1960.

An important event that has happened since I made my Report last year is the recent purchase of Percy Boyden & Co. Limited and its subsidiaries. With the management of the Boyden Group still in the capable hands of Mr Boyden we look forward to increasing profits in the years ahead.

The profits of the Group for 1960 were £955,919 as compared with £783,920 for 1959. The trend for the past two years has been consistently upwards. The 1960 figures include the post-acquisition proportions of the profits of two companies purchased during the year (Ihlee & Sankey Limited and Windebank & Co. Limited) but not of the Boyden Group, and also interest on the short-term investment of part of the proceeds of the sale of British Waxed Wrappings Limited. Group sales were £25 million. Every unit with insignificant exceptions contributed not only to the increase of sales but also to the improvement in profits. After charging taxation the Group net profit is £382,561 compared with £430,197 for 1959. Your Directors recommend a final dividend of 8½ per cent, making a total distribution for the year of 12½ per cent (1959, 10 per cent).

### INCREASE OF AUTHORISED CAPITAL

After reviewing the Group's world-wide interests, the Chairman referred to the need for additional finance for further expansion and said: We wish to be in a position to take appropriate action without delay when the time is opportune. In this connection we consider that steps should be taken to increase the Authorised Capital. A further letter will be sent to stockholders on this subject later in the year.

With regard to the current year to date, hire purchase and credit restrictions have already somewhat weakened the home market. Nevertheless, sales and profits for the first quarter of this year have been maintained at slightly above the 1960 level. There may, however, be temporary setbacks which would have an adverse effect on the profits for the current year. On the other hand, the Group results for 1961 will include *inter alia* nine months' profits of the Boyden Group, so that subject to any unforeseen deterioration in trading conditions the results for 1961 should show a further improvement on those for 1960.

The purchase of the Boyden Group does not bring to an end our plans for the expansion of your business. We are continually seeking new products, methods and opportunities, both at home and abroad within the present pattern of the Group and also in other fields broadly within the paper trade. Taking a long term view, the future of the paper trade in general and your own business in particular, is good. There is an ever widening prospect. The report was adopted.



## ODHAMS PRESS

### ANNUAL GENERAL MEETING

#### CHAIRMAN'S SPEECH

The Forty-first Annual General Meeting of Odhams Press, Limited, was held on June 16th, at the Connaught Rooms, Great Queen Street, London, W.C.

Sir Christopher Chancellor, C.M.G., chairman, said:

Ladies and gentlemen, the Directors' Report and Statement of Accounts for the year ended December 31, 1960, have been circulated and I will comment briefly upon them. The profit of the Group for 1960, after all charges other than taxation, was £4,503,602. This was a good result, although in comparing it with the 1959 profit of £2,955,867 it must be remembered that there was a printing stoppage in 1959 and that only nine months of the trading figures of George Newnes, Limited and Longacre Press, Limited, were included in the 1959 Accounts.

In this connection it is worthy of note that in 1960 the profit of George Newnes, Limited, before taxation was more than £2 million—a remarkable contribution to the prosperity of the Odhams Group of Companies and a notable achievement by Mr. Charles Morris, the Chairman of George Newnes, Limited, and his highly-skilled colleagues.

Turning to the assets position of the Group, it will be seen that additions to plant during the year amounted to approximately £750,000. This money was spent mostly at Watford, where our subsidiary Company, Odhams (Watford), Limited, operates a splendid modern photogravure printing works.

During the year, with the assistance of N. M. Rothschild and Sons, the Company made a successful issue of £3,500,000 6 per cent Unsecured Loan Stock. This enabled us to reduce the loan from Lloyds Bank, Limited, from £4 million to £2 million. It will be observed in the Group Balance Sheet that Tax Reserve Certificates were increased to £2,136,373.

#### STAFF RETIREMENT PROVISIONS

The Board gave much thought to the problem of retirement provisions for the Group's staff in the light of the introduction of the Graduated National Scheme. We have decided to "contract in" to the National Scheme for the general body of employees but at the same time to maintain unimpaired all the benefits accruing to the staff from the established pension schemes within the Group.

Moreover, our arrangements for senior employees have been extended and all employees now have the opportunity to augment their pensions by making voluntary contributions on favourable terms.

The year 1960 was the last operating year of Odhams Press, Limited, as an independent organisation. Now it is a subsidiary of Daily Mirror Newspapers, Limited. This marks a momentous change.

#### THE DIRECTORATE

In our report we pay a tribute to the services of the four Directors, including my predecessor as Chairman, Mr. A. C. Duncan, who retired to make way for new appointments to the Board. They gave long and faithful service to the Company. Naturally, they regretted the change in the status and ownership of the Company which they had served for so many years. But for many of the younger men and women in

## COMPANY MEETING REPORTS

Odhams this change will, I hope, bring new and greater opportunities.

Four Daily Mirror Group Directors, Messrs. Atkins, McKay, Rogers and Ryder, were appointed to the Odhams Press Board at the beginning of March and I would add that at the Board Meetings over which I have presided during the past three months I have found the newly-constituted Board a progressive and harmonious team.

This is the first and last Annual General Meeting of Odhams Press, Limited, over which I am privileged to preside. At the end of this meeting I retire from the Chairmanship and from the Board, and it is the intention of the Board to elect Mr. Hugh Cudlipp, Joint Managing Director of the Daily Mirror, as my successor. I have had a very short time at Odhams, which I joined in October, 1959; but I have made many friends in this brief period and it is with sadness that I say goodbye to them—especially to my two colleagues, the Joint Managing Directors, who have been my close companions for the past year. I wish them all a happy and successful future as members of the great publishing

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ing and printing group of which Odhams Press now forms a part.

#### ALTERATION OF ARTICLES

We are seeking authority at this meeting to alter the Articles of Association of the Company so as to remove the limit of nine which has hitherto governed appointments to the Board. This will facilitate the promotion to the main Board in the first instance of four Odhams executives who have given exceptional service to the Company.

It is the intention, if the change in the Articles is approved, to elect Mr. J. D. L. Gammie, Mr. H. Kamlisch, Mr. H. D. Rochez and Mr. C. E. S. Wood to the Odhams Board. I congratulate them and thank them for their outstanding services; and on behalf of the Board I pay a sincere and grateful tribute to all the men and women who by their skill and hard work have contributed so successfully to the progress and expansion of the Group.

The report and accounts were unanimously adopted and the proposed alteration to the Articles of Association was approved.

## THE ECONOMIST JUNE 24, 1961

## THRELFALL'S BREWERY COMPANY

### MR F. CORNWALL ON AN EXCELLENT YEAR'S TRADING

The seventy-fourth annual general meeting of Threlfall's Brewery Company, Limited, was held on June 15 in London.

Mr F. Cornwall (Chairman and Managing Director) presided and, in the course of his speech, said:

I feel sure you will agree that the year's results, as shown in detail in the Accounts, are excellent.

The substantial growth in our Profits with increased Dividends to the Stockholders has been continuous for many years, which to a large extent is the result of our policy of ploughing back into the properties part of the Profits which have been retained over the years for that particular purpose. We have thus been able to embark upon large expenditure of a Capital nature in this direction without recourse to seeking new money from the Stockholders who are, in consequence, now deriving the benefit from such a policy, and your Company is today in a very sound and strong financial position.

## COMPANY MEETING REPORTS

Capital Expenditure during the year under review has been heavy. There is no doubt the spread of this expenditure throughout the areas in which we are established has increased and consolidated our trade.

#### INCREASED DEMAND

Despite the unfavourable weather conditions experienced last summer and autumn when a fall in sales might have been expected, this did not happen. It was, therefore, most gratifying to find that the demand for our products was not only sustained, but enhanced. The results before you today are conclusive proof that your Company has had its share of the overall increase in the sale of beers throughout the country. I also cannot help feeling that the excellent quality of our Beers also contributed in no small degree to this position.

Your Board, however, do not propose to be too complacent in regard to the great changes which have, and are, taking place in the industry. Competition is keener than ever before, and will, in all probability, become more intensified. I personally, however, cannot visualise in the near or even distant future, people in industrial areas like Liverpool and Manchester departing from the traditional British drinks of

Mild and Bitter Beers and Stout, brewed with top quality materials and sold at prices well within the reach of the general public. As the figures submitted to you today must indicate, the requirements, and assumedly the desire, of our many customers appear to have been met. I must point out, however, that there are factors which must, in the immediate future, receive the consideration of the Directors, such as the increasing costs of materials, wages, Rates and Taxes, and Repairs, which in the past have been borne by the Company without any change in the price structure, and this position must, I fear, be reviewed at an early date, particularly as shortly the wages of a large number of our Hotel employees will be increased under the Catering Wages Act, the additional cost being in the region of £70,000 per year.

Referring now to the Accounts, the Gross and Net Profits are the highest we have ever achieved. The Profit from Trading and other income of £1,392,524 exceeds that of last year by £131,751, slightly more than 10%. The Net Profit of £612,253, after providing for taxation, also shows an increase of £45,134. These record Profits enable the Board to recommend once again an increase in the Ordinary Stock Dividend, making 20% for the year.

The report was adopted.

## ALLEN WEST & COMPANY BRIGHTON



Incoming orders increased by 20.9 per cent and output increased by 12.8 per cent

New building for technical and other staff departments nearing completion

Record volume of work on hand

Proposed increase of Authorised Capital and Rights Issue

Overseas interests continue to progress

From the Annual Report and Statement of the Chairman, Mr. M. W. H. Lancaster, on the year ended 31st January, 1961.

SOUTH AFRICA • RHODESIA • CANADA

## HENDERSON'S TRANSVAAL ESTATES

The forty-ninth Annual General Meeting of Henderson's Transvaal Estates, Limited will be held on July 12th in London.

The following is an extract from the circulated statement of the Chairman, Sir Joseph Ball, KBE:

Although the past year has been dominated very largely by political events and by tension in Africa, so far the only material effect of these factors on shareholders of this Company has been to depress the price of the Company's shares on the London and Johannesburg Stock Exchanges.

At the time of preparing this statement, the shares of your Company stand at 7s. 9d., to give

a dividend yield at that price of 11½ per cent, and yet operations on our mines have continued most successfully; income from our investments has increased; we have sold certain surface and mineral rights at a substantial profit; and on our recently increased capital, which is now £732,000, we are paying an all-time record dividend of a gross amount of £160,000.

The market value of quoted securities fell by £200,000 over the year, notwithstanding an increase in book value of £66,000. At the end of May, however, the market value at £1,555,000 was still well above the book value of £1,135,000, although there has, I regret, been a further decline in values since the date of the balance-sheet. If only the Government in South Africa would introduce a realistic moderation in its racial policy, the present detrimental effect on the confidence of investors would, I am sure, be very largely overcome.

#### APPOINTMENTS

### QUALITY CONTROLLER

An important vacancy exists in a Unit of the Company, manufacturing food and beer cans on modern high speed plant.

Minimum educational requirement is G.C.E. "A" Level in Mathematics, whilst the holder of a Statistical, Economics (with statistics as special subject) Degree or equivalent qualification would be preferred.

Experience in Quality Control is essential, particularly in high speed flow production.

The successful candidate will hold a key position in the Company's expansion programme, which should lead to future personal advancement.

Apply for further particulars, giving brief details of experience etc. to:—

The Senior Personnel Officer, Reads Limited, Orrell House, Orrell Lane, Liverpool, 9

and quote reference G/119/Mis.

MARKET INFORMATION and STATISTICS DEPARTMENT of a leading London Advertising Agency, requires an Assistant. The man or woman chosen will probably have an Economics or Market Research background, and should have the ability to make a critical analysis of Economic and Market Research reports. Please write giving details of personal history and salary required to the Personnel Manager, Pritchard, Wood and Partners, 197 Knightsbridge, S.W.7.

### THE UNIVERSITY OF MANCHESTER

Applications are invited for the post of LECTURER IN INDUSTRIAL RELATIONS in the Faculty of Economic and Social Studies. Salary on a scale £1,050 to £1,850 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 15, 1961 to the Registrar, The University, Manchester. 13, from whom further particulars and forms of application may be obtained.

### NORTHAMPTON COLLEGE OF ADVANCED TECHNOLOGY

St. John Street, London, E.C.1.

#### DEPARTMENT OF SOCIAL AND INDUSTRIAL STUDIES

Owing to expansion in the work of the Department additional lecturing staff will be required from September 1961, or as soon as possible thereafter.

Candidates for appointment should have the appropriate University qualifications and industrial or related experience. The work will involve developing and organising postgraduate studies and teaching at both undergraduate and postgraduate levels. Emphasis will be on quantitative or statistical methods in investigating problems in the organisation and planning of industrial effort. Outside consultancy is encouraged, subject to College Committee approval.

(1) READER in Industrial Sociology: To conduct and to supervise research into the structure and operation of industrial organisations, having regard to management theory and practice.

(2) SENIOR LECTURER in Industrial Engineering, specialising in the quantitative aspects of management practice.

(3) SENIOR LECTURER in Social and Experimental Psychology, specialising in the structure, characteristics and norms of human groups and their inter-relation and control.

SALARY SCALES: Reader: £1,858 by increments of £50 to a maximum of £2,154 p.a. Senior Lecturer: £1,588 by increments of £50 to a maximum of £1,801 p.a.

Further particulars and forms of application obtainable from the Secretary of the College, St. John Street, E.C.1.

J. S. TAIT, B.Sc., Ph.D., M.I.E.E., M.I.Tech.E., Principal.

ACTON SOCIETY TRUST wishes to appoint a Director to be responsible to the Trustees for all the work of the Society. Good academic record, proven research ability and knowledge of industry essential. Minimum starting salary for the right person £5,000. Applications to the Chairman, Acton Society, 39 Welbeck Street, London, W.1.

For further appointments and other classified advertisements see page 1424

### AUSTRALIAN NATIONAL UNIVERSITY

CANBERRA

#### RESEARCH SCHOOL OF PACIFIC STUDIES

Applications are invited for appointment to the CHAIR OF INTERNATIONAL RELATIONS. Salary £4,700. Reasonable travel and removal expenses are payable. One year's study leave, with travel allowance, will be granted after each three years' service. The Professor of International Relations, as Head of the Department, will be expected to encourage and supervise postgraduate research into the political, economic and social relationships between nations, especially in the Asian and Pacific regions. It is not essential that an applicant's own field of research has been directed. However, the University would be especially interested in applicants prepared to give this broad regional emphasis to their own work.

Further particulars should be obtained from the Secretary, Association of Universities of the British Commonwealth, 36 Gordon Square, London, W.C.1.

Applications close on August 1, 1961. Notwithstanding this notification the Council of the University retains the right to fill the Chair by invitation at any stage.

### UNIVERSITY OF LONDON

Chair of Sociology at London School of Economics

The Senate invite applications for the Chair of Sociology tenable at the London School of Economics (salary not less than £2,600 a year plus £100 London Allowance). Applications (10 copies) must be received not later than July 18, 1961, by the Academic Registrar, University of London, Senate House, W.C.1, from whom further particulars may be obtained.

O. & M. ANALYST-COMPUTER PROGRAMMER. A vacancy exists in our Group Organisation and Methods Department, which is responsible for the installation of three I.C.T. Computers.

The work will include systems studies in Production Planning, Material Control, Stock Control and Invoicing. The agreed systems will then be programmed for either a 1202 or a 1501 Computer.

Experience of this type of work is desirable but we are willing to train applicants with suitable technical and academic qualifications. An adequate salary will be paid dependent upon the qualifications and experience of the applicant. Age between 22-35 years.

Please send full details to the Staff Establishment Officer, Rubery, Owen & Co. Ltd., Booth Street, Dursley, S. Staffs.

### THE UNIVERSITY OF HULL

SECRETARY TO THE APPOINTMENTS BOARD

Applications are invited from graduates of a British University, preferably with industrial, administrative or teaching experience, for the above full-time post, tenable from August 28, 1961, or as soon as possible thereafter. Salary: £1,000 by £50 to £1,300 per annum, with pension according to qualifications and experience. Further particulars may be obtained from the undersigned to whom applications (6 copies) should be sent by July 10, 1961.

W. D. CRAIG, Registrar.

### THE UNIVERSITY OF LEEDS

DEPARTMENT OF ECONOMICS AND COMMERCE

Applications are invited for appointment to two Research Fellowships and two Research Scholarships in Industrial Management in the Department of Economics and Commerce. The value of Research Fellowships will be up to a maximum of £1,500 a year and of a Research Scholarship £850 a year plus fees. Candidates should have good honours in 2 subjects which would enable them to pursue their proposed researches in the field of industrial management. For Research Fellowships, evidence of research ability would also be an advantage.

Applications (three copies) stating date of birth, qualifications and experience, together with the names of two referees, should reach the Registrar, The University of Leeds, by not later than August 31, 1961.

ORDERS for advertisements in *The Economist* are accepted on condition that they are liable to rejection at the discretion of the Editor; that while every effort will be made to publish an advertisement on a specified date, no guarantee is given; and that white on black, reverse black or large sizes of black-faced type may be stippled or lined at the Editor's discretion.

### SECRETARIAL ASSISTANT

Major building society, national in scope and reputation, seeks young university graduate for appointment as a Secretarial Assistant. Some business experience preferable. Ability to write on financial and other topics essential.

Salary in the region of £1,200 p.a.; good conditions of service; excellent potential prospects.—Write Box No. 1522

UNIVERSITY OF DURHAM. Applications are invited for the post of ASSISTANT APPOINTMENTS OFFICER. The person appointed will be chiefly concerned with students and graduates in Arts and cognate subjects. Possession of a degree and experience of work in a field or fields in which Arts graduates are commonly employed are both essential. Teaching experience would be useful. The starting salary will be within the range £1,050 — £1,550 (on the scale £1,050 — £50 — £1,400 — £55 — £1,450 (max) — £1,850) together with membership of the F.S.S.U. and Family Allowance. The appointment will date from September 1, 1961, or such later date as may be arranged. Further particulars of the post may be obtained from the Appointments Officer, 10 Kensington Terrace, Newcastle upon Tyne, 2, with whom 12 copies of applications should be lodged not later than July 15, 1961, in envelopes marked "Private, A.A.O." (Candidates outside the British Isles may submit one copy only.)

### THE UNIVERSITY OF MANCHESTER

Applications are invited from graduates or holders of a suitable professional qualification for a post as TUTOR in the Department of Social Administration. The duties are concerned with the National Training Scheme for Hospital Administrators and experience in the organisation of training schemes will be an advantage.

The appointment will be for three years in the first instance and the salary will be within the scale £900 — £50 — £950, or £1,050 — £50 — £1,150 (interim bar-line) — £1,250 according to experience and qualifications. Further details and application forms may be obtained from the Registrar, The University, Manchester 13, to whom applications should be submitted by 10th JULY, 1961.

# COMPANY AFFAIRS

## Wiggins Teape's Debenture

INEVITABLY the fall in gilt-edged prices has unsettled the market in industrial prior charges. Last week the issue by Rolls-Royce of £12 million 6½ per cent debenture, 1981-86, at 99 failed badly and it is now quoted at 1½ discount, with a gross redemption yield of about 6.7 per cent. BICC's 6½ per cent debenture, which in the middle of May stood at a premium of 1½ on the issue price of 99, is also at a discount of 1½ per cent offering the same yield. Over the last month or so, yields on redeemable debentures have risen from 6½-6¾ per cent to 6¾-6½ per cent; yields on irredeemable debentures by about the same amount to 6½-6¾ per cent; and yields on preference shares from 6¾-6½ per cent to 6½-7 per cent. Even so some of the preference shares look over-valued. Steel prior charges continue to command small premiums on their issue prices but these are by no means as big as they were when dealings first began. Against this sombre background, Wiggins Teape has announced a £5 million debenture issue before the autumn. If the company were to come to the market immediately it would have to face the possibility of a 6½ per cent stock at 3 to 4 points discount; no doubt the directors would like to delay the fixing of terms for a time in the hope that gilt-edged will recover from their current worst.

The company's appetite for new money is big. About £3.6 million was raised by a rights issue in January, 1960, and, as a consequence of the joint venture with British American Tobacco, to expand paper making interests overseas, Wiggins Teape will receive about £5½ million in the next two and a half years from BAT's subscription for 1.8 million shares. The proceeds of the rights issue however did little more than to cover the cost of the purchase of British Waxed Wrapping while the proceeds of BAT's subscription will do no more than cover Wiggins Teape's share of the cost of the joint venture. Elsewhere, however, the group, which had a cash flow of £2.4 million last year, is expanding rapidly: capital projects amounting to £3 million are now under way and the recent rise in sales has been reflected in the increase in working capital from £17 million to £20½ million.

Last year gross profits rose sharply from £4½ million to £6 million, reflecting an improvement in results from new developments and the inclusion of profits from six, against three, converting companies. The second half year's contribution to profits of £2.7 million was smaller than the first half's of £3.3 million and from the statement of the chairman, Mr L. W. Farrow, it is clear that as the months went past profit margins

were progressively squeezed; indeed the increase in prices towards the end of the year was not sufficient fully to offset the rise in costs that had already taken place. Another reduction of duties on imported paper next month is likely to squeeze margins further but the chairman says that only some of the group's operations will be affected. Sales for the first four months of the current year have risen and profits are running at about the same rate as they did in the corresponding period of 1960. There is the possibility that as a result of new plants being brought into production total sales and profits will rise this year even though margins may be lower. On the dividend as increased from the equivalent of 12½ per cent to 14 per cent the £1 shares at 62s. yield 4½ per cent.

## Rolls-Royce

THE failure of Rolls-Royce's debenture issue had nothing to do with the trading prospects of the company. These, to judge from the confident tone of Lord Kindersley's statement, are rather better than for some time past. What shareholders will hope for is that better returns will be earned on aero-engines, whose development in recent years has absorbed massive amounts from profits. Last year the development charge rose to £7½ million; and this figure excludes research and development carried out for British and foreign governments. Thus, as the table shows, an increase of 12 per cent in sales, of which half were exports, resulted in a relative small increase in the trading surplus. But this year, though development

|          | Group sales | Development expenditure | Trading surplus         | Profit margin |
|----------|-------------|-------------------------|-------------------------|---------------|
|          | £'000       | £'000                   | (excl. Royalties) £'000 | %             |
| 1956.... | 79,872      | 3,006                   | 4,605                   | 5.8           |
| 1957.... | 91,175      | 4,331                   | 4,701                   | 5.2           |
| 1958.... | 95,390      | 5,837                   | 3,865                   | 4.0           |
| 1959.... | 96,559      | 5,660                   | 3,902                   | 4.0           |
| 1960.... | 108,347     | 7,758                   | 4,252                   | 3.9           |

expenditure will remain at a high level, engine production is already running at a higher rate and the company has received substantial new orders for engines and spare parts. In his statement Lord Kindersley restates his objection to the budget proposal limiting to £2,000 the tax allowance which a buyer can claim on a car used for business purposes. He claims that this may jeopardise the future of Rolls-Royce cars, which now account for only about 10 per cent of total sales.

Despite the £12 million in new money arising from the debenture issue Rolls-Royce may still have to have recourse to bank loans this year. Heavy development

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expenditure, the spending of nearly £6 million on capital account and another rise in working capital commitments resulted in a net bank overdraft of £9 million at the end of last year, so that the debenture issue effectively leaves Rolls-Royce with no more than £3 million in cash. But the net cash flow may rise above the 1960 level of £5½ million (excluding development expenditure) this year. The increase in the dividend from 10 to 11 per cent came as something of a surprise last month, but it is clear from the report that in raising the payment the directors have taken into account not only the vast sums ploughed back by the company in the past but the better prospects ahead. For the current year the interim dividend is to be doubled to 5 per cent, so as to reduce the present wide disparity between it and the final payment; on an 11 per cent dividend the £1 shares at 43s. 10½d. yield 5 per cent.

## United Steel

UNITED STEEL is more broadly based than any other steel company in this country and its trading experience mirrors that of the industry as a whole. Investors in steel equities will find little to cheer them in its interim report. Shareholders were warned in January that profits before tax in the year to September, 1961, were likely to fall by between 10 to 15 per cent and now they are told that in the 24 weeks to mid-March trading profits after depreciation fell by 11½ per cent to £9½ million, compared with £10½ million for the same period in 1959-60. Sales were higher, but as the chairman, Sir Walter Benton Jones, had made clear at the annual meeting, "substantial increases in costs with no price adjustments" have occurred.

The directors add to the gloom by saying that they do not expect that the rate of activity in the first half of the financial year will be maintained as demand for certain products has slackened. They say, too, that the rise in costs has been such that even allowing for the one per cent increase in steel prices the fall in profits will be bigger than they first thought. They do, however, repeat their earlier forecast that a final dividend of not less than 7½ per cent will be paid on the capital as increased by the £10 million rights issue in December and by the proposed one-for-four scrip issue. After this report, the £1 shares fell to 55s. 7½d., to yield 4.4 per cent on the indicated dividend of 12.3 per cent on the enlarged capital.

## Bleachers' Association

THIS big group of finishers struck a guarded note of confidence by raising its ordinary dividend from 15 to 17½ per cent, though trading profits were only moderately higher at £1,789,000, against £1,674,000. Bleachers' finishing subsidiaries contributed nothing to this improvement. Though profits were maintained in the first half of the financial year to March 31st, the textile revival began to fade

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and profits earned by these branches over the whole year fell by 15 per cent. Moreover, the chairman, Mr Philip Wright, implies in his review that the group will not commit itself to a costly programme of re-equipment unless severe restrictions are clamped on imports of finished cloth and made-up garments from low-cost producers.

In following a policy of diversification, the group seems to have chosen wisely. Midland Leather is one of the leading tanners of leather for shoe uppers. It has therefore avoided the troubles that have affected tanners of sole leather and it has shared in the boom in shoe sales. Bleachers' profits also include eight months' earnings from George Longden, a newly-acquired subsidiary in the building trade, whose results have been better than expected, while Bleachers' interest in Bolton Engineering was raised from 51 to 87½ per cent in the financial year.

At 22s., the 10s. shares yield 8 per cent. So far this year, turnover of the finishing branches is comparable with that of a year ago. But although the non-textile subsidiaries are likely to make further progress, their higher profits may be offset by lower profits from finishing.

## London and Overseas Freighters

THE main point of interest in Mr Basil Mavroleon's statement to the shareholders of London and Overseas Freighters is about the agreement with the Russian government. Nine of the company's tankers will be employed for the next three or four years carrying Russian oil, guaranteeing LOF a minimum income in a seemingly difficult period. Immediate prospects in freight markets in Mr Mavroleon's opinion are no brighter than they were a year ago, but the company will not be the loser on the Russian agreement if freight rates rise, as the charter is linked to the "going" market rate. The agreement was concluded at a time when all but three of earlier long-term charters with LOF had expired. In earlier years these charters held profits up in the face of falling spot freight rates but, as they expired, profits slumped. In the year to March 31st the trading surplus was more than halved, falling from £3 million to £1.4 million, and gross profits dropped from £1.7 million to £307,000. A tax credit, however, raised net earnings to £489,000, to cover the ordinary dividend of 17½ per cent 1½ times; but only 40 per cent of the ordinary capital now ranks for the dividend as last year 12 million shares held by the Mavroleon family and its associates were converted into restricted shares which will not rank for dividends for another three years at least.

In the current financial year LOF will receive two of the five tankers scheduled under its modified building programme. Arrangements have been made to substitute two dry cargo ships for the tanker still on

COMPANY AFFAIRS

order in Holland and it is hoped to arrange similar substitutions for two tankers on order in Sweden. In this way it is hoped to make LOF's fortunes less dependent upon tankers. At 12s. the 5s. ordinary shares yield 7½ per cent.

## Wine in the West

THE recent record of John Harvey shows what new energies can do for the old wine trade. Few companies can have done so well in their first three years as a public company as this old-established Bristol wine and sherry firm and it was not surprising that nearly 300 shareholders attended last week's annual meeting at a Bristol hotel. They were able to sample the company's wines and all the shareholders have received through the post a half-bottle of port and packets of Bath Oliver biscuits. This gesture marks the beginning of a campaign to add to Harvey's share in the market for port. Three branded table wines are also to be introduced in the autumn.

The chairman, Mr G. E. McWatters, told shareholders that the past year had seen the sources of Harvey's supplies from Spain and Portugal consolidated and with that achieved the company would now concentrate on developing the merchandising and advertising sides of the business. Good results have already been attained, for sales of Bristol Dry sherry doubled last year following a promotional campaign which put the emphasis on serving the sherry chilled in warm weather.

Various acquisitions have provided the company with new springboards for expansion: in London and Birmingham more retail outlets have been obtained and the recent acquisition of Cater Stoffell and Fortt has provided John Harvey with an

| Years to Feb. 28                    | 1959    | 1960    | 1961    |
|-------------------------------------|---------|---------|---------|
|                                     | (£'000) | (£'000) | (£'000) |
| Sales .....                         | 4,137   | 4,746   | 5,580   |
| Trading profit .....                | 597     | 685     | 854     |
| Net profit .....                    | 243     | 291     | 313     |
| Ordinary dividend...                | 70      | 92      | 148     |
| Ordinary dividend (per cent)* ..... | 12½     | 14      | 21      |

\* Adjusted for scrip issue.

interest not only in Bath Oliver biscuits but in licensed grocers' shops, restaurants and a banqueting hall. Expansion has in fact already been so rapid that an extension is being added to the large bottling and warehousing plant which was opened last year at Whitchurch, just outside Bristol.

At 39s. 6d. the 5s. shares are 5s. 6d. below the peak, but they yield only 2.6 per cent. This is discounting a good deal even in the expanding world of John Harvey. No doubt some part of the sharp rise in the price of the shares can be attributed to buying on the possibility that John Harvey would be taken over, possibly by one of the big brewing groups. Indeed, Mr McWatters confirmed that there had been approaches, though he said no formal offers had been made. It is clear, however, that he and his fellow-directors want to try to preserve John Harvey's independence and to pursue their own policies of expansion.

## London Stock Exchange

|                |         |         |         |
|----------------|---------|---------|---------|
| FAST DEALINGS: | May 29  | June 12 | June 26 |
| LAST DEALINGS: | June 9  | June 23 | July 7  |
| ACCOUNT DAY    | June 20 | July 4  | July 18 |

LAST week's disappointing trade figures led to sharp falls in prices of both gilt edged and equities. These were particularly marked on Monday when anxiety about the balance of payments and possible government action to deal with it was accompanied by the reaction to the South African government's latest measures to curb a capital outflow. Generally, however, selling in all sections of the market was not heavy but the jobbers marked prices down sharply. At the lower levels some buyers reappeared. Thus on Tuesday and Wednesday the *Financial Times* index regained 8 of the 17.4 points lost at the end of last week and on Monday. Thus based on prices over the week to Wednesday *The Economist* indicator fell by 11.1 to 391.2.

Gilt-edged prices moved erratically ahead of Thursday's Bank rate decision; thus War Loan 3½ per cent fell a full point to a new low of 54. Long dated stocks generally showed similar falls but among medium dates losses were confined to around ½ and to about ½ in short dated stocks, which rallied on Wednesday.

The picture in the equity market has been broadly the same in most sections, with a late improvement in prices failing to offset the earlier sharp falls. But steel shares fell once more following the disappointing interim statement on Wednesday from United Steel, whose shares over the week lost 5s. 1½d. to 55s. 6d. Colvilles fell 4s. 4½d. to 69s. 6d. while other falls in this section ranged up to 3s. Among engineering shares Guest Keen fell a similar amount to 90s. Falls were particularly heavy in bank and hire purchase shares: Midland Bank now quoted ex the rights and scrip issues closed above the worst but still lost 7s. 7½d. to 80s. and after a gain of 2s. 6d. on Wednesday Barclays at 82s. 9d. showed a net loss of 5s. 3d. United Dominions Trust closed at 187s. 6d., a net loss of 18s. 9d.

One of the few shares to have registered net gains has been London Grocers following its results; both its ordinary and "A" shares rose by 1s. 1½d. to 24s. and 21s. 9d. respectively. There was some big selling of Debenhams which lost 4s. 3d. to 66s. 9d. while House of Fraser, still under the influence of its disappointing results, lost 5s. 1½d. to 59s. 7½d.

In the mining market, both tin and gold shares captured the limelight—but for very different reasons. On news that the buffer stock of tin was exhausted tin shares rose sharply; leading the advance was Tronoh, gaining 17s. 3d. to 82s. 6d. The curb on non-resident transactions in South African shares brought sharp falls and the London discount on Johannesburg prices widened to 20 per cent or more. Anglo American and Western Holdings both fell 7s. 6d. to 121s. 3d. and 111s. 3d. respectively while De Beers fell 6s. 3d. to 123s. 9d.



\* Yields based on assumed dividends.—A.C.V., 16%; Calico Printers, 20%; Chartered Bank, 15%; City & Centre Props., 25 1/2%; Coats, Paton & B., 12 1/2%; Day-Ashmore, 25%; Distillers, 15%; Glaxo, 15%; Guardian, 26 1/2%; Guinness, 22%; Hawker Siddall, 10 1/2%; Ind. Coops. T.A., 12% on merger terms. Lloyd's Bank, 10 1/2%; Midland Bank, 15%; Calculated on the ex-all price. Rank Organisation, 22 1/2%; Thomson Pref'd. Ord., 45%; Trench, 70%; United Steel, 15-6%.

## Prices and Wages

## BANK OF ENGLAND RETURNS

| (£ million)                   | June 22,<br>1960 | June 14,<br>1961 | June 21<br>1961 |
|-------------------------------|------------------|------------------|-----------------|
| <b>Issue Department*</b>      |                  |                  |                 |
| Notes in circulation .....    | 2,213·1          | 2,306·1          | 2,311·4         |
| Notes in banking dept. ....   | 37·2             | 19·3             | 14·0            |
| Govt. debt and securities*    | 2,247·5          | 2,323·5          | 2,323·5         |
| Other securities .....        | 0·7              | 0·8              | 0·8             |
| Gold coin and bullion .....   | 0·4              | 0·4              | 0·8             |
| Coin other than gold coin ..  | 1·8              | 0·8              | 0·8             |
| <b>Banking Department :</b>   |                  |                  |                 |
| Deposits :                    |                  |                  |                 |
| Public accounts .....         | 12·9             | 9·6              | 12·6            |
| Special deposits .....        | 73·7             | 153·7            | 153·7           |
| Bankers' deposits .....       | 257·0            | 264·6            | 266·3           |
| Others .....                  | 65·0             | 75·6             | 77·4            |
| Total .....                   | 408·6            | 503·6            | 510·0           |
| Securities :                  |                  |                  |                 |
| Government .....              | 338·5            | 423·9            | 436·8           |
| Discounts and advances .....  | 31·3             | 59·7             | 58·6            |
| Other .....                   | 18·7             | 17·9             | 17·9            |
| Total .....                   | 388·5            | 501·5            | 513·3           |
| Banking department reserve .. | 38·2             | 20·2             | 14·8            |
|                               | %                | %                | %               |
| " Proportion " .....          | 9·3              | 4·0              | 2·8             |

\* Government debt is £11,015,100, capital £14,553,000. Fiduciary issue increased by £25 million to £2,325 million on April 12th.

## TREASURY BILL TENDERS

| Date of Tender | Amount (£ million) |             | Three Months' Bills       |                        |
|----------------|--------------------|-------------|---------------------------|------------------------|
|                | Offered            | Applied for | Average Rate of Allotment | Allottee at Max. Rate* |
| 1960 June 7    | 91 day<br>290.0    | 426.2       | s. d.<br>93 7-34          | %<br>55                |
| 1961 Mar. 17   | 260.0†             | 395.4       | 89 8-57                   | 47                     |
| " 24           | 250.0              | 398.3       | 89 8-46                   | 45                     |
| " 30           | 260.0              | 418.1       | 89 8-41                   | 40                     |
| Apr. 7         | 260.0†             | 473.7       | 88 8-68                   | 42                     |
| " 14           | 280.0†             | 414.1       | 89 7-69                   | 42                     |
| " 21           | 260.0†             | 411.3       | 89 9-01                   | 38                     |
| " 28           | 220.0              | 379.8       | 88 1-71                   | 67                     |
| May 5          | 240.0              | 416.2       | 87 4-27                   | 49                     |
| " 12           | 250.0              | 445.8       | 86 5-18                   | 50                     |
| " 19           | 260.0              | 432.5       | 88 3-04                   | 33                     |
| " 26           | 270.0              | 440.2       | 88 8-74                   | 50                     |
| June 2         | 270.0              | 419.9       | 88 9-61                   | 61                     |
| " 9            | 270.0†             | 463.3       | 89 4-14                   | 39                     |
| " 16           | 260.0              | 391.2       | 90 0-42                   | 55                     |

**Market Rates: Spot**

|                                                               | Unit                  | 1960              |                         |        | 1961   |             |         |        |             |        |         |         |       |
|---------------------------------------------------------------|-----------------------|-------------------|-------------------------|--------|--------|-------------|---------|--------|-------------|--------|---------|---------|-------|
|                                                               |                       | 1958              | 1959                    | 1960   | June 7 | June 14     | June 21 | May 23 | May 30      | June 6 | June 13 | June 20 |       |
|                                                               |                       | mid-June          |                         |        |        |             |         |        |             |        |         |         |       |
| <b>WORLD PRICES</b>                                           |                       |                   |                         |        |        |             |         |        |             |        |         |         |       |
| <b>Commodity Price Indicator<sup>(4)</sup>:</b>               |                       | 1958=100          | 99.7                    | 96.8   | 98.3   | 98.3        | 98.0    | 97.6   | 96.9        | 96.6   | 96.3    | 95.6    | 94.7  |
| All items                                                     | "                     |                   | 100.0                   | 95.8   | 93.0   | 93.4        | 92.7    | 92.4   | 94.2        | 94.0   | 93.9    | 93.3    | 92.2  |
| Food                                                          | "                     |                   | 104.2                   | 95.3   | 98.7   | 99.1        | 98.8    | 97.6   | 106.4       | 106.2  | 106.2   | 104.4   | 103.6 |
| Fibres                                                        | "                     |                   | 101.2                   | 113.0  | 122.4  | 121.0       | 121.4   | 123.9  | 120.0       | 118.6  | 116.8   | 116.1   | 113.6 |
| Metals                                                        | "                     |                   |                         |        |        |             |         |        |             |        |         |         |       |
|                                                               |                       |                   | <b>Monthly averages</b> |        |        | <b>1960</b> |         |        | <b>1961</b> |        |         |         |       |
|                                                               |                       |                   | 1958                    | 1959   | 1960   | Mar.        | Apr.    | May    | Jan.        | Feb.   | Mar.    | Apr.    | May   |
| <b>BRITISH WHOLESALE PRICES</b>                               |                       |                   |                         |        |        |             |         |        |             |        |         |         |       |
| <b>Materials used in:</b>                                     |                       | 1954=100          |                         |        |        |             |         |        |             |        |         |         |       |
| All manufacturing industries                                  | "                     |                   | 100.8                   | 101.7  | 101.8  | 102.5       | 102.6   | 102.5  | 100.6       | 100.7  | 100.8   | 101.4   | 101.6 |
| Mechanical engineering                                        | "                     |                   | 123.5                   | 124.5  | 126.2  | 125.7       | 126.5   | 126.7  | 126.6       | 127.0  | 127.6   | 127.8   | 128.4 |
| Electrical machinery                                          | "                     |                   | 114.5                   | 115.6  | 116.9  | 117.0       | 117.1   | 117.0  | 116.7       | 116.9  | 117.3   | 117.4   | 118.3 |
| Building and civil engineering                                | "                     |                   | 114.2                   | 113.4  | 115.1  | 114.3       | 114.6   | 114.7  | 116.4       | 116.8  | 117.3   | 117.4   | 117.7 |
| House building                                                | "                     |                   | 111.9                   | 111.0  | 114.0  | 112.7       | 113.2   | 113.3  | 116.3       | 116.6  | 117.2   | 117.3   | 117.6 |
| <b>Products of:</b>                                           |                       |                   |                         |        |        |             |         |        |             |        |         |         |       |
| All manufacturing industries                                  | "                     |                   | 111.1                   | 111.5  | 113.0  | 111.9       | 112.5   | 113.0  | 114.3       | 114.6  | 115.1   | 115.1   | 115.5 |
| Chemicals and allied trades                                   | "                     |                   | 105.6                   | 106.6  | 106.0  | 106.8       | 106.5   | 106.5  | 104.8       | 105.3  | 105.4   | 105.4   | 105.4 |
| Iron and steel                                                | "                     |                   | 129.9                   | 129.0  | 128.5  | 128.1       | 128.3   | 128.3  | 128.9       | 128.9  | 128.9   | 128.9   | 129.0 |
| Textile industry                                              | "                     |                   | 97.9                    | 96.0   | 100.8  | 99.5        | 100.1   | 100.7  | 103.4       | 103.8  | 104.4   | 104.4   | 104.6 |
| Food manufacturing                                            | "                     |                   | 104.9                   | 106.9  | 106.9  | 106.2       | 106.1   | 106.4  | 106.7       | 106.4  | 106.4   | 107.1   | 107.7 |
| <b>Commodities:</b>                                           |                       |                   |                         |        |        |             |         |        |             |        |         |         |       |
| Cotton, raw (?)                                               | "                     |                   | 76.8                    | 68.6   | 75.0   | 73.2        | 72.8    | 75.3   | 75.8        | 75.8   | 75.9    | 75.5    | 75.0  |
| Wool, raw                                                     | "                     |                   | 72.4                    | 76.6   | 76.3   | 80.2        | 82.5    | 79.3   | 71.6        | 74.2   | 74.4    | 78.3    | 80.4  |
| Rubber, No. 1 RSS, one month future                           | "                     |                   | 118.2                   | 148.1  | 158.0  | 172.3       | 173.7   | 182.1  | 123.9       | 118.0  | 125.1   | 128.4   | 129.0 |
| Softwood, imported                                            | "                     |                   | 102.1                   | 95.4   | 104.9  | 102.6       | 103.2   | 103.7  | 107.3       | 107.3  | 107.5   | 107.3   | 107.3 |
| Copper, ex-warehouse                                          | "                     |                   | 79.4                    | 95.6   | 99.0   | 101.9       | 105.5   | 99.9   | 88.5        | 90.0   | 90.4    | 92.2    | 97.5  |
| <b>UK RETAIL PRICES</b>                                       |                       | Jan. 17, 1956=100 |                         |        |        |             |         |        |             |        |         |         |       |
| All items (1)                                                 | "                     |                   | 109.0                   | 109.6  | 110.7  | 109.7       | 110.3   | 110.3  | 112.3       | 112.3  | 112.7   | 113.3   | 113.6 |
| Food                                                          | "                     |                   | 107.1                   | 108.2  | 107.4  | 106.8       | 106.6   | 107.3  | 107.7       | 107.5  | 107.4   | 108.0   | ...   |
| All items                                                     | 1938=100 <sup>2</sup> |                   | 271                     | 273    | 276    | 273         | 275     | 275    | 280         | 280    | 281     | 282     | 283   |
| Food                                                          | "                     |                   | 282                     | 285    | 282    | 281         | 280     | 282    | 283         | 283    | 282     | 284     | ...   |
| Housing                                                       | "                     |                   | 172                     | 180    | 186    | 183         | 186     | 186    | 189         | 190    | 190     | 193     | ...   |
| Clothing                                                      | "                     |                   | 269                     | 268    | 271    | 270         | 271     | 271    | 274         | 274    | 275     | 275     | ...   |
| Fuel and light                                                | "                     |                   | 281                     | 284    | 291    | 295         | 295     | 279    | 312         | 313    | 313     | 313     | ...   |
| Household durable goods                                       | "                     |                   | 307                     | 300    | 300    | 298         | 297     | 298    | 303         | 303    | 303     | 304     | ...   |
| Drink                                                         | "                     |                   | 276                     | 261    | 256    | 256         | 256     | 256    | 257         | 257    | 257     | 257     | ...   |
| Tobacco                                                       | "                     |                   | 428                     | 428    | 444    | 429         | 449     | 449    | 449         | 449    | 449     | 449     | ...   |
| <b>Purchasing power of £ (based on all consumer spending)</b> |                       | 1938=100          | 35.9                    | 35.7   | 35.4   | 35.8        | 35.6    | 35.6   | 34.9        | 34.9   | 34.8    | 34.6    | 34.5  |
| <b>UK TERMS OF TRADE</b>                                      |                       |                   |                         |        |        |             |         |        |             |        |         |         |       |
| <b>Import prices:</b>                                         |                       | 1954=100          |                         |        |        |             |         |        |             |        |         |         |       |
| All items                                                     | "                     |                   | 99                      | 98     | 99     | 99          | 99      | 99     | 98          | 97     | 97      | 98      | ...   |
| Food, drink and tobacco                                       | "                     |                   | 97                      | 98     | 97     | 96          | 95      | 95     | 97          | 94     | 95      | 96      | ...   |
| Basic materials                                               | "                     |                   | 96                      | 93     | 96     | 98          | 98      | 98     | 94          | 94     | 94      | 95      | ...   |
| Fuels                                                         | "                     |                   | 112                     | 104    | 98     | 100         | 100     | 100    | 95          | 96     | 96      | 97      | ...   |
| Manufactured goods                                            | "                     |                   | 101                     | 104    | 107    | 108         | 108     | 108    | 107         | 107    | 107     | 108     | ...   |
| <b>Export prices:</b>                                         |                       |                   |                         |        |        |             |         |        |             |        |         |         |       |
| All items                                                     | "                     |                   | 110                     | 109    | 111    | 111         | 112     | 111    | 112         | 112    | 112     | 112     | ...   |
| All manufactures                                              | "                     |                   | 111                     | 111    | 114    | 113         | 114     | 113    | 114         | 115    | 115     | 115     | ...   |
| Metals                                                        | "                     |                   | 118                     | 115    | 118    | 113         | 119     | 119    | 118         | 119    | 118     | 118     | ...   |
| Engineering products                                          | "                     |                   | 115                     | 117    | 120    | 121         | 121     | 120    | 121         | 122    | 121     | 121     | ...   |
| Textiles (excluding clothing)                                 | "                     |                   | 101                     | 98     | 102    | 101         | 99      | 102    | 105         | 107    | 106     | 107     | ...   |
| <b>Terms of trade:</b>                                        |                       |                   |                         |        |        |             |         |        |             |        |         |         |       |
| Ratio of import to export prices                              | "                     |                   | 90                      | 90     | 89     | 89          | 88      | 89     | 88          | 87     | 87      | 88      | ...   |
| <b>SHIPPING FREIGHTS<sup>(8)</sup></b>                        |                       |                   |                         |        |        |             |         |        |             |        |         |         |       |
| <b>Tramp shipping freights</b>                                |                       | 1960=100          | 90.4                    | 96.9   | 100.0  | 102.5       | 105.4   | 102.8  | 103.7       | 106.0  | 103.2   | 106.9   | 111.3 |
| <b>UK WAGES</b>                                               |                       |                   |                         |        |        |             |         |        |             |        |         |         |       |
| <b>Weekly wage rates:</b>                                     |                       | Jan. 31, 1956=100 |                         |        |        |             |         |        |             |        |         |         |       |
| All workers (3)                                               | "                     |                   | 114.0                   | 117.0  | 120.0  | 119.0       | 119.6   | 119.9  | 123.5       | 123.7  | 123.9   | 124.2   | ...   |
| Men                                                           | "                     |                   | 113.8                   | 116.8  | 119.7  | 118.7       | 119.4   | 119.6  | 123.2       | 123.4  | 123.6   | 123.9   | ...   |
| Women                                                         | "                     |                   | 114.0                   | 117.0  | 120.8  | 120.0       | 120.4   | 120.7  | 123.5       | 123.6  | 123.6   | 124.2   | ...   |
| Juveniles (4)                                                 | "                     |                   | 115.8                   | 119.0  | 123.2  | 121.2       | 121.8   | 122.0  | 128.4       | 128.8  | 129.0   | 129.2   | ...   |
| All workers                                                   | Sept., 1939=100       |                   | 296                     | 304    | 317    | 309         | 311     | 311    | 321         | 321    | 322     | 323     | ...   |
| <b>Weekly earnings (3):</b>                                   |                       | s. d.             |                         |        |        |             |         |        |             |        |         |         |       |
| Men                                                           | "                     |                   | 256 8                   | 271 1  | 290 8  | ...         | 282 1   | ...    | ...         | ...    | ...     | ...     | ...   |
| Women (full time)                                             | "                     |                   | 134 1                   | 140 11 | 148 4  | ...         | 145 0   | ...    | ...         | ...    | ...     | ...     | ...   |
| Youths (4)                                                    | "                     |                   | 112 0                   | 117 6  | 130 0  | ...         | 123 1   | ...    | ...         | ...    | ...     | ...     | ...   |
| Girls (4)                                                     | "                     |                   | 86 9                    | 90 10  | 96 10  | ...         | 93 1    | ...    | ...         | ...    | ...     | ...     | ...   |
| All workers                                                   | Oct., 1938=100        |                   | 408                     | 431    | 457    | ...         | 446     | ...    | ...         | ...    | ...     | ...     | ...   |
| Men                                                           | "                     |                   | 372                     | 393    | 421    | ...         | 409     | ...    | ...         | ...    | ...     | ...     | ...   |

(1) For a rough conversion to basis of June, 1947, multiply throughout by 1.534. (2) The interim index of retail prices has been linked back to 1938 with the aid of calculations made by Professor R. G. D. Allen for the London and Cambridge Economic Service. (3) For a rough conversion to basis of June, 1947, multiply throughout by 1.561. (4) In general males under 21 and females under 18 years of age. (5) Surveys made twice a year; annual figures relate to October survey. (6) Index revised and rebased on 1958=100 (see *The Economist*, January 7, 1961, page 59). (7) Revised series. (8) The series has been revised by the Chamber of Shipping to reflect a more up-to-date pattern of tramp shipping movements and uses the average freights in 1960 as the basis of comparison; 1958 and 1959 figures on the old basis of 1952=100 have been linked to 1960=100 by multiplying by 1.348, freights in 1960 being considerably lower than they were in 1952.



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Applications are invited for this appointment in Grade A.P.T. V (£1,310-£1,480). The officer appointed will be responsible to the Establishment and Organisation and Methods Officer already appointed and will undertake the investigation of manual operatives within the Council's service. Previous experience in Local Government an advantage, but not essential. Particulars and form of application obtainable from me. Closing date 30th JUNE, 1961.

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GRADUATE, qualified actuary or accountant, experienced or interested in investment analysis required by leading firm of Stockbrokers. Excellent salary and prospects for right applicant. Write giving details of age, qualifications, experience and previous employment to Box TE 718, c/o Hanway House, Clark's Place, E.C.2.

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### NEWMAN DEMOGRAPHIC SURVEY

It is proposed to establish at the London Headquarters of the Survey a special unit to undertake the assessment of Catholic school needs in Local Educational Authority areas. Applications are invited from Catholics for the following appointment: Preference will be given to candidates (men or women) who have recognised qualifications in statistical method, but candidates with experience as Statistical Assistant will also be considered. The head of the unit will be responsible to the Director of the Survey for all stages of the work from initial discussions with Diocesan School Commissions and Local Authority Departments of Education to the preparation of final reports. Starting salary in range £750-£1,200 p.a.

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CHARTERED ACCOUNTANT, 26-35, required by leading firm of stockbrokers to take charge of Accounts and act as personal assistant to C. A. Partner. Experience of stockbrokers' accounts a decided advantage. Salary according to experience but not less than £1,500 p.a. plus profit-sharing, pension schemes and other benefits. Details and form of application, etc., to Box "H.O." c/o J. W. Vickers & Co. Ltd., 7 Great Winchester Street, London, E.C.2.

### ECONOMIST

A leading manufacturer in the durable consumer goods field, based in North London, requires an Economist for a senior position in the Sales Research Department. The position calls for a man aged 25-32, with good qualifications in economics or statistics, and preferably some previous research experience. The man appointed will be responsible for the Company's sales forecasting and for research on a wide range of marketing problems. The degree of responsibility and of future advancement will be commensurate with largely by his ability to contribute effectively to company marketing policy. Starting salary will be in the region of £1,400 which may be varied in the light of qualifications and experience. Candidates should apply with full personal history to Box No. 1520.

### UNIVERSITY COLLEGE, IBADAN, NIGERIA

Applications are invited for (a) Lectureship or (b) Assistant Lectureship in STATISTICS DEPARTMENT OF ECONOMICS AND SOCIAL STUDIES to commence October, 1961, if possible. Salary scales: (a) £1,200 x £1,500 (part) £1,250 x £1,500 p.a.; (b) £950 x £50 — £1,100 p.a. (or if over 28 or holding higher degree £1,050 x £50 — £1,150 p.a.). Passages paid £150 p.a. wife and up to five children under 11 years, on appointment, annual overseas leave, and termination. Children's car and outfit allowances. F.S.S.U. Part-furnished accommodation at rent not exceeding 7.7 per cent. of salary. Detailed applications (6 copies) naming 3 referees by July 31, 1961, to Secretary, Inter-University Council for Higher Education Overseas, 29 Woburn Square, London, W.C.1, from whom further particulars may be obtained.

For other appointments  
see page 1427

### RHODES UNIVERSITY Grahamstown and Port Elizabeth,

Applications are invited for the following posts in the Port Elizabeth Division of the University, from January, 1962:  
(1) LECTURER IN GEOGRAPHY.  
(2) LECTURER IN FRENCH LANGUAGE AND LITERATURE.  
(3) LECTURER IN GERMAN LANGUAGE AND LITERATURE.  
(4) LECTURER IN ECONOMICS.  
(5) LECTURER IN GOVERNANCE.  
(6) LECTURER IN HISTORY.  
(7) LECTURER IN SOCIOLOGY.  
(8) LECTURER IN SOCIAL ANTHROPOLOGY.

The salary scale is R2,340 x R120 — R3,300 (£1,170 x £60 — £1,650) per annum. A vacation saving bonus, as in the Public Service, is also payable. Qualifications and experience may be taken into account in determining the commencing salary. Full particulars and application forms may be obtained 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 July 31, 1961.

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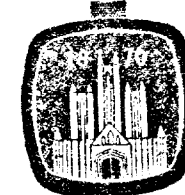
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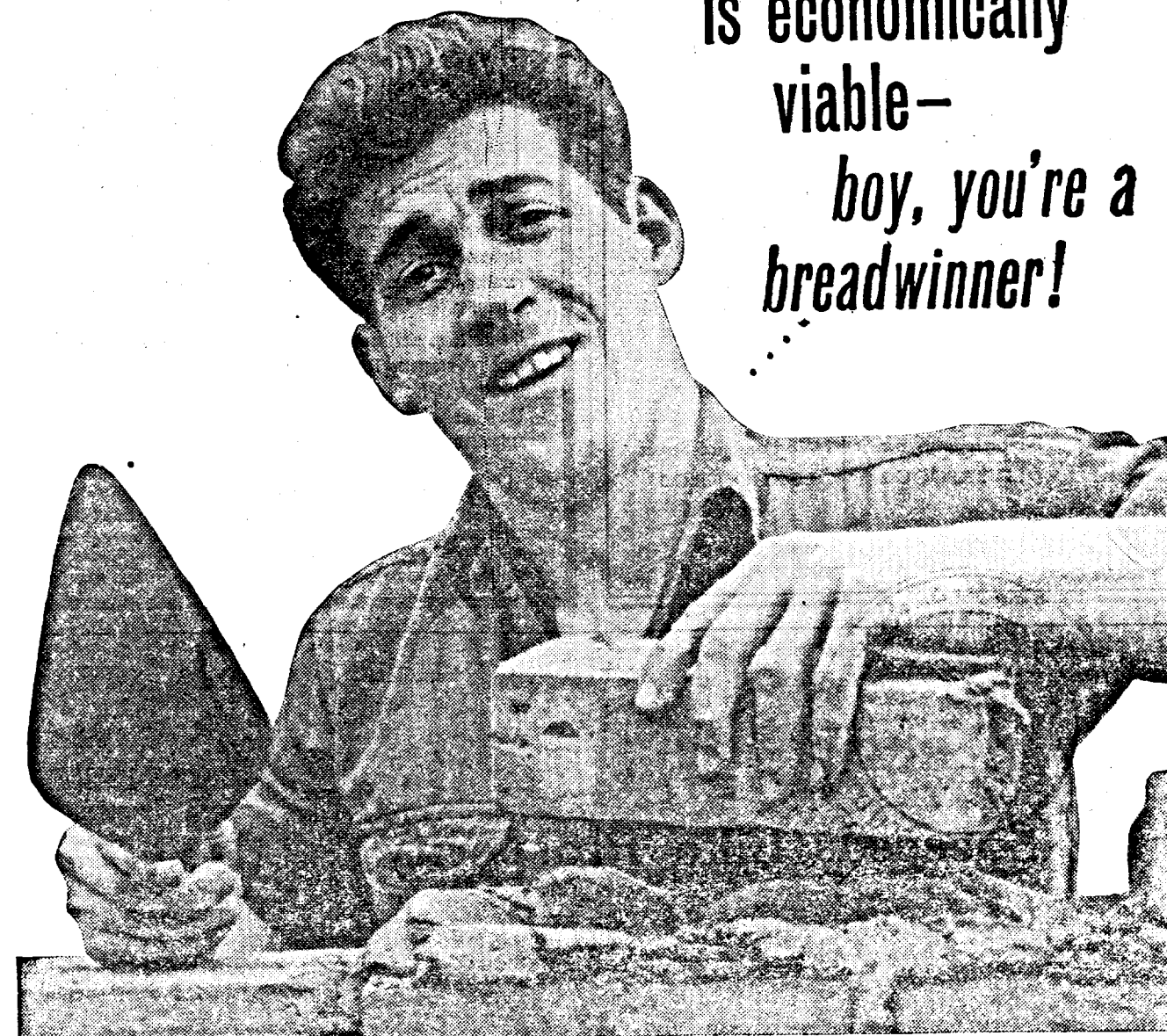
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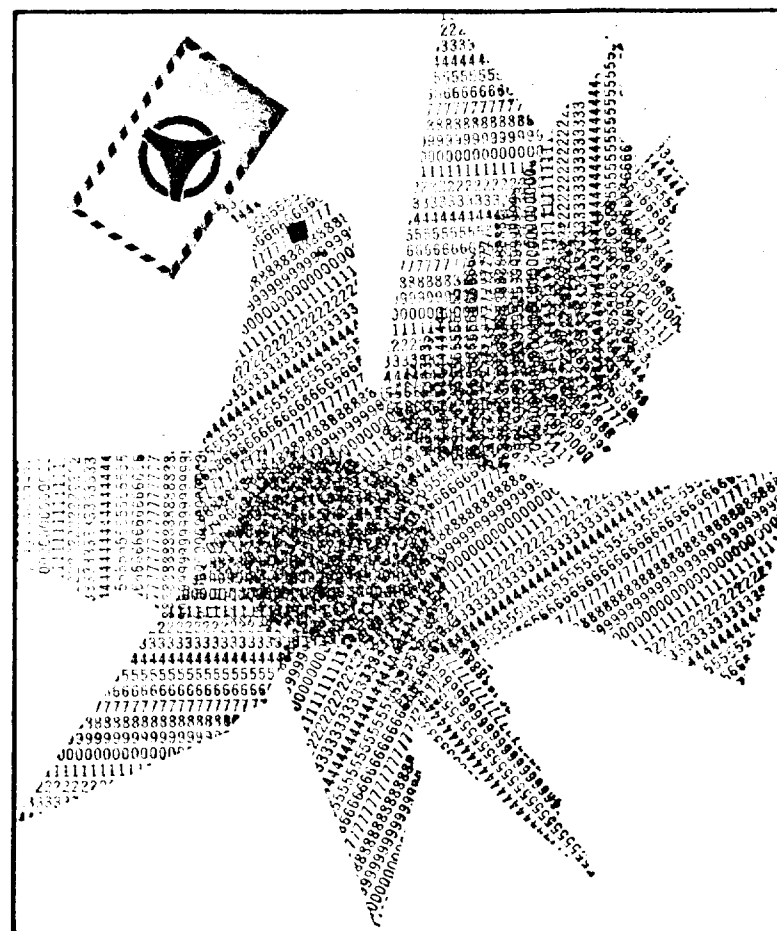
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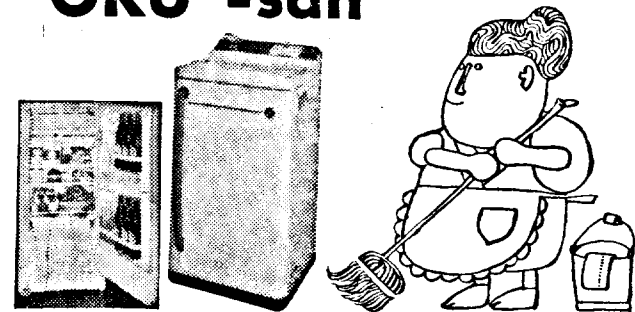
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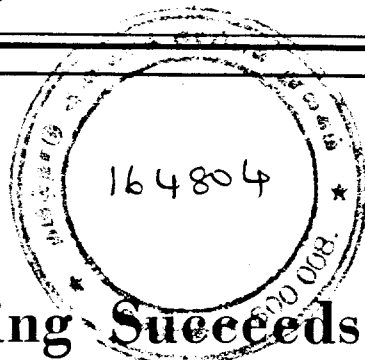
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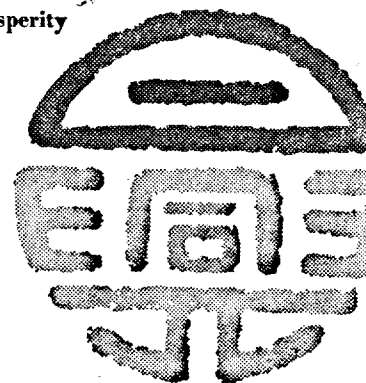
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